



People's Leasing & Finance PLC
Annual Report 2012/13

Why the compass?



The compass is a derivative of the new logo where the arrows point in different directions. The familiar red and blue used in compasses were an inspiration for this theme, especially since the Company now encapsulates a diverse array of products and services and are available for all financial solutions wherever you turn.

 **Vision | Mission | Our Philosophy | Our Core Values**

Vision

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

Mission

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

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.

Our Core Values

Economic viability, environmental responsibility and social accountability.

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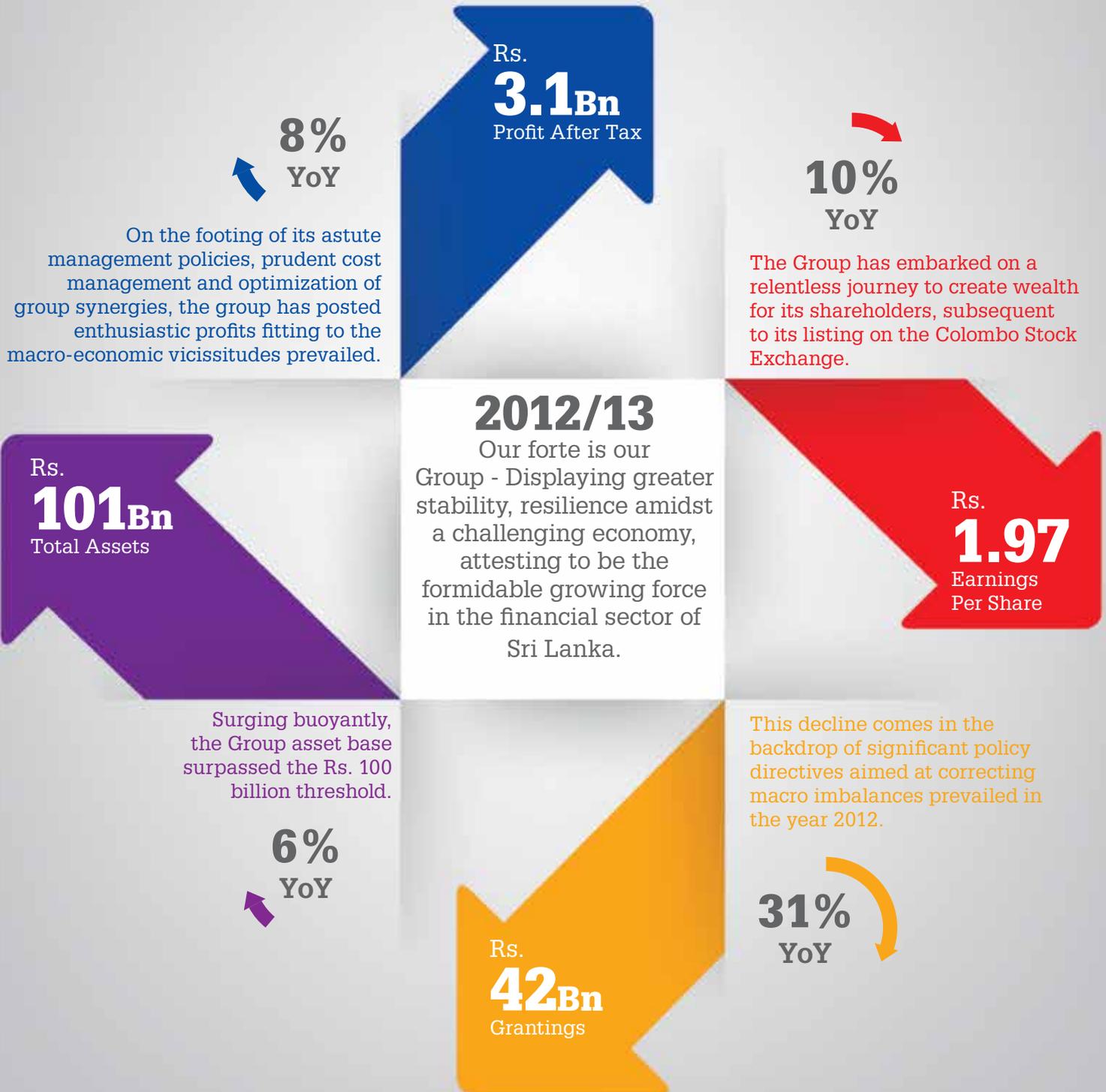
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 **Cover Story**



As People's Leasing & Finance PLC takes on a new year, we are pleased to offer a wider spectrum of services in one comprehensive entity. And as a financial giant that has gained the trust of millions all over Sri Lanka, from end to end we have always ensured excellence in every venture that we undertake. With the amalgamation of our strengths, we look forward to garnering the best of both worlds while we remain stable in our legacy of success. We ensure that no matter where you are and whatever you require, we will provide you with quality products and services, so that your financial compass always points to the best in the business.

People's Leasing Group



Our Journey

Heralding back the government's quest to improve private sector efficiency People's Bank established People's Leasing Company (Pvt) Limited as a wholly owned subsidiary on the 22nd August 1995.

It was in year 1996, that this company known today as People's Leasing & Finance PLC set sail on its ambitious journey with three employees and a ten million capital to become the leasing industry giant, today.

People's Leasing & Finance PLC has without a doubt, been a prime example of a successful business model that works on the fundamentals of private sector action with public sector thought. In the sixteen years of its operations, the Company has broken records, ventured into uncharted territory and forged victories that are truly remarkable.

Year 1996/97

With the shortest spell, People's Leasing was able to distinguish itself as a Company that is destined for greater ends by becoming the pioneers in Sri Lanka to import 415 built buses for leasing on easy payment terms under Indian Line of Credit. In the same year Mr. D. P. Kumarage becomes the Chief Executive Officer on secondment from People's Bank, spearheading a transformational mindset and cultural change within the Company, while the team increase to 25. The Company's share capital increased by Rs. 15 million and total paid up capital increased to Rs. 25 million during the year.

Year 1997/98

The first branch of People's Leasing was opened in Kandy and the long-standing and perpetual catchphrase "The People's friendly leasing" was instituted in the mindsets of the locals posing to be definite monuments in this giant's journey.

Year 1998/99

People's Leasing longing to further its success set in motion its expansion plans; opening branches in Ratnapura, Kurunegala and Matara to enhance geographical accessibility. The Company following its successful completion of maiden bus project, commenced the "Samurdhi Special Hire Purchase Project" aimed at empowering rural communities based in agricultural areas,

introducing low cost financing for two wheel tractors, water pumps and three wheelers with a Government budget allocation of Rs. 200 million.

Year 1999/00

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

Year 2000/01

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

Year 2001/02

Considering the giant People's Leasing has become, the Company timely and pragmatically linked all of its branches via online during the financial year 2001/02. Also by this time a visible performance driven culture permeated among the increased team of 125 and the Ordinary Share Capital of the Company was infused a Rs. 40 million by People's Bank.

Our Journey *contd.***Year 2002/03**

The financial year 2002/03 was a year of joy. In just seven years People's Leasing carved out its niche in the leasing industry by becoming the market leader with annual grantings totaling to Rs. 4.6 billion. 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.

Year 2003/04

The Company journeying at the peak opened a fully fledged model corporate city office at Union Place. The Company was also ratified as an approved Credit Agency by the Director of Commerce during the financial year 2003/04.

Year 2004/05

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

Year 2005/06

Venturing into innovative new ground, having earmarked new business opportunities, People's Leasing launched its newest division: the Islamic Finance Service Unit.

Year 2006/07

The Financial Year 2006/07 marked the tenth year for this joyful achieving journey. To make the 10th Year anniversary more celebrating and evidencing the rapid upward progress of the Company, Fitch ratings Lanka upgraded the Company's ratings to A- (lka).

Year 2007/08

People's Leasing throughout its burgeoning journey has been a true benchmarked leader that has uplifted the norms of the industry, spurred innovation and infused a brand of customer service that continually had raised the bar. One such innovation brought in to the industry by People's Leasing is the newest concept of window offices established in People's Bank branch premises during the financial year. Also venturing towards its first step in diversification, the Company acquired a fully-fledged service station in Rattanapitiya.

Year 2008/09

The Financial year 2008/09 was a flaunting year for the Company, in which, People's Leasing was ranked as the highest branded leasing company by the Brand Finance Lanka and also the Company received a gold rating for the Corporate Accountability by Sting Consultants.

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

Intriguing to become a corporate conglomerate in Sri Lanka the Company formed two subsidiaries; People's Leasing Property Development Limited and People's Leasing Fleet Management Limited in this year, adding another testimonial to the Company's blissful and achieving journey.

Year 2009/10

Being the true benchmarked leader, the Company coming forward in industry turbulent times during the financial year 2009/10, acquired 84.50 percent stake of the troubled Seylan Merchant Leasing PLC and transformed the distressed into a going concern in minimum time. Subsequently, the Central Bank of Sri Lanka also

appointed People's Leasing as the managing agent of Industrial Finance Limited. Continuing its winning culture, in the financial year of 2009/10, the Company received the International Quality Summit Platinum Award 2009 from Business Initiative Direction (BID) in New York for excellence and business prestige and also won the second runner – up “Best Corporate Citizen Award 2009” (below Rs. 10 billion turnover category) conducted by the Ceylon Chamber of Commerce.

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

Year 2010/11

The financial year 2010/11 was an ecstatic year for People's Leasing. The Company “Making Headlines” achieved the Rs. 5 billion milestone in grantings in December 2010 for the first time in the history of the leasing industry. People's Leasing emerged as a formidable group of companies in the financial services sector of Sri Lanka by establishing two new subsidiaries – People's Leasing Havelock Properties

Limited and People's Microfinance Limited during the financial year 2010/11.

Commendably, the Company received the “Diamond Quality Summit” Award from Business Initiative Directions for excellence and business prestige. Affirming the Company's untiring efforts to sustain, empower and uplift communities, for the second consecutive year, the Ceylon Chamber of Commerce conferred the Company the second runner-up in the “Best Corporate Citizens Award 2010” in the below Rs. 10 billion turnover category.

Year 2011/12

People's Leasing having journeyed sixteen years in the leasing industry and having secured market leadership for a prolonged decade, operates a successful business model that encompasses state sector accountability with private sector dynamism. In the financial year 2011/12 the Company in triumphant to its successful burgeoning journey thus far, moved to the new Head Office building situated in Borella. The Company successfully completed its initial public offering of Rs. 7 billion adhering to the Colombo Stock Listing regulations in November 2011 with an over subscription of Rs. 2,300 million. Accordingly, the Company transformed itself to a public limited quoted company from a public limited company.

The accolades, kudos and pioneering initiatives the Company has gained are commendable. To make the list longer People's Leasing yet again for the fourth consecutive year bagged the “Gold” Award in the Leasing sector at the Annual Report Competition conducted by the Institute of Chartered Accountants of Sri Lanka. The Company also received a Commendation Award – Medium Scale Category at the Sustainability Reporting Awards 2011 from ACCA whilst the “Gold Rating” for Corporate Accountability was conferred by Sting Consultants.

The Company reached “Such Great Heights” by achieving Rs. 49 billion annual grantings for the financial year. Manifesting the Company's bolstering financial strength Fitch Ratings Lanka upgraded the Company's National Long – Term rating to ‘A+(lka)’ from ‘A(lka)’.

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


Group Momentous Events 2012/13
In April 2012

The window office in Tangalle was converted to a mini branch on the 14th.

In May 2012

Window offices in Polgahawela and Wariyapola were opened on the 18th.

People's Finance PLC opened its dedicated Islamic Finance branch in Puttalam on the 31st.

In June 2012

Window office in Middeniya was opened on the 1st.

Two mini branches were opened in Mannar and Chunnakkam on 21st and 25th respectively.

An application was made to the Monetary Board of the Central Bank of Sri Lanka on the 12th to obtain the license to conduct finance business.

In July 2012

On the 5th, the Company's National Long Term rating was upgraded to 'AA-(lka)' from 'A+(lka)' and People's Finance PLC's to 'A(lka)' from 'A-(lka)', reaffirming the stable outlook of the Group by Fitch Ratings Lanka.

A new window office was opened in Welimada on the 6th.

The Company was assigned a rating equivalent to sovereign of 'B+/B' Long Term and Short Term issuer credit rating by Standard & Poor's and was assigned a Long Term Foreign and Local Currency Issuer Default Ratings (IDRs) of 'B+', a rating one notch below the sovereign by Fitch Ratings International on the 18th.

Two Gold Awards and one Bronze Award were secured by three employees of the Company at the National Sales Congress Awards (NASCO) organised by the Sri Lanka Institute of Marketing (SLIM).

Window office in Moratuwa was converted to a mini branch on the 27th.

In August 2012

A supplementary building adjoining the People's Leasing Head Office comprising of a Call Centre, Cafeteria and Fitness Centre was opened on the 28th.

In September 2012

The adoption of the new Articles of Association and the change of the name of the Company from "People's Leasing Company PLC" to People's Leasing & Finance PLC were approved by the shareholders of the Company.

In October 2012

A new window office was opened in Udugama on the 1st.

Premier Awards 2012 was held at Blue Waters Wadduwa on the 13th to recognise and reward the outstanding performance of individuals and branches within the Company.

Foreign currency operations were commenced at People's Finance PLC head office on the 5th.

At the "2012 Spot Light Awards" – Global Communication Competition organised by League of American Communications Professionals

(LACP), the Company Annual Report 2011/12: Such Great Heights was awarded:

- ▶ The platinum in the Competition class of Annual Reports in the finance industry.
- ▶ The Platinum- most inspirational, worldwide special achievement accolade in the overall competition category.
- ▶ No.05 among the Top 100 rankings of the competition.

A new mini branch affixed to Kandy branch was opened in Mahaiyawa on the 26th.

In November 2012

On the 12th, the Company received license to conduct finance business under the Finance Business Act No. 42 of 2011 from the Monetary Board of the Central Bank of Sri Lanka.

The Company was recognised as one of the ten best corporate citizens in the country by the Ceylon Chamber of Commerce and also became the second runner-up in less than Rs. 15 billion revenue category at the "Best Corporate Citizen Awards".

In December 2012

The Company officially commenced business as a licensed finance company under its new name People's Leasing & Finance PLC on the 5th.

The Company retained the coveted "Gold Award" for the fifth consecutive year in the leasing sector and People's Finance PLC was awarded the "Gold Award" in the finance sector at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. People's

Finance was also honoured with the "Bronze Award" in the overall management commentary category.

The Company became the winner of excellence in performance management practices and the joint winner in the non-banking and financial sector at the National Business Excellence Awards organised by the National Chamber of Commerce of Sri Lanka.

People's Insurance Limited opened their first Regional Branch in Galle on the 29th.

In January 2013

Welimada mini branch commenced operations on the 4th.

People's Insurance Limited's Negombo Regional Branch was opened on the 27th.

The Company sorrowfully mourned the sudden demise of its Chairman, Mr. W. Karunajeewa, with whom the Company grew boundlessly. Mr. W. Karunajeewa headed the Company Board from 2007 to January 2013.

In February 2013

People's Bank Chairman, Mr. Gamini S. Senarath, was appointed as the Chairman of People's Leasing Group except for People's Insurance Limited.

A new service centre was opened at People's Insurance regional office in Negombo on the 20th.

In March 2013

The Company issued 30,000,000 Listed, Senior, Unsecured, Redeemable, 'AA(-)' rated four year and five year Debentures of LKR 100/- each on the 19th. Subsequent to the issue being oversubscribed the Company issued a further 30,000,000 Debentures, totaling up to maximum of 60,000,000 debentures.

People's Leasing & Finance PLC became the joint winner in the financial services provider category at the SLIM Nielsen People's Awards 2012/13.

The Company Annual Report for the year 2010/11 was adjudged as the recipient of "Certificate of Merit" in the financial services sector at the SAFA Best Presented Annual Report Awards 2011.

 **Financial Highlights and Achievements**

Company	2012/13	Change %	2011/12	2010/11*	
Financial Performance (Rs. Million)					
Total income	15,846	22.72	12,912	9,212	
Operating income	7,389	11.79	6,610	5,671	
Operating profit	4,263	2.75	4,149	4,094	
Profit before taxation	4,006	5.95	3,781	3,721	
Income tax expense	1,163	(3.57)	1,206	1,142	
Profit for the year	2,843	10.41	2,575	2,580	
Taxes paid to Inland Revenue	1,791	(31.80)	2,626	2,296	
Financial Position (Rs. Million)					
Loans and receivables	75,723	6.22	71,289	55,629	
Total assets	83,886	6.65	78,658	55,849	
Borrowings	62,215	5.92	58,740	39,930	
Shareholders' funds	17,672	5.13	16,809	8,442	
Information per Ordinary Share (Rs.)					
Earnings (basic/diluted)	1.82	(8.08)	1.98	2.05	
Effective dividends	1.25	25.00	1.00	1.50	
Net assets	11.33	5.10	10.78	6.32	
Market value**	13.10	12.93	11.60	N/A	
Key Performance Indicators					
Interest cover (times)	1.47	(8.13)	1.60	2.04	
Dividend cover on ordinary shares (times)	1.45	(12.12)	1.65	31.96	
Return on average shareholders' funds (%)	16.49	(19.40)	20.46	38.44	
Equity : Assets ratio (times)	4.75	1.50	4.68	7.56	
Return on average assets (%) (before tax)	4.93	(11.49)	5.57	8.59	
Dividend pay-out ratio - ordinary shares(%)	68.94	13.78	60.59	3.13	
Debt : Equity ratio (times)	3.52	0.86	3.49	5.54	
Statutory Requirement Compliance Threshold					
Minimum core capital (Rs. Million)	Minimum 300	16,855	12.41	14,994	8,442
Core capital ratio (%)	Minimum 5	21.15	(16.80)	25.42	-
Total risk weighted capital ratio (%)	Minimum 10	20.06	(21.09)	25.42	-
Capital funds to total deposit liabilities ratio (%)***	Minimum 10	246.75	100.00	-	-

Financial Goals and Achievements

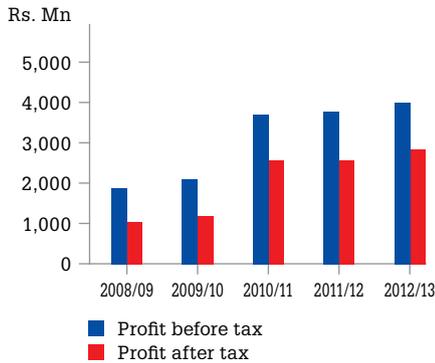
Company	2012/13 Achievement	2013/14 Targets
Profit before taxation (Rs. Million)	4,006	Over 5,000
Profit for the year (Rs. Million)	2,843	Over 3,700
Annual grantings (Rs. Million)	34,620	Over 59,700
Return on average assets (%)	4.93	Over 4.50
Non-performing advance ratio (%)	1.23	Under 2

* Figures prior to the financial year 2011/12 are as per the Sri Lanka Accounting Standards (SLAS).

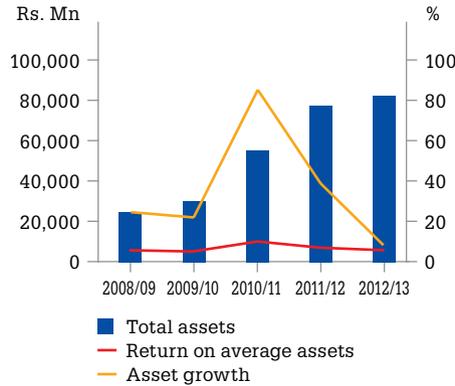
** The Company was listed in the Colombo Stock Exchange in November 2011.

*** The Company initiated accepting deposits on the 5th December 2012, date of commencement of operations as a finance establishment.

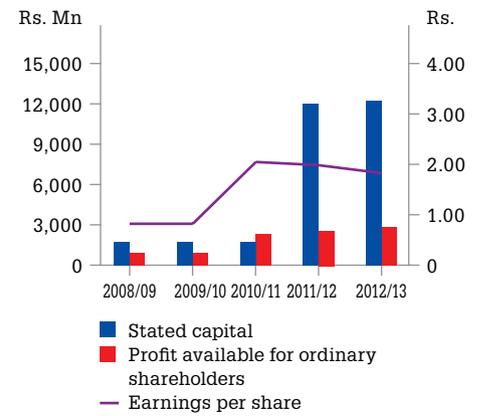
Profit Before and After Tax



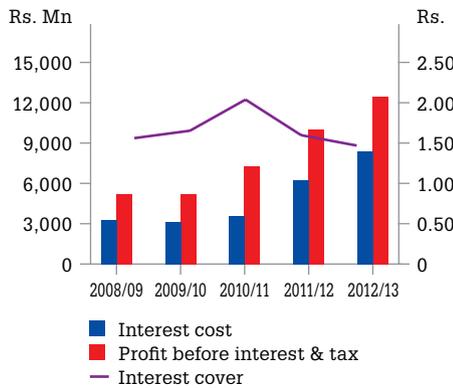
Asset Growth



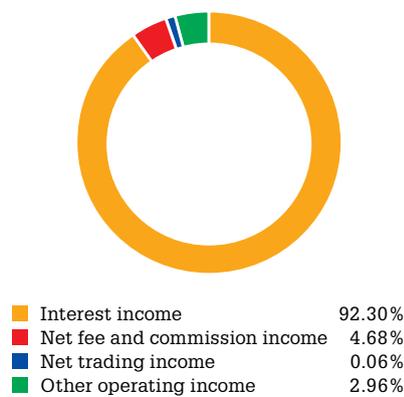
Shareholders' Return



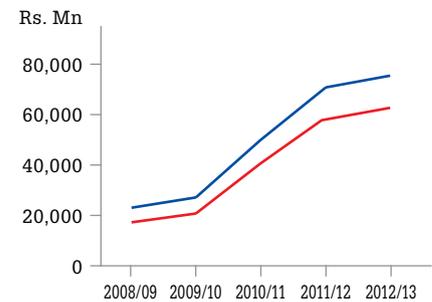
Interest Costs



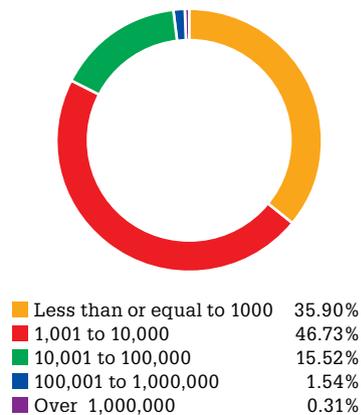
Total Income



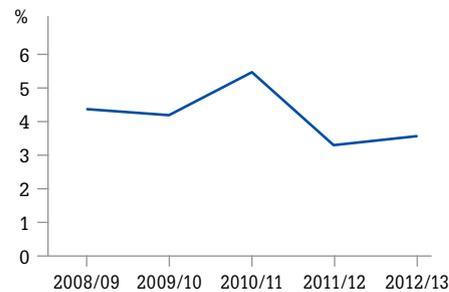
Borrowing and Lending Portfolios



Distribution of Shareholders



Debt to Equity Ratio





Finance Lease ▶ Making personal vehicle ownership more affordable

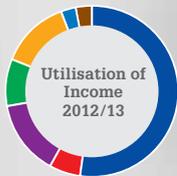
Hire Purchase ▶ Tailor made solutions to finance your acquisitions

Quick Cash ▶ Personal fast delivery loan scheme for individuals/ businessmen

Term Loans ▶ For the diversified borrowing needs of customers

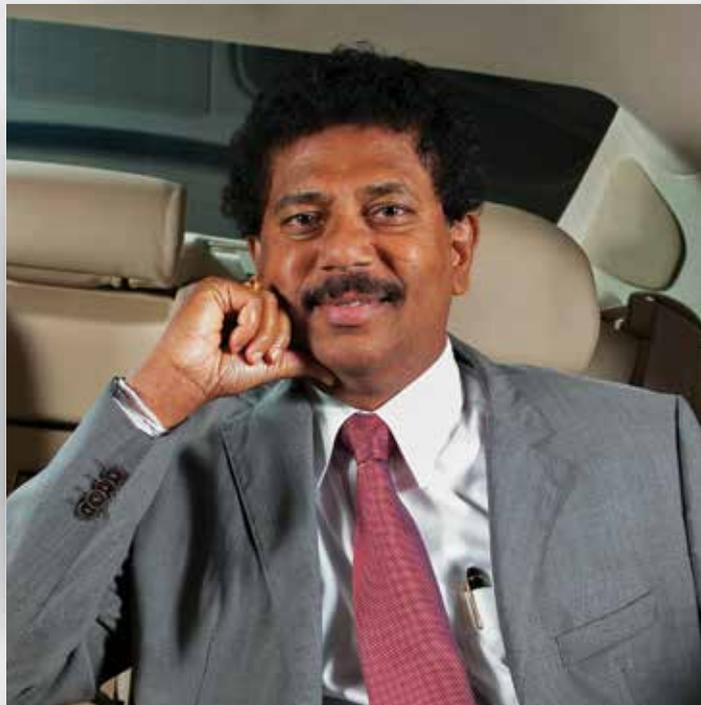


Our range of services are tailor-made, from families to businesses so that our customers can reap the benefits for all their financial solutions.


Chairman's Message


Interest cost	52.51%
Employees	5.79%
Operating expenses	13.94%
Taxes	8.96%
Dividends	13.23%
Reserve fund	2.72%
Retained profits	2.85%

The Company total income grew to Rs. 16 billion from Rs. 13 billion in the previous year, corresponding to a remarkable ascent of 23 percent.



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

As the vanguard of the industry, we were not lackadaisical but took upon the challenges boldly and made every necessary adjustment, strategically, where required to be above the down-swing.

Dear Stakeholder,

It has been only a few months since I took over the helm of this premier financial entity, People's Leasing & Finance PLC (PLC) to continue the good work left by my illustrious predecessor, late Mr. W. Karunajeewa. During this short while, I am enthralled to see how this Company, commencing with humble beginnings as a specialised leasing company sixteen years ago, stride ahead on a solid pillar of fundamentals to be at the forefront of our nation's development trajectory. Today, it can lay claim to operational excellence that has taken the Company to such heights in its corporate journey and reached the standing as the foremost non-bank financial institution in the country. Yet, the journey continues and the years ahead are promisingly set to bring greater prosperity to all our stakeholders and to our society at large. In this light, it is indeed my great privilege, on behalf of the Board to present to you the Annual Report along with the Financial Statements for the financial year 2012/13 and to share my perspective on the Company, milestones reached during the year under review and the roadmap to take off to the next lap of our journey amidst vibrant economic and social change.

Global Economic Perspectives

Since 2008, the world has been grappling with the sub-prime mortgage led financial turmoil which has set the economies of the advanced countries in complete disarray and some even into double-dip recession with serious implications to the emerging and developing nations. The year 2012 continued to be challenged by the economic meltdown although the world has just begun to see the "end of the tunnel", slowly and cautiously. This was further accentuated by the geopolitical uncertainties mainly that of the Middle East where the Arab Spring was in full swing bringing civil and political unrest to the region and to the world at large. Climate change has taken its toll and has not been a solace to the economic woes reverberating around the world.

The United States, although fraught with subdued fundamentals, was on a more stable terrain in the preceding year, led by a series of packages of dynamic stimuli and bail-outs. However, in the setting of an exceedingly polarised presidential election and the near plunge off the fiscal cliff, the year saw the economy vacillating in its path to recovery. The eurozone, still embattled with the sovereign debt crisis, most notably, in the peripheral economies of Greece, Portugal, Ireland, Spain and Italy was driving towards a recovery from the downward spiral. In the year, the austerity measures, structural reforms and commitments to bail-out distressed nations kept the euro region unified and above the abyss. Japan, rebounding from the natural disasters, accelerated fiscal adjustments and monetary easing towards economic recovery, yet with slower than anticipated results. Even, the emerging giants, China and India witnessed "overheating" within their "home-grown" distresses and succumbed to the tenuous conditions of the advanced nations, although still steady, if not spectacular on its growth momentum. In this scenario, the global growth for 2012 decelerated to 3.2 percent down from 4.0 percent in the preceding year. Nevertheless, the outlook is projected to improve with growth forecasts touching 3.3 percent in 2013 and 4.0 percent in 2014, spurred largely by the emerging and developing Asia (World Economic Outlook, April 2013, IMF).

Sri Lankan Economic Perspectives

With the dawn of peace, the post-conflict settings have been exciting for Sri Lanka with many opportunities present within to set us on high ground after nearly three decades of adversities. As a nation, we have moved ahead within a framework of relatively sound fundamentals – single digit inflation, lowest unemployment, healthy interest rates and conducive exchange rate policies to take our economy nearer to our development goals envisioned in the "Mahinda Chinthana" policies as set-out in the Roadmap 2013, the GDP reaching the US dollars 100 billion mark

and to be among the top-quartile upper-middle income countries with a per capita income of US dollars 4,000 and above.

In the immediate preceding two years, certainly, we saw our economy reverberating ahead with unprecedented growth above 8.0 percent. Even this year, notwithstanding the downside of the global economy and the geopolitical volatilities as well as the vacillations faced in the domestic macro-economic front, our economy resiliently held ground and grew at 6.4 percent, comparable with the regional economies and commendable given the context in which such heights were achieved (Annual Report 2012, Central Bank of Sri Lanka).

At the onset of the year, the country was overwhelmed with macro-imbalances, inherent in a hyperactive growth-led economy where up-beat consumer and investor sentiments are at the peak. Inflation, fuelled by demand pressures, given an upsurge in imports in an accommodative scenario of low interest rates were weighing down the economy whilst the external front was constrained with a significant imbalance in the current account and somewhat uncomfortable level of external reserves.

Yet, taking the onus proactively and swiftly to restore the soundness of the macro front, crucial to sustain the growth momentum of the economy, the Central Bank of Sri Lanka tightened the reins on monetary policy, entailing a cap on commercial bank lending as well as a rationally targeted increase in policy rates. This macro manoeuvring together with a flexible exchange rate policy and a rational duty structure on imports buttressed the macro fundamentals, once again, sustaining the single digit inflation levels and containing the burgeoning trade deficit and thereby propping up the balance of payments into a surplus with a conducive level of reserves of 4.4 months of imports. The great strides achieved in the macro fundamentals prompted a more

Chairman's Message *contd.*

accommodative monetary policy by the end of the year, affirmed the stage for a rebound with growth expectations to be above 7 percent in the near term and above 8 percent in the medium term.

Finance Sector & NBFIs

The financial sector of the country within the milieu of a unified Sri Lanka, with relatively healthy macro-economic dynamics and on a strong platform of legislative, regulatory and supervisory measures has progressed to be at the forefront in supporting the growth aspirations of our nation. Even in the midst of the challenges posed by the global and domestic volatilities, the sector resiliently sustained a higher capital base and healthy earnings.

The dynamic role played, especially during the recent past by the Non-bank Financial Institutes (NBFIs) within the finance sector has been significant in creating a financially savvy society and enhancing financial inclusivity. The sector which bid farewell to a “distressed” phase created by a few mishandled finance companies has now firmly secured its place in the nation's development goals on strong fundamentals of risk management and governance, supported by an appropriately regulated framework.

The NBFi sector was tested in the year under review against the odds of tight macro fundamentals which had a direct bearing on its operations. Yet, NBFIs underpinned by financial discipline and a well-planned regulatory framework sustained its growth momentum and recorded a temperate, yet credible performance ensuring high credit quality, superior profitability, a strong assets base and comfortable spaces in capital adequacy.

Regulatory Framework

Over the past two decades, the regulatory landscape in the country has played a centre role in safeguarding the health of the finance sector which is crucial as pertinently demonstrated by the underlying variables that triggered the global financial crisis. The

statutory and regulatory bodies, that include the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka have committedly taken on this sacred role and much has been done to strengthen the sector and set standards with greater reforms, regulations both preventive and curative, legislative and efficient and effective supervision. It is indeed creditable to see the progress made in the regulatory front which in effect has set the pace for the sector to grow, more sustainably. Our profound commendations are with the regulatory bodies.

The Central Bank of Sri Lanka during the year, fine-tuned the regulatory and supervisory structure for the entire finance sector. With regard to the NBFIs, an internal risk rating model and an early warning system were initiated as preventive measures. Two new directions were issued to Licensed Finance Companies on information systems security policy and the upper limit on interest rates on deposits whilst four directions targeted the Specialised Leasing Companies on fitness and propriety of directors, computation of the statutory liquid assets ratio, maximum amount of borrowings and establishment of a panel of credible external auditors.

Company's Forte

This was a year that demanded the Company, as was the case for the industry as a whole, to root all our faculties to re-think and re-strategise on the best course of action to sustain our operations in an environment aggrieved by external uncertainties coupled with macro challenges in the domestic front and intense competition in the industry. As the vanguard of the industry, we were not lackadaisical but took upon this challenge boldly and made every necessary adjustment, strategically, where required to be above the down-swing.

These efforts indeed, were underpinned by the Company's enviable reputation, standing and outreach embolden by the strength

of our parent, People's Bank, a well-knit subsidiary network complementing our core operations, the ability to make swift decisions and manage complex situations through great team work, dedication of a dynamic workforce and our passion to orientate the business to reach excellence in customer service. Superseding these facets stands our deep understanding of the importance of looking beyond commercial viability. We are well aware that it is our long-term perceptiveness that has brought PLC to the summit of the non-bank financial domain, even if we had to take a “hit” in the short-term. This inheritance, built into our “DNA” is the live-wire that would sustain us in the years to come.

Our risk management process - Integrated Risk Management platform is on par with the best acclaimed principles and practices and we have taken the necessary steps during the year to further augment the process, focusing on ever evolving demands of a vibrant industry. We maintain a strategic focus on engaging with all stakeholders, be it our shareholders, employees, customers, business partners and community at large and advocating pro-carbon neutral policies, fitting for a responsible corporate citizen. We stand committed to the core-tenets - transparency, accountability, uprightness and professionalism which are engraved in our corporate ethos and uphold the good governance principles as prescribed by the relevant regulatory bodies in Sri Lanka and world over. Our reporting standards are now converged to the revised Sri Lanka Accounting Standards, and aligned to the International Financial Reporting Standards.

Strategic Moves

We were persistent in the year to enhance the depth of our key competencies whilst seeking to encompass our diversity, essentially giving us leverage to reinforce our commanding position in the industry. In this spirit, the finance business license obtained during the latter part of the year 2012 assumes greater significance along with the strategic merger with our

efficacious subsidiary, People's Finance PLC. Today, the Company has successfully merged, transitioned as a new entity - encompassing a name and a logo change and operating with a greater outreach, product base diversification and dominance in the industry. Strengthening our subsidiary network and enhancing the opportunities to synergise and offer a whole array of financial services also played its part in our drive towards diversity.

On the funding side too, our focus was on diversifying our options which was vital in the backdrop of the somewhat growth hindering non-accommodative monetary policies that were in place during a greater part of the year. The debenture issue which in fact supported the government's aspirations to develop the debt market in Sri Lanka was the most pragmatic option we had in hand. We confidently issued 60 million debentures in March 2013 and succeeded to be oversubscribed and to raise Rs.6 billion in proceeds which was part utilised to reinforce the soundness of our financial position.

Even in the face of global headwinds and challenging domestic dynamics, we consolidated our operations in the year and delivered commendable performance, if not phenomenal as in the preceding year. We were able to generate our net interest income to post Rs. 6,168.77 million recording a 8.22 percent increase whilst profit after tax was at Rs. 2,842.78 million signifying an enviable growth rate of 10.41 percent in comparison to the financial year 2011/12. The Company achieved a 4.93 percent return on assets ratio whilst our non-performing accommodations were maintained at 1.23 percent well below the industry average. Our financial position was at healthy levels buttressed by the debenture issue. The capital adequacy ratio of 21.15 percent was well above the prescribed parameters. Hence, during the year, in keeping with our financial prowess and our commitment to valued shareholders,

we declared/ proposed a dividend of Rs. 1.25 per share representing an increase of 25 percent as against the dividends declared for last financial year.

Journey to the Future

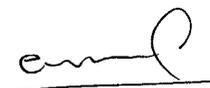
The year under review challenged PLC's operations as much as it did the entire finance sector and the country at large. Yet, the Company had the resilience to uphold its market dominance and financial muscle with the firm support of our parent People's Bank, a results-oriented, proactive and visionary team, streamlined processes and sound fundamentals.

With hopes set on the imminent global recovery and the restored macro-economic fundamentals in the domestic front in a more accommodative policy regime and rapidly developing infrastructure framework, the year ahead, I firmly believe, will be the time to explore our new opportunities. Our efforts will be focused on deploying and reinforcing our expertise and strengths to reach greater heights of prosperity within these opportunities.

My illustrious predecessor has set the stage for the organisation to grow with a right mix of strategic thinking and execution expertise and a culture that believes in social responsibility. Certainly, it is an organisation that has reached the epitome of excellence which has presented tremendous opportunities to deliver the corporate vision. I am honoured to be a part of this journey and call upon all our stakeholders as responsible citizens of the soil to join me in this sacred effort insteering PLC to a great future.

Appreciations

I wish to place on record my sincere appreciation to my colleagues at the Board for their unstinted support extended to me during my short tenure as the new Chairman of this esteemed organisation and of People's Bank. My appreciation is extended to the Chief Executive Officer and his team for driving the Company on a well-balanced strategic growth path. My confidence is placed on their expertise and rightly so, to take the Company forward into new horizons. My heart-felt gratitude is with all employees for their perseverance to bring excellence to the organisation and for a job well done in this momentous year where the Company embraced diversity at its best. To all other stakeholders, thank you all for your commitment, support and loyalty.



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

8th June 2013
Colombo

Tribute to Former Chairman

In honour of



Mr. Karunajeewa with his forthrightness, humility and above all, a rare charisma is an irreparable loss to the People's Bank Group and to the Nation at large.

 **Mr. W. Karunajeewa**
Former Chairman
People's Leasing & Finance PLC

It is with profound sadness we pen the demise of our distinguished and much admired Chairman, Mr. W. Karunajeewa, on 29th January 2013. Mr. Karunajeewa with his forthrightness, humility and above all, a rare charisma is an irreparable loss to the People's Bank Group and to the Nation at large.

Mr. Karunajeewa with a Bachelor of Commerce Degree from the University of Ceylon commenced his illustrious career as an Attorney-at-Law. Yet, he made an indelible mark in finance and was aptly awarded an Honorary Fellowship in recognition of his outstanding contribution to the banking industry by the Institute of Bankers of Sri Lanka. Prior to his finance and banking stint at People's Bank, Mr. Karunajeewa was the Chairman of Ceylon Fisheries Corporation and also of the Employee's Trust Fund Board.

Mr. Karunajeewa who came to the helm at the People's Bank Group in May 2007, made an invaluable contribution in taking the Group to be an embodiment of excellence in the financial arena in this country. In 2007, he joined the Board of People's Leasing & Finance PLC as Chairman and was instrumental in leading the Company and its subsidiary network to become the undisputed market leader and the largest non-bank finance company in Sri Lanka, centered on a solid mainstay of best practices in governance.

Under his visionary leadership, People's Leasing & Finance PLC spread its wings to reach new horizons with six subsidiaries spanning finance, insurance, microfinance, property development and fleet management. During his tenure, the Company acquired the majority stake of the "distressed" Seylan Merchant in 2009 and successfully turned-around operations as People's Finance PLC with a governance structure fit for emulation.

He gave his unstinted support and upheld corporate ethics to take the Company on a steady journey of advancement, with the right tools of best human resource policies and practices, innovation, the latest in technology, financial discipline but more so with the best in customer service. In the year 2011, he successfully spearheaded the Company to broaden its stake at the Colombo Stock Exchange and subsequently, in the year 2012, paved way to transition of its core operations to a finance company with a wider and also a strategic scope than a specialised leasing company. He was a great proponent of the merger with the subsidiary, People's Finance PLC which will take the Company to the next phase of growth, thereby reinforcing its dominance in the non-bank sector.

Mr. Karunajeewa, a true champion of excellence set the tone for the Company's future journey ahead. A far-sighted leader, he initiated a culture of openness and team spirit. He taught us the true meaning of corporate empathy which defines our Company to be the true future of Sri Lanka with an ethos of integrity, trust, transparency and accountability embedded at the core of operations. The future generations of People's Leasing & Finance PLC will no doubt miss his visionary leadership.

We at the Board, the management and all employees pledge to take forward the legacy of best practices of governance he left behind.

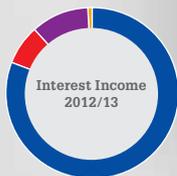
Our sincere condolences are extended to his beloved family and friends.

May he attain eternal peace!

CEO's Review



A finance business license, a strategic merger with our subsidiary and a successful debenture issue on a plateau of solid fundamentals in governance transformed the operations and added colour in a year that continued to witness politico-economic mayhem globally with implications on the domestic economy.



Finance lease & hire-purchase	83.80%
Loans and other advances	6.37%
Interest on overdue rentals	9.29%
Interest from bank deposits & government securities	0.48%
Profit from Islamic finance	0.06%

Finance lease and hire purchase interest, being the largest contributor to the total interest income of the Company, reported a contribution of 84% in the year under review.

D. P. Kumarage
Chief Executive Officer/ General Manager
People's Leasing & Finance PLC

With modest beginnings sixteen years ago, we at People's Leasing & Finance PLC (PLC) traversed through many hurdles and embraced many opportunities to be the largest player in the non-bank financial sector in Sri Lanka. In the recent years, we have achieved such heights in growing our Company - six subsidiaries, branches spanning the entire island, broad-basing on the Colombo Stock Exchange and reaching zenith levels in operations. The year that was etched its mark in the annals of our corporate journey with a paradigm shift that truly encompassed our diversity. A finance business license, a strategic merger with our subsidiary and a successful debenture issue on a plateau of solid fundamentals in governance transformed the operations and added colour in a year that continued to witness politico-economic mayhem globally with implications on the domestic economy. It is in this backdrop that I review the performance in the financial year 2012/13 herein the Annual Report and present to you our strategy and corporate goals for the years ahead in line with our vision to be "legendary in the financial service scene".

Strategic Focus

Our strategic focus in the year under review was to protect our dominance in the financial arena in this country with diversity as the core proposition to retain our market share. As always, we strived to leverage on our customers through our well strategised operating model to place their confidence in our unrivalled service excellence. Our approach was holistic, with a commitment to exceed customer value and nurture loyal relationships from the leadership level to deeper into the organisation. Our superior brand power reinforced by our parent company, our

passion to offer diverse financial solutions, our endless search for innovation through the latest yet applicable technology, well nurtured employee relations and our expansive distribution channels strategically positioned us to hold our market share as the leading player in an exceedingly competitive leasing industry.

Group Synergies

Our forte is our Group – our parent company, People's Bank, the quintessence in the finance sector in Sri Lanka and our strategic subsidiary network. Over the years, we have been privileged to be guided and supported by People's Bank and to be the flagship subsidiary of the Bank. Their brand support and the network have been a tower of strength to ascend in our corporate journey.

Our subsidiary network is finely entwined to avail greater synergies to the Group. In this year, in keeping with our strategic focus, we placed greater efforts to strengthen the subsidiary operations by initiating more streamlined processes and reinforcing good governance. This has definitely boosted our position as a top notch player in the industry.

People's Finance in the year secured its presence in the finance business as well as in Islamic finance and strode ahead as the fastest growing finance company in Sri Lanka. Our insurance company, People's Insurance expanded its wings outside the Group and "done us proud" to be ranked as number five in the non-life insurance segment, within a span of three years in commercial operations. Our microfinance arm, essentially aiming to bring the under-privileged masses of our country to the mainstream, enhanced its visibility and succeeded in posting satisfactory results.

Fleet management and our venture into property development with the patronage of Board of Investments have blended in so well to complement our Group requirements with much potential to grow the businesses, beyond.

The consolidated performance of the Group was remarkable despite the uncertainties that underpinned the year under review. Consolidated income posted Rs. 20,814.09 million whilst net profits were Rs. 3,110.33 million reflecting an increase of 29 percent and 7.74 percent respectively. The asset base of the Group was at Rs. 101.14 billion as at 31st March 2013.

Approach to ICT

Clearly, Information Communication Technology (ICT) plays a vital role, laying claim to our operational excellence. Our approach to ICT is not the "latest" per se but uniquely planned and targeted to give appropriate solutions aligned to our corporate strategy. In the financial year under review, ICT further enabled us to modernise our product offer, automate and simplify our processes especially targeting the branch operations and subsidiaries whilst playing a critical role in ensuring smooth integration of operations for our merged entity. The highlight however, was the launch of a contemporary and interactive call centre for the Group network, certainly reinforcing our commitment towards customers.

Most Valued Asset

Our employees are valued for their hard work, team spirit, vigour and professionalism. We are proud to have with us some of the best and young talent in the industry both at the top-tier and at the operational level. Our focus

CEO's Review *contd.*

is predominantly on developing our existing employees whilst recruiting the preeminent talent to fill the vacancies and also to fill in the skills gap, if required.

We seek and are pleased with our progress in keeping with our tenet of "equal opportunity". Our HR strategy, wherever possible, fosters a diverse and inclusive workforce that is above social prejudices. Our multifaceted cadre, in fact, has been very successful in teaming up to be a winning solution that underlines many of our feats, be it in operations or in corporate social responsibility.

Aspiring to be among the "best places to work", we are committed to extend an enabling workplace and empower our employees to make effective decisions and manage work-life balance. We have in effect adopted best policies and practices in human resource management including key welfare measures, remuneration and incentives comparable or even exceeding industry standards. We have espoused a transparent performance culture with which our employees give their best - a win-win situation to both our corporate goals and for their career development. Our low executive turnover is a testimony to our commitment.

We are steadfast in our drive to invest in training to be on par with the best in the industry. Our structured training calendar is given precedence in strategic planning to ensure that the corporate skills gap is well balanced with the career aspirations of our employees. Accordingly, we extend in-house and external training including foreign training opportunities with some of the best professional trainers/training institutes with focus on credit evaluation, industry and regulatory developments,

customer service, applications in ICT, business etiquette and ethics. We are currently negotiating with the prestigious management institute, Postgraduate Institute of Management to extend comprehensive training to the middle management. In the year under review, our training covered all employees for an investment of over Rs. 10 million corresponding to an ascent of 117 percent as compared to the preceding year, reinforcing our commitment towards our employees.

Financial Performance

During the year, we prepared our financial statements in compliance with the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards which are based on International Financial Reporting Standards.

Our financial performance for the year witnessed consolidation in contrast to the great heights accomplished in the preceding year, amidst the backdrop of a tumultuous macro-economic environment. The early part of the year witnessed tight monetary policy directions to correct the imbalances in the economy which pressured interest rates to hike and triggered liquidity to moderate. This, accentuated by the free fall of the exchange rate and higher inflation had serious implications across the industry and on our core operations.

Our grantings during the year declined by 29 percent to Rs. 35 billion as compared to the outstanding levels experienced in the preceding year. Yet, complemented by the revisions in the lending rates corresponding to the policy regime, we ensured a quality lending portfolio and

sustained our margins. In this scenario, we succeeded to bolster our top line, commendable, indeed, given the nuances that were prevalent in the economy. Our income reached Rs. 15,846.40 million reflecting an increase of 22.72 percent as against the preceding financial year.

In the reporting year, financial discipline was critical for our sustenance given the deteriorating macro fundamentals. It was remarkable to see how our entire organisation across the branches came together and took the onus to bring discipline to their daily operations. Recoveries were given precedence and the portfolio was conscientiously monitored for possible defaults, speedy action taken and effective customer partnerships established to minimise the impact. Our non-performing portfolio, therefore, was well managed to keep from burgeoning in a susceptible environment. The non-performing ratio of 1.23 percent, albeit, an increase in comparison to the lowest ratio ever recorded of 0.7 percent in the financial year 2011/12 is still acceptable and well below the industry average of 5 percent (Annual Report 2012, Central Bank of Sri Lanka). Consequently, we revisited our impairment policy to be pragmatic to the prevalent conditions and made an impairment loss of Rs. 522.75 million for the financial year.

Despite our cautious efforts, our overheads increased following our continued drive though 'watered-down', in expanding our operations. Hence, the year witnessed our operating expenses escalate by 20.86 percent which had a bearing on our bottom-line. However, profit after tax posted Rs. 2,842.78 million corresponding to a 10.41 percent increase.

The Statement of Financial Position as at 31st March 2013 was sound with assets well exceeding the liabilities and a positive net worth. Our assets improved by 6.65 percent to Rs. 83,886.29 million whilst liabilities were at Rs. 66,213.91 million. Our capital base was significantly sound, essential to keep our sustenance and even feed our growth momentum. The core capital adequacy ratio of 21.15 percent demonstrating our ability to meet the financial obligations and to support our strategic goals is comparable to the preceding year's ratio of 25.42 percent and well exceeds the stringent requirements stipulated by the Central Bank of Sri Lanka.

Debenture Issue

Our primary aim during the year was to build our Statement of Financial Position as a platform to propel our operations into the next phase of growth. However, with the lending restrictions, we were compelled to resort to short term borrowings even at higher cost of funds. Given our portfolio of lending long term, this heightened the interest rate risk and created a mismatch between assets and liabilities, distorting the strength of our Statement of Financial Position.

The listed debenture issue was the panacea for our Statement of Financial Position. With our business acumen we seized, ahead of many leading players in the economy, the opportunity presented in the Budget 2013 - tax incentives offered to investors for listed debentures as a fillip to the debt market in Sri Lanka. We were extremely ambitious, yet confident that we have what it takes to succeed in raising the targeted funds.

We held a staggering debenture issue of Rs.6 billion which was oversubscribed on the first day itself. The issue resonated strong signals of the Company's standing and reinforced its visibility among the public. The raised proceeds of Rs. 6 billion was partly utilized to settle Rs. 4.75 billion worth of short term debts.

Finance Business License & Strategic Merger

Truly, the high-point of the year was to obtain a finance business license under the Finance Business Act No. 42 of 2011 which reinforced our drive for diversity in the financial domain. Now, we have a platform to soar to new horizons instead of being confined to the specialised world of leasing. Complementing this and as prescribed by the regulator, the Central Bank of Sri Lanka, we accelerated our plans to strategically merge with our subsidiary, People's Finance to take off from the new financial year. The merger offered minority shareholders of People's Finance PLC a share exchange of three shares of People's Leasing & Finance PLC for one share of People's Finance PLC.

I am so pleased to note that both entities saw the comparative advantage and seized with passion, the opportunities present within the merger between us, the leader in the industry and the fastest growing finance company, People's Finance. All employees came together for a seamless transition under the stewardship of different sub committees to achieve the target by the end of the year, a very short span of six months. This however, was not a herculean task since People's Finance over the years has championed our corporate values and business ethics

which underpinned the mainstay of their success under the wings of PLC. Today, we are up and running as a new merged entity with less hiccups in the integration of cultures and thereby ensuring the synergies we sought in the very decision of the merger.

The merger has given us a strong podium to move on to a new dimension. We can now position our entity as "one stop shop" for our customers' financial needs in the non-bank domain. The merger has given us openings to gain more market share and effectively thwart the pressures of rising competition in the industry whilst giving us a good base to mobilise deposits much needed to maintain healthy margins. We are now able to generate greater cost efficiencies through economies of scale, culminating in bolstering our bottom-line and creating greater value for our shareholders.

The merger has given us a strong podium to move on to a new dimension. We can now position our entity as "one stop shop" for our customers' financial needs in the non-bank domain. The merger has given us openings to gain more market share and effectively thwart the pressures of rising competition in the industry whilst giving us a good base to mobilise deposits much needed to maintain healthy margins.

CEO's Review *contd.*

In line with the merger, we changed our Articles of Association to change our name to People's Leasing & Finance PLC and boldly re-branded under a different logo to encompass the convergence of the true value proposition of the new entity. The re-branding, we firmly believe will clearly differentiate PLC as a powerhouse in the financial circles and influence customer perceptions on the new entity and the scope of our product offer.

Best among Equals

Over the years, we have definitely made our mark as the "best among equals". This is no doubt based on our financial prowess but more so based on the strength of our commitment to good governance and social responsibility, as detailed out in the Corporate Governance Section of this Annual Report and our Sustainability Report 2012/13. The many accolades we have been honoured to receive over successive years from professional and recognised institutions/bodies both in Sri Lanka and abroad speak volumes on the best practices we have adopted aligned to the mandatory as well as voluntary regulations and norms.

Our reporting standards and strength of our governance were acclaimed, inter alia, when we retained the Gold Award for the 5th consecutive year for our Annual Report 2011/12, "Such Great Heights" in the leasing category at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka. Added to this glory, our subsidiary, People's Finance was awarded "Gold" in the finance company category and "Bronze" for the first time for the overall management commentary category. The Ceylon Chamber of Commerce ranked us among the best ten corporate citizens in

the country whilst National Chamber of Commerce of Sri Lanka recognised PLC for excellence in management practices. We are also extremely honoured to be placed among the top 20 most valuable brands in Sri Lanka under Brands Annual 2013 Edition.

We note with pride that our credit worthiness is reaffirmed with a "stable outlook" by both national and international rating agencies. Fitch Ratings Lanka upgraded the national long term rating to AA-(lka) from A+(lka) whilst Fitch Rating International assigned a long term foreign and local currency issuer default rating of B+, a notch below the Sovereign. The foremost global rating agency, Standard & Poor's long term and short term issuer credit rating is placed on par with the Sovereign B+/B.

Beyond 2012/13

We have progressed remarkably well in the year under review, even in the midst of vicissitudes in macro dynamics. Yet, looking into the future, there is so much more we could do to create greater value to our stakeholders. With optimistic signs of recovery in the global economy and the present macro policy direction in the country, we are excited and believe it is an opportune time for us to drive growth and be a catalyst in economic and social change.

As we move forward as a merged entity, in the ensuing years, we seek to flex our financial dominance to become a non-bank conglomerate. In the short to mid-term, we intend to fully tap the synergies present within the Group whilst making in-roads deeper into the island to enhance our corporate visibility. Our focus is to add

more value and customise our products and secure firmer relationships to increase customer retention and ensure referrals.

Driving low cost funds and sustaining our margins will be at the forefront of our strategy. We will grow our deposit base and focus on developing our margin trading arm especially if the capital market takes off from its lackluster trends, as envisaged. We intend to raise funds abroad taking the cue from the budgetary proposals of liberalising foreign currency loans. We have already set the wheels to raise US\$ 10 million which will be our ace in this year to bolster our growth plans as well as to ensure our financial stability. Securitisation deals and further involvement in the debt market in Sri Lanka as well as abroad are definitely in our plans.

Our horizons, however, in the long term are set beyond borders. We have already earmarked to penetrate into the growth centric Southeast Asia possibly Vietnam, Myanmar and Indonesia. We have initiated a feasibility study to seek the prospects and legal implications of investing in these markets. We do look forward to cross this threshold for the oncoming phase of our corporate ascent.

Appreciations

Indeed, a year of many challenges but we were resolute and came out on top, in keeping with the true hallmark of PLC. In this journey, I remember with deep respect and sincerely indebted to the visionary leadership of our former Chairman, Mr. W. Karunajeewa who passed away recently. He was a true advocate of best practices in governance and led our Group into phenomenal heights.

I take this opportunity to commend the statutory and regulatory bodies in Sri Lanka for setting the pace with astute policy directions and regulations to bring greater discipline for businesses such as ours to grow and to thrive.

We are extremely privileged to have a dedicated Board and look forward to carry on our mission under the aegis of our eminent new Chairman. My appreciation is extended to the guidance and support given by the Board of our Parent Company, People's Bank. My deep gratitude is with our employees for their exuberance, commitment and professionalism in meeting some of the toughest challenges in the year and hope earnestly that their hard work and support will continue in our path to the next phase of growth. To customers, our business partners and all other stakeholders, thank you for your allegiance. Our pledge to you is to champion astute growth strategies with responsible governance and be a leading financial conglomerate in Sri Lanka with a global presence.



D. P. Kumarage
Chief Executive Officer/ General Manager
People's Leasing & Finance PLC

8th June 2013
Colombo

◀▶ Board of Directors



◀▶ Mr. Gamini S. Senarath
Non-Independent, Non-Executive
Chairman



◀▶ Dr. D. J. D. Jayakody
Non-Independent, Non-Executive
Director



◀▶ Mr. N. Vasantha Kumar
Non-Independent, Non-Executive
Director



◀▶ Mr. W. S. S. Bandara
Non-Independent, Non-Executive
Director



◀▶ Mr. P. A. I. S. Perera
Independent, Non-Executive
Director



◀▶ Ms. M. G. Jinadasa
Independent, Non-Executive
Director



◀▶ Mr. Rohan Pathirage
Secretary

Mr. Gamini S. Senarath

(Non-Independent, Non-Executive Chairman)

Mr. Gamini S. Senarath was appointed as the Chairman of the Board of People's Leasing & Finance PLC on 28th February 2013. At present, he is the Chairman of People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited and People's Microfinance Limited. He was also the Chairman of People's Finance PLC.

A graduate of the University of Kelaniya, Mr. Senarath joined the Sri Lanka Administrative Service in the year 1984 as an Assistant Government Agent. He has also served in the capacity of Assistant Controller and Deputy Controller of the Department of Immigration and Emigration, Senior Assistant Secretary to the Ministry of Transport and Civil Aviation and the Commissioner General of Motor Traffic. Mr. Senarath was appointed as the Chief of Staff to His Excellency the President in the year 2009, after a successful tenor as the Additional Secretary to the Prime Minister and as an Additional Secretary to the President. He was the former Chairman of the Sri Lanka Insurance Corporation and currently holds the post of the Chairman of People's Bank, Litro Gas Lanka Limited, Litro Gas Terminals Lanka (Private) Limited and Sri Lanka Insurance Resorts & Spas (Private) Limited.

He is a well reputed officer in the Sri Lanka Administrative Service.

Dr. D. J. D. Jayakody

(Non-Independent, Non-Executive Director)

Dr. D. J. D. Jayakody was appointed as a Director of People's Leasing & Finance PLC in July 2007. He is also a Director of People's Bank, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited. He was a Director of People's Finance PLC. He also holds the directorship in Central Investments & Finance PLC. 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 PhD in Management from International University of America (UK) and holds a BSc (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 & Finance PLC in July 2007. He is also a Director of People's Leasing Havelock Properties Limited, People's Insurance Limited and People's Travels (Private) Limited.

He is the Chairman of Lanka Financial Services Bureau, Sri Lanka Banks' Association (Guarantee) Limited and Financial Ombudsman Sri Lanka (Guarantee) Limited. He also holds the directorship in Institute of Bankers of Sri Lanka, Credit Information Bureau and National Payment Council.

At present he serves as the 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 Masters 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 & Finance PLC in June 2010 subsequent to his resignation in May 2010. He is also a Director of People's Microfinance Limited and State Mortgage and Investment Bank and was a Director of People's Finance PLC. 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.

Board of Directors *contd.*
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 & Finance PLC in August 2011. He presently holds the position of Chairman of the Urban Development Authority, Lanka Logistics and Technologies Limited and On'ally Holdings PLC. He also serves as 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 Matala Packaging (Private) Limited. He has also served as an Independent Non-Executive Director of People's Finance PLC and 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 (UK) 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 & Finance 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. She served as an Independent Non-Executive Director of People's Finance PLC. She resigned from the office of Independent, Non-Executive Director of the Company with effect from 18th April 2013.

Mr. Rohan Pathirage
(Secretary)

Mr. R. Pathirage was appointed as the Company Secretary of People's Leasing & Finance 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 Law 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. K. S. Bandaranayake**
Deputy General Manager –
Finance & Administration



 **Mr. U. Gamini Sarath**
Deputy General Manager –
Business Development &
Marketing



 **Mr. Lionel Fernando**
Deputy General Manager –
Operations



 **Mr. Rohan Tennakoon**
Assistant General Manager –
Branch Operations



 **Mr. Laksanda
Gunawardena**
Assistant General Manager –
Branch Operations



 **Mr. Damith
Malavithanthila**
Assistant General Manager –
Branch Operations



 **Mr. Pradeep Perera**
Assistant General Manager –
Finance



 **Mr. Prabath Gunasena**
Assistant General Manager –
ICT (Group)



 **Mr. Udesh Gunawardena**
Assistant General Manager –
Internal Audit (Group)

Senior Management *contd.*



◀ **Mr. Ranil Perera**
Chief Manager –
Branch Operations



◀ **Mr. Imruz Kamil**
Chief Manager –
Islamic Finance



◀ **Mr. Uresh Jayasekara**
Chief Manager -
Human Resources (Group)



◀ **Mr. S. I. Liyanage**
Chief Manager –
Fixed Deposits & Savings



◀ **Mr. Andy Ratnayake**
Senior Manager –
Risk Management & Control



◀ **Mrs. Kamani Dematawewa**
Senior Manager –
Legal Recoveries



◀ **Mrs. Inoka Jayawardhana**
Senior Manager –
Group Corporate Affairs &
Investor Relations

Mr. D. P. Kumarage

Chief Executive Officer / General Manager

Mr. Kumarage has been functioning as the CEO/ GM of People's Leasing & Finance PLC since September 1997. He is also the Managing Director of 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 was also the Managing Director of People's Finance PLC.

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

Mr. K. S. Bandaranayake

Deputy General Manager – Finance & Administration

Mr. Bandaranayake is a Fellow Member 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 (UK) and possesses five years experience at Ernst & Young Chartered Accountants. He has over 20 years of post qualifying experience at a very senior level in the finance sector and joined People's

Leasing & Finance PLC in July 2007. He serves as the Deputy General Manager, Finance & Administration.

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

Mr. U. Gamini Sarath

Deputy General Manager – Business Development & Marketing

Mr. Sarath joined People's Leasing Group in June 2011 as the Chief Operating Officer of People's Finance PLC. At present, he serves as the Deputy General Manager-Business Development & Marketing at People's Leasing & Finance PLC. He has over 35 years of diverse experience in the Financial services sector including Investment Banking, Project Finance, Microfinance, Fund Mobilization and Leasing. He holds a Masters of Business Administration (MBA) from the University of Sri Jayawardenapura and Masters of Arts in Economics from the University of Colombo, a BSc in Business Administration, Postgraduate Diploma in Economic Development and Statistical Training Diploma from International Statistical Education Centre, India.

Mr. Lionel Fernando

Deputy General Manager – Operations

Mr. Fernando joined People's Leasing & Finance PLC in 1995 and has been the Head of Marketing/ Leasing for the past 17 years. He has over 25 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

Assistant General Manager – Branch Operations

Mr. Tennakoon is presently serving in the capacity of an Assistant General Manager - Branch Operations, after serving in various capacities in PLC over a period of almost 15 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 Masters Degree of Business Administration (MBA) from the University of Colombo, a MSc in Management from the University of Sri Jayawardenapura, a BSc in Business Administration - Special Degree (2nd Class Upper) from the University of Sri Jayawardenapura and is an Associate Member of the Institute of Bankers of Sri Lanka.

Mr. Laksanda Gunawardena

Assistant General Manager – Branch Operations

Mr. Gunawardena joined People's Leasing & Finance PLC in 2002 and had been the Head of the Corporate Leasing for 9 years. He is presently serving as an Assistant General Manager - Branch Operations. He holds a Masters Degree in Business Administration (MBA). He also holds a Diploma in Credit Management from the Sri Lanka Institute of Credit Management

Senior Management *contd.*

and is an Associate Member of the same institute. He has 19 years experience in the field of leasing, covering the area of credit, marketing, recoveries, branch development & general management.

Mr. Damith Malavithanthila

Assistant General Manager – Branch Operations

Mr. Malavithanthila joined People's Leasing & Finance PLC in 1996 and had been the Head of Recoveries since the inception of the Company for 12 years. He is presently serving as an Assistant General Manager - Branch Operations and is in-charge of the North, North Central, North Western, Central and Sabaragamuwa provinces in Sri Lanka. He has over 25 years experience in banking and finance, and several years of experience in auditing and accounting. He is a finalist of the Institute of Chartered Accountants of Sri Lanka and an intermediate of the Institute of Bankers of Sri Lanka.

Mr. Pradeep Perera

Assistant General Manager – Finance

Mr. Perera joined People's Leasing & Finance PLC in 2007 as Senior Manager - Finance and was promoted as Chief Manager - Finance in 2010. He presently serves in the capacity of Assistant General Manager - Finance. Prior to his appointment, he served as a Senior Manager - Assurance at Ernst & Young. He counts over 19 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.

Mr. Prabath Gunasena

Assistant General Manager – ICT (Group)

Mr. Gunasena joined People's Leasing & Finance PLC in 1999 and has been the Head of IT for the past 13 years. He holds a Masters Degree in Business Administration (MBA) from the University of Western Sydney (UWS). He holds a Diploma in Computer System Design from the National Institute of Business Management (NIBM), Sri Lanka. He is a member of the British Computer Society. He was also a member of the Management Committee of People's Finance PLC.

Mr. Udesh Gunawardena

Assistant General Manager – Internal Audit (Group)

Mr. Gunawardena joined People's Leasing & Finance PLC in 1999 as an Accountant and possesses over 13 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 16 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 the Secretary to Board Audit Committees of People's Leasing & Finance PLC and People's Insurance Limited as appointed by the respective Boards.

Mr. Ranil Perera

Chief Manager – Branch Operations

Mr. Perera joined People's Leasing & Finance PLC in October 1999 and serves as a Chief Manager - Branch Operations. He was the Chief Manager - Operations of People's Finance PLC. He has over 13 years of experience at People's Leasing Group. He holds a Masters in Regional Development and Planning from the University of Colombo, Masters Degree in Business Administration (MBA) from the University of Manipal, Postgraduate Diploma in Economic Development from the University of Colombo and Bachelor's Degree in BCom (Special) International Trade from the University of Sri Jayewardenapura and possesses part qualifications from the Chartered Institute of Marketing (UK) and the Institute of Chartered Accountants of Sri Lanka.

Mr. Imruz Kamil

Chief Manager – Islamic Finance

Mr. Imruz joined People's Leasing & Finance PLC in 2005 and currently functions as Chief Manager - Islamic Finance. He holds a Diploma in Commercial Banking from the Central Bank of Sri Lanka and a Diploma in Islamic Banking and Insurance from the Institute of Islamic Banking and Insurance, London. He is an Associate Member of the Institute of Islamic Banking and Insurance. He has over 19 years of work experience in fields of trade finance, Islamic finance and Islamic banking in Sri Lanka and overseas.

Mr. Uresh Jayasekara

Chief Manager - Human Resources (Group)

Mr. Jayasekara joined People's Leasing & Finance PLC in 2007. He holds a Bachelor's Degree of Science (Honours) from the University of Kelaniya. He obtained his Diploma in Management from the Open University and Postgraduate Diploma in Business Management from the University of Colombo. He also holds a Masters Degree in Business Administration (MBA) specialised in Human Resources Management from the University of Colombo. He has altogether 15 years of experience in the field of Human Resources including the garments, hospital and financial sectors. He was also a member of the Management Committee of People's Finance PLC.

Mr. S. I. Liyanage

Chief Manager – Fixed Deposits & Savings

Mr. Liyanage joined People's Leasing & Finance PLC in 2004 and currently functions as Chief Manager - Fixed Deposits & Savings. He is an Associate Member of Sri Lanka Institute of Credit Management. He also holds a Masters Degree in Business Administration (MBA) from the Sikkim Manipal University of India. He has over 26 years experience in the Financial field.

Mr. Andy Ratnayake

Senior Manager – Risk Management & Control

Mr. Ratnayake joined People's Leasing & Finance PLC in October 1997 and had been Head of Finance for 10 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 (United States) and holds two Bachelor's Degrees in Commerce (Peradeniya) and Arts - Public Administration (Jayawardhanapura). He is also a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom, 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 (United Kingdom), Chartered Institute of Transport (United Kingdom) 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 38 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 Integrated Risk Management Committee.

Mrs. Kamani Dematawewa

Senior Manager – Legal Recoveries

Mrs. Dematawewa joined People's Leasing & Finance PLC in 2010 and serves as the Senior Manager - Legal Recoveries. She is an Attorney-at-Law and Notary Public and has over 25 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. Mrs. Dematawewa has been awarded the Post Attorney Diploma in Finance, Banking & Insurance Laws by the Institute of Advance Legal Studies of the Incorporated Council of Legal Education in 2012.

Mrs. Inoka Jayawardhana

Senior Manager – Group Corporate Affairs & Investor Relations

Mrs. Jayawardhana, is an Attorney-at-Law and possesses over 11 years' experience in corporate and commercial law. Prior to joining People's Leasing & Finance PLC, she was a Senior Legal Counsel (January 2009-July 2010) and an Associate (January 2001-December 2008) at M/s. F. J. & G. de Saram, Attorneys-at-Law & Notaries Public. Mrs. Jayawardhana was also a Director of Corporate Services (Private) Limited, an associate of M/s. F. J. & G. de Saram providing corporate secretarial services to the clients of the said firm. During her career at M/s. F. J. & G. de Saram, she was seconded to Overseas Reality (Ceylon) PLC, the owners of the World Trade Centre Building, as Manager Legal. Mrs. Jayawardhana also holds a Diploma in International Relations from the Bandaranaike Centre for International Studies, Colombo, Sri Lanka. She functions as the Senior Manager - Group Corporate Affairs & Investor Relations.


Branch Managers


◀ **Mr. Y. Premarathne**
Senior Manager
Rathnapura Branch



◀ **Mr. M.G.L.H. De Silva**
Senior Manager
Galle Branch



◀ **Mr. R.S. Ranasinghe**
Senior Manager
Battaramulla Branch



◀ **Mr. V.R. Ramanayake**
Senior Manager
Dehiwala Branch



◀ **Mr. M.G.R. Priyankara**
Senior Manager
Negombo Branch



◀ **Mr. P.D.C.S. Mahanama**
Senior Manager
Kurunegala Branch



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



◀ **Mr. B.H.M.C.C. Herath**
Senior Manager
Kelaniya Branch



◀ **Mr. K. Anantheraja**
Branch Manager
Jaffna Branch



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



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



◀ **Mrs. P.N. Wimalasena**
Branch Manager
Nugegoda Branch



◀ **Mr. N. M. A. Bandara**
Branch Manager
Kandy Branch



◀ **Mr. W.A.S.N. Weerakkody**
Branch Manager
Metropolitan Branch



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



◀ **Mr. S. Abeywickrama**
Branch Manager
Embilipitiya Branch



◀ **Mr. Y.M.W.P.C. Yapa**
Branch Manager
Badulla Branch



◀ **Mr. P.A.D.S. Senavirathne**
Branch Manager
Gampaha Branch



◀ **Mr. N.C. Weerasinghe**
Branch Manager
Matara Branch



◀ **Mr. G. Thushyanthan**
Deputy Manager/O.I.C
Pettah Branch



◀ **Mr. W.M.D.W. Weerakoon**
Deputy Manager/O.I.C
Ward Place Branch



◀ **Mr. K.P.B.H. Wariyapola**
Deputy Manager/O.I.C
Grandpass Branch



◀ **Mr. J.M.R.C. Jayaweera**
Deputy Manager/O.I.C
Bandarawela Branch



◀ **Mr. A.B. Sutharsan**
Deputy Manager/O.I.C
Batticaloa Branch



◀ **Mr. L.S.C. Fernando**
Deputy Manager/O.I.C
Havelock Branch



◀ **Mr. R.M.S.U.B. Ratnayake**
Assistant Manager/O.I.C
Kegalle Branch



◀ **Mr. A.H.C. Samantha**
Assistant Manager/O.I.C.
Mahiyanganaya Branch



◀ **Mr. M. Kirupakaran**
Assistant Manager/O.I.C
Trincomalee Branch



◀ **Mr. S.P. Gamage**
Officer in-Charge
Three Wheel Unit



◀ **Mr. N.T.I.S. Senadheera**
Officer in-Charge
Ambalantota Branch



◀ **Mr. G.N.P.K.C. Karunaratne**
Officer in-Charge
Ampara Branch



◀ **Mr. L.H.S.N. Fernando**
Officer in-Charge
Avisawella Branch



◀ **Mr. C.R.B. Madawala**
Officer in-Charge
Polonnaruwa Branch



◀ **Mr. J.M.R. Senevirathne**
Officer in-Charge
Vavuniya Branch



Fixed Deposits ▶ A high fixed return backed by rock stability

Commercial Papers ▶ Assuring attractive returns for your investment

Margin Trading ▶ For those who frequently trade on the stock exchange

Islamic Products ▶ A range of Shari'ah Law compliant financial products



Supporting the government's nation development initiatives, People's Leasing is seen playing its role in regional development, offering a gamut of financial services to individuals, small business entities to large corporates in improving their income and living standards.

Awards & Achievements

The spotlights fall once again on PLC for GOLD!

“People’s Leasing & Finance PLC bagged yet again, for the 5th consecutive year, the esteemed “Gold Award” for the best Annual Report in the leasing sector category at the Annual Report Awards 2012, recently organised by the Institute of Chartered Accountants of Sri Lanka.

Added to this triumph, following on its parent company’s footsteps, People’s Finance PLC won the “Gold Award” in the finance sector category.

The highlight however, was the “Bronze Award” adeptly garnered by People’s Finance in the overall management commentary category, marking the first in the Company’s history.”

Press Release: 14 December, 2012



People’s Leasing wins big at LACP Spotlight Awards 2012

People’s Leasing Annual Report 2011/12: “Such Great Heights” was awarded two “Platinum Awards” in the competition class of annual reports in the finance industry category and the most inspirational, worldwide special achievement among nearly 1,500 entries at the “2012 Spot Light Awards” - Global Communication Competition organised by League of American Communications Professionals (LACP).

The Annual Report also made way to rank at No.05 among the Top 100 rankings of the competition.

“The first impression presented by this entry is exceptional while the narrative is outstanding. The visual design presented by the People’s Leasing Company PLC 2011/12 Annual Report: “Such Great Heights” is exceptional, tied with a level of creativity that is outstanding.”

Christine Kennedy, Managing Director, LACP.

Merit Award Winner at SAFA Best Presented Annual Report Awards 2011

“Signifying the improvement in transparency, accountability and governance of the Company, Annual Report 2010/2011: “Making Headlines” was awarded a “Certificate of Merit” in the category financial services sector amongst the contenders from South Asia by the South Asian Federation of Accountants at the SAFA Best Presented Annual Report Awards 2011.”



PLC amongst the ten best corporate citizens 2012

People's Leasing was recognised as one of the ten best corporate citizens by the Ceylon Chamber of Commerce for sustainability – integrated business and CSR initiatives.

“This is an ecstatic tribute for the Company and made its mark in the annals of the Company’s achievements especially in the light of People’s Leasing being the only non-banking financial institution among the other top ten corporates.”

The Company also became the second runner up in the less than Rs. 15 billion revenue category.

Press Release: 14 December, 2012



People's Leasing & Finance PLC - A People's Brand

“Winning the vote of the public, People's Leasing & Finance PLC was felicitated as a joint winner in the financial services provider category at the SLIM Nielsen People's Awards 2012/13.”



National Business Excellence Awards (NBEA) 2012

“Strengthening the qualitative achievements of the Company, People's Leasing was also felicitated at the National Business Excellence Awards 2012 organised by the National Chamber of Commerce of Sri Lanka.

The Company was proficient to become the winner of excellence in performance management practices which is one of the six awards presented for the best performances. The Company also became the joint winner in the non-banking and financial sector. ”



People's Leasing scores in sales professionalism

“Bringing pride to People's Leasing & Finance PLC, three employees of the Company secured three of the nine awards in the financial products and services category at the National Sales Congress Awards (NASCO) organised by the Sri Lanka Institute of Marketing (SLIM).”

Mr. Nandana Weerakkody, a Branch Manager was conferred the “Gold” whilst Mr. Vajira Ramanayake, a Senior Branch Manager was presented the “Bronze” in the territorial managers category at the National Sales Congress (NASCO) 2012. Mr. A. H. Krishantha, a Marketing Executive bagged the “Gold” in the sales executives and sales supervisors category.



 **Key Performance Indicators**

The Company's corporate strategy is intrinsically linked to the best management practices where strategy development is approached holistically rather than as silos. The entire planning process integrates the long term direction with the annual targets and goals. The process assesses and measures the Company performance in retrospect, in relation to the present standing and strategies as a whole for the future in attaining the corporate goals. This mechanism plays a pivotal role in the success and taking the Company forward.

The key performance indicators (KPIs) derived from this process measure and monitor the operational and financial progress against the strategic goals. The KPIs give the management insights to the Company's operations which lead to effective decision making on a broader perspective and drive performance improvements across the departments, branches and subsidiaries. The KPIs are also an impartial and transparent measure of employee performance which is linked to the performance based incentive scheme.

The KPIs set out below give a snapshot of the Company's performance for the financial year 2012/13 in comparison to the last financial year.

The KPIs give the management insights to the Company's operations which lead to effective decision making on a broader perspective and drive performance improvements across the departments, branches and subsidiaries.

Indicators	Achievement		Quantum of Change (%)
	2012/13	2011/12	
Financial Perspective			
Investors			
Income (Rs. Mn)	15,846.40	12,912.25	22.72
Return on average equity (%)	16.49	20.46	(19.40)
Return on average assets (%)	4.93	5.57	(11.49)
Equity : Asset ratio (times)	4.75	4.68	1.50
Earnings per share (Rs.)	1.82	1.98	(8.08)
Interest cover (times)	1.47	1.60	(8.13)
Economic value added (Rs. Mn)	550.28	1,477.43	(62.75)
Market value added (Rs. Mn)	2,763.62	1,286.80	114.77
Market capitalisation (Rs. Mn)	20,436.00	18,096.00	12.93
Net profit margin (%)	17.94	19.94	(10.03)
Price-Earnings ratio (times)	7.20	5.86	22.87
Net assets value per share (Rs.)	11.33	10.78	5.10
Dividend per share* (Rs.)	1.25	1.00	25.00
Dividend cover (times)	1.45	1.65	(12.12)
Debt: Equity ratio / Gearing Ratio (times)	3.52	3.49	0.86
Internal Business Perspective			
Employees			
Number of employees	1,134	1,050	8.00
Number of promotions	197	304	(35.20)
Financial assistance for staff (Rs. Mn)	122	236	(48.31)
Wealth creation to employees (Rs. Mn)	917	772	18.78
Employee turnover (%)	10.16	11.55	(12.03)
Number of events organised for staff	6	8	(25.00)
Employees below 40 years of age (%)	90.12	91.50	(1.51)
Number of work related fatalities	None	None	-
Suppliers			
Leases and Hire Purchase - Number of suppliers	22,606	23,453	(3.61)
- Amount paid to suppliers (Rs. Bn)	40.51	47.00	(13.81)
Community & Environment			
Amount spent on CSR (Rs. Mn)	40.31	26.27	53.44
Number of new projects initiated in favour of community	48	43	11.63

Indicators	Achievement		Quantum of Change (%)
	2012/13	2011/12	
Customer Perspective			
Customers			
Number of branches	33	34	(2.94)
Number of mini branches	23	17	35.29
Number of new customers	19,410	24,721	(21.48)
Number of repeating customers	11,563	15,189	(23.87)
Number of training sessions on customer service	20	16	25.00
Average interest rate on Leases/ HP/ Loans (%)	23.61	17.56	34.45
Number of sales personnel	269	297	(9.43)
Number of training hours on marketing	6,143	1,951	214.86
Income generation from Advances and Leases (%)	20.81	20.58	1.12
Learning & Growth Perspective			
Portfolio values (Rs. Mn)			
- Lease, HP & Loans	76,087.61	71,527.00	6.38
- Deposits	6,830.48	-	100.00
Number of training sessions for staff members	69	48	43.75
Number of training hours per employee	25.50	12.00	112.50
Number of new branches/mini branches opened during the period	5	19	(73.68)
Total asset base of the Company (Rs. Mn)	83,886.29	78,658.19	6.65
Non performing advance ratio (%)	1.23	0.70	75.71
Number of Lease & HP customers	74,351	70,429	5.57
Number of Depositors	4,758	-	100.00
Value addition to expansion and growth (Rs. Mn)	1,612.63	1,276.98	26.28

* Dividend per share includes 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.

Management Discussion & Analysis

The global recovery is imminent in the ensuing year, though shrouded with uncertainties. Widespread policy action that has been implemented particularly in the advanced countries is expected to guide their economies out of the recession

Economic Review

World Economy

The global economy in 2012 was sluggish to recover from the fallout of the four year running sub-prime mortgage led financial crisis. The United States, at the forefront of global recovery, witnessed a setback within the year amidst a long-run battle of the presidential elections and the much anticipated fiscal cliff- sharp fiscal contraction which threatened to bring serious implications on demand and output. The year also witnessed the eurozone bringing in reforms to keep the unification as well as to bring greater discipline to the ailing countries – Spain, Portugal, Italy and Ireland. Japan continued to be troubled by its slower than expected growth and fiscal issues. China, the emerging giant with a leadership transition in the year experienced moderation in the growth momentum. Added to these, the Middle Eastern region continued to grapple with the political and civil unrest which did not portend well for the year 2012.

2011 & 2012 Growth and 2013 Forecast

The International Monetary Fund (IMF) in the “World Economic Outlook”, April 2013 revised its growth forecast to be in line with the slow trends of 2012. The world economy grew at 3.2 percent in 2012 as against 4 percent in 2011. The advanced economies grew at a decelerated pace from 1.6 percent in 2011 to 1.2 percent in 2012. The emerging and developing economies as well, led by the developing Asian giants, China and India posted a decline from 6.4 percent growth in 2011 to 5.1 percent growth in 2012.



Source: World Economic Outlook, April 2013, IMF

The global recovery is imminent in the ensuing year, though shrouded with uncertainties. Widespread policy action that has been implemented particularly in the advanced countries is expected to guide their economies out of the recession and thereby enhance consumer and investor confidence. The accommodative monetary policy with lower interest rates and greater financial intermediation adopted by most economies in the year 2012 is expected to continue with positive implications on the global macro environment and the recovery measures. However, macro prudential policies, weak financial system, fiscal contraction, inter alia, are expected to dampen the recovery and lead to slower global growth.

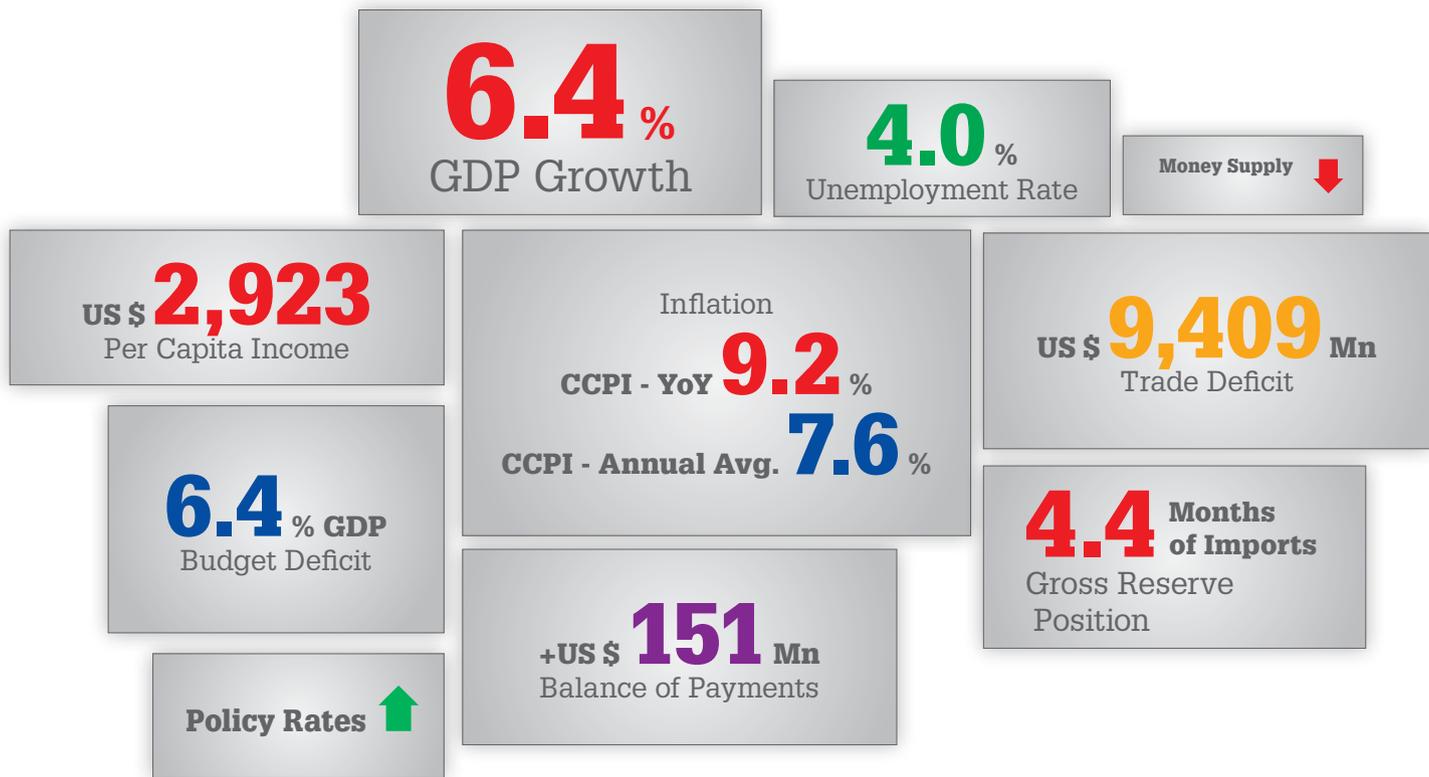
Hence, the IMF has forecasted the world economy to grow at a modest pace at 3.3 percent in comparison to 3.2 percent in the year 2012. This growth is forecasted to touch 4 percent in the year 2014. US growth is expected to be flat at 1.9 percent in 2013 whilst the eurozone is forecasted to contract by 0.3 percent in comparison to the contraction of 0.6 percent in 2012. IMF however, revised the forecasts upwards for 2013 for China and India to 8.0 percent and 5.7 percent respectively in contrast to the growth of 7.8 percent and 4.0 percent respectively in 2012 which are expected to provide a supportive backdrop to the global recovery.

Sri Lankan Economy

Key Performance Indicators	2012	2011
Output (% Change)		
GNP	5.5	8.4
GDP	6.4	8.2
Agriculture	5.8	1.4
Industry	10.3	10.3
Services	4.6	8.6
Per Capita GDP (US\$)	2,923	2,836
Employment (% of Labour Force)		
Unemployment Rate	4.0	4.2
Aggregate Demand, Investment & Savings (% of GDP)		
Consumption	83.0	84.6
Investment	30.6	30.0
National Savings	24.0	22.0
Inflation		
CCPI (YoY) (2006/07=100)	9.2	4.9
CCPI (annual average) (2006/07=100)	7.6	6.7
External Sector (US\$ Mn)		
Trade Balance	(9,409)	(9,710)
Current Account Balance	(3,915)	(4,615)
Balance of Payments	151	(1,061)
Exchange Rate - Rs/US\$ (Year End)	127.16	113.90
Fiscal (% GDP)		
Budget Deficit	(6.4)	(6.9)
Government Debt – Foreign	36.5	35.6
Government Debt - Domestic	42.6	42.9
Monetary Aggregates (% change)		
Reserve Money	10.2	21.9
Broad Money	17.6	19.1
Interest Rate(%)		
Repurchase Rate	7.50	7.00
Reverse Repurchase Rate	9.50	8.50
Treasury Bills – 364 Days	11.69	9.31
Average Weighted Deposit Rate	10.10	7.24
Average Weighted Prime Lending Rate	14.40	10.77
Capital Market		
All Share Price Index (1985=100)	5,643.0	6,074.4
Milanka Price Index (1998 Dec =1,000)	5,119.1	5,229.2

Source: Annual Report 2012, Central Bank of Sri Lanka

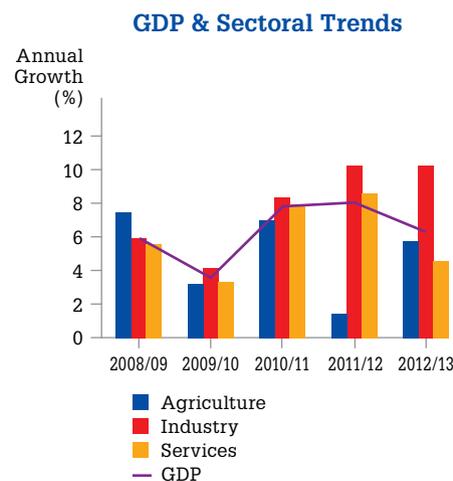
Management Discussion & Analysis *contd.*



Overview

In the backdrop of continued geopolitical uncertainties and sluggishness of the global economy, Sri Lankan economy witnessed a setback in the growth momentum of above 8 percent reached in the preceding two consecutive years. The economy faced some significant policy directives in the early part of the year, aimed at correcting the macro imbalances that triggered in the settings of post conflict optimism. Yet, with the resilience of the key sectors, led by the industry sector and the subsequent corrections in the macro economy - single digit inflation and lower unemployment levels, the economy continued to grow at 6.4 percent in 2012.

National Output



Source: Annual Report 2012, Central Bank of Sri Lanka

The GDP growth of 6.4 percent, albeit a moderation against the previous year 2011, is creditable given the negativity that was prevalent in the global arena, exacerbated by the domestic challenges. The growth was well above the average growth of the advanced economies and comparable to emerging and developing economies as discussed under the section World Economy above.

Per capita income reached US\$ 2,923 from US\$ 2,836 in 2011, edging the nation towards the target to reach the upper tier middle income category by 2016. However, the recent surge in the per capita income witnessed in the preceding two years moderated in a challenging scenario and due to the substantial depreciation of the rupee in a more flexible exchange rate regime.

Sector Performance

Agriculture

In 2012, adverse weather prevailed in the second half of the year, stifling the growth of the agriculture sector. Notwithstanding the weather issues, the sector posted a better performance of 5.8 percent as compared to the growth of just 1.4 percent in the previous year. In terms of paddy production, Maha season performed satisfactorily whilst Yala harvest succumbed to the vagaries of weather. In 2012, the paddy production decreased by 1.2 percent as compared to the previous year.

The production of export agriculture crops did not perform as envisaged and therefore its contribution to the agriculture sector was minimal. Tea production recorded a marginal decline of 0.4 percent due to the weather impact on high and medium grown teas. The low grown production however, recorded a 2 percent increase despite the adverse weather conditions. As per pricing, the Colombo Tea Auction fetched high prices for all three tea varieties in the backdrop of a global supply shortage of black tea. Rubber production also declined by 3.9 percent whilst prices moderated as compared to the high prices fetched in the previous year given the subdued world market conditions. Coconut production conversely, increased by 4.7 percent, posting the highest growth in the recent past whilst prices were low given the increased supply conditions. Fishing including both coastal marine and inland fishing and livestock sub sectors continued to positively contribute to the agriculture sector.

Industry

In 2012, Sri Lanka's industrial policy continued to focus and offered patronage for productivity improvements, innovation

and regional development to uplift the small and medium enterprises. Within this policy framework, the industry sector continued to grow at a steady pace.

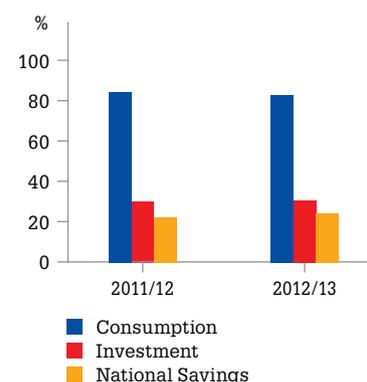
The industry sector in the year significantly contributed to the growth of the economy. This growth was spurred by the construction sub sector which saw some key public sector infrastructure projects as well as private sector involvement in real estate projects mainly in the hospitality industry. The industry sector sustained its growth at 10.3 percent on par with the previous year whilst the construction sub sector grew by an impressive 21.6 percent vis à vis 14.2 percent in 2011. However, pressured by the sluggish demand both domestic and external, the value added growth in the manufacturing sub sector dominated by factory industry declined to 5.2 percent as compared to the growth of 7.9 percent in the preceding year. The apparel industry which is a key sector in the economy was resilient to the slowdown of the exporting countries and grew at a moderate pace of 4.2 percent as compared to the previous year.

Services

The services sector was adversely impacted by the policy measures taken to curb the unprecedented imports to the country. The wholesale and retail trade sub sector representing external and domestic trade was directly affected by the high import duties and the sluggish conditions in the export markets. This sub sector together with the transport and communication sub sector exerted pressure on the growth in the services sector. Even banking, insurance and real estate and the hospitality sub sectors grew at a lesser pace dampening the services sector growth by 4.6 percent in 2012 as compared to 8.6 percent in the year 2011.

Aggregate Demand and Savings

Consumption, Investment & Saving (% of GDP)



Source: Annual Report 2012, Central Bank of Sri Lanka

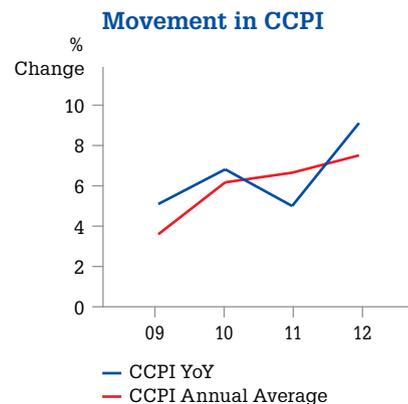
In 2012, aggregate demand continued to grow, though at a decelerated pace with both private and public sector spending slowing in contrast to the surge prevalent in the preceding year. The private sector consumption within a framework of higher import duties and a weaker rupee was restrained whilst the public sector spending led by recurrent expenditure increased at a slower pace in contrast to 2011. Aggregate demand, therefore, in the year 2012 recorded a 15.9 percent growth in comparison to 16.8 percent in the previous year.

Investment spending mainly in construction activities corresponded to 30.6 percent of GDP which was marginally lower than 2011. The economy continued to attract foreign direct investments, corresponding to an increase of 26 percent mainly for infrastructure development in telecommunication, ports, energy, housing and property development. Investments in projects approved under the Board of Investment also increased significantly

Management Discussion & Analysis *contd.*

with the focus on the services sector. Public sector investments continued on its upward trajectory concentrated in roads, airports, ports and energy sectors.

Inflation



Source: Annual Report 2012, Central Bank of Sri Lanka

The year saw inflation curtailed at single digit levels for the fourth successive year, despite supply-side shocks and cost pressures. Inflation which was subdued in the first quarter of the year edged upwards following the increase in administered prices in fuel, gas, electricity and bus fares as well as increases in prices of imported goods and food items mainly affected by adverse weather. Demand related pressures led by real wage increases also contributed to the rising trend in inflation. The Colombo Consumers' Price Index (CCPI) (2006/07=100) reflected a year-on-year inflation of 9.2 percent as compared to 4.9 percent in 2011 whilst the annual average inflation reached 7.6 percent by year-end. Core inflation (measured excluding fresh food, rice, coconut, transport and energy from the CCPI basket) increased both in terms of year-on-year and annual average basis to end at 7.6 percent and 5.8 percent respectively.

Wages

Public and private sector recorded increases in nominal wages during the year 2012. The private sector including both formal and informal sectors recorded increases in real wages. However, the public sector witnessed a marginal decline in real wages, completely out-weighted by the rise in price levels.

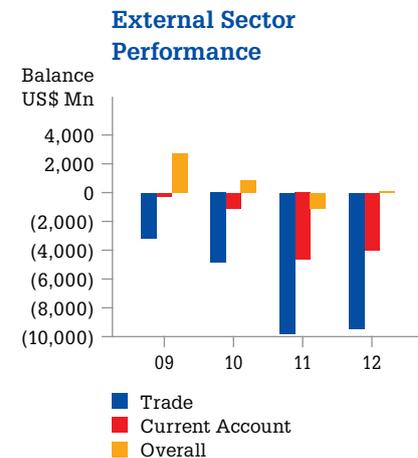
Unemployment

The year maintained low unemployment levels at 4 percent lower than the previous year of 4.2 percent. This included a 0.8 percent decline in female unemployment to 6.2 percent and maintained male unemployment levels at a low of 2.8 percent, representing a marginal drop as compared to 2011. Unemployment among educated persons significantly declined whilst the overall youth unemployment remained at high levels, although declined in terms of the age categories of 20-29 and 30-39.

Exchange Rate

The exchange rate regime in 2012 in a bid to cap the upsurge of imports and boost export competitiveness allowed greater flexibility with minimum interventions from the Central Bank of Sri Lanka. In the early part of the year, responding to the flexible policy regime with full force, the rupee depreciated significantly by 14.56 percent as against the US dollar. However, during the latter half of the year with greater foreign inflows, the rupee stabilised to end with a depreciation of 10.43 percent against the US dollar.

External Sector



Source: Annual Report 2012, Central Bank of Sri Lanka

The external sector in the year was well managed in contrast to the imbalances that were prevalent in the year 2011 and even despite the continued challenges posed by the uncertainties in the global economy.

The growth in export earnings representing both industrial and agricultural exports witnessed a considerable decline to 7.4 percent in contrast to a strong performance of 22 percent increase recorded in the previous year. This was greatly fuelled by the subdued demand from major exporting countries and the resultant lower global commodity prices. However, given the prudent policy measures, the growth in import expenditure was curtailed to 5.4 percent led by the decline in consumer and intermediate import expenditure. Investment import expenditure on the contrary, recorded an increase of 7.1 percent in response to the ongoing infrastructure development needs.

In this scenario, the trade deficit declined by 3.1 percent. This propped by the steady flow of inward remittances from foreign employment and tourism earnings led to the improvement of the current account balance. Balance of payments was further cushioned by healthy foreign inflows - public project financing, investments in government securities, proceeds from the 5th International Sovereign Bond, disbursements of IMF-SBA facility and foreign currency funds raised by the banks and the private sector given the relaxed exchange control regulations. Hence, at year end, the balance of payments recorded a surplus of US\$ 151 million, in sharp contrast to the deficit of US\$ 1.1 billion in 2011, representing an improved gross reserve position of 4.4 months of imports as compared to 4.0 months of imports in 2011.

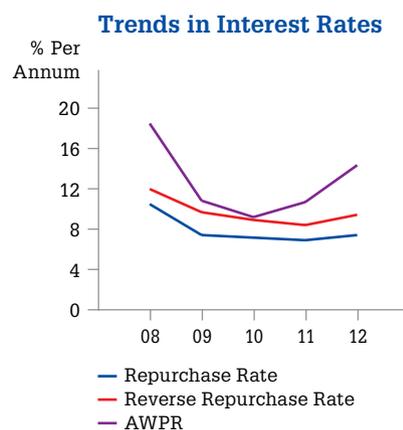
Fiscal Performance

The Budget 2012 sought for further fiscal consolidation focusing on tax reforms in terms of simplifying and broad basing the tax structure as well as tax incentives to trigger greater investments in thrust sectors, managing recurrent expenditure and maintaining public investments. The budget deficit was targeted at 6.2 percent of GDP in 2012 as against 6.9 percent of GDP in 2011.

Revenue collection did not materialise as envisaged mainly due to the decline in tax revenue. However, expenditure was curtailed with a significant cap in recurrent expenditure and with capital expenditure cuts on non-priority projects. This enabled the budget deficit to be curtailed at 6.4 percent of GDP, below that of 2011.

The deficit was financed with foreign funds including the proceeds of the International Sovereign Bond Issue, foreign investments in government securities and project financing reaching 59 percent of the total financing requirement. Domestic financing focused on bank borrowings.

Monetary Policy & Interest Rates



Source: Annual Report 2012, Central Bank of Sri Lanka

The Central Bank of Sri Lanka in 2012 tightened its monetary policy to bring stability to the macro-economic front which experienced imbalances in the midst of economic optimism and credit growth prevalent in the preceding year.

The policy rates -Repurchase and the Reverse Repurchase rates were increased twice in the year-in February by 50 basis points to reach 7.50 percent and 9.00 percent respectively and in April, 25 basis points for Repurchase rate to reach 7.75 percent and 75 basis points for Reverse Repurchase to reach 9.75 percent. Aligned to these increases in policy rates, market rates including yield rates on government securities trended upwards.

The Central Bank of Sri Lanka also imposed restrictions on rupee credit extended by commercial banks. The directive imposed a limit on credit growth to 18 percent, i.e. Rs. 800 million and 23 percent i.e. Rs. 1 billion for banks that bridge the gap of additional growth in credit with foreign funds.

The policy rates and credit control in combination with other macro prudential policies led to a deceleration in loans and advances to the private sector by 21.6 percent as compared to 36.4 percent in 2011, contracting the liquidity levels in the economy. Accordingly, the reserve and broad money supply declined significantly. Consequently, with these measures stabilising the inflationary impact and the external front towards the latter part of the year, the Central Bank of Sri Lanka relaxed its monetary policy by reducing the policy rates and allowing the credit restriction to expire by year end.

Financial Sector

In the year, the financial sector in Sri Lanka faced many challenges amidst the volatility in the global market and the less buoyant domestic economy within a stringent macro framework. The policies, particularly, the credit ceiling and the upward revision in policy rates that were set to stabilise the external front and as anti-inflationary measures impacted the sector directly - credit growth and to an extent on margins. However, the sector did benefit from the liberalisation of exchange controls on foreign borrowings which supported funding requirements and thereby stabilised the sector statement of financial position.

Management Discussion & Analysis *contd.*

The financial sector during the year resiliently maintained its place in the growth trajectory of the economy whilst continuing to be sound in fundamentals – capital adequacy, liquidity, profitability and asset quality. The regulatory framework continued to ensure greater discipline, transparency and accountability in the sector.

Banking Sector

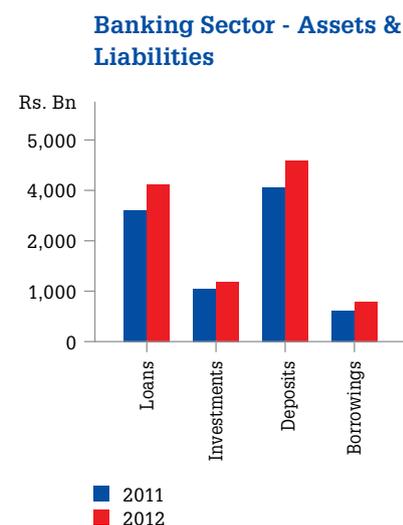
Financial Indicators	2012	2011
Net Interest Income (Rs. Bn)	196.7	165.0
Profit After Tax (Rs. Bn)	82.3	65.6
Asset Base (Rs. Bn)	5,102	4,252
Interest Margin (%)	4.1	4.2
Gross NPL Ratio (%)	3.6	3.8
Return on Assets (%)	1.7	1.7
Return on Equity (%)	20.2	19.7
Capital Adequacy Ratio (%)	16.0	16.0

Source: Annual Report 2012, Central Bank of Sri Lanka

In 2012, the banking sector accounted for 56.4 percent of total assets of the financial sector. The banking network with 33 banks including 21 domestic banks and 12 foreign banks was spread across the entire island with 6,374 outlets and 2,390 automated teller machines (ATMs). In the year, the network expanded with 190 new banking outlets and 153 ATMs with the majority located outside the Western Province.

In a more restrained economic scenario, the sector consolidated its performance in 2012. The growth in the total asset base was on par with 2011 of 20 percent. Due to the credit ceiling, loans and

advances concentrated in four key sectors – trading, agriculture, infrastructure and construction increased by 20.8 percent as against 31.7 percent in 2011. Investments, however, posted better results – a growth of 13.2 percent from a negative growth in the preceding year. Deposits grew at moderated pace of 17.1 percent vis a vis 18.8 percent in 2011 whilst borrowings led by foreign currency sources increased to 26.7 percent from 25.4 percent in 2011.



Source: Annual Report 2012, Central Bank of Sri Lanka

The credit quality was managed remarkably well with non-performing loans (NPL) ratio falling to 3.6 percent as compared to 3.8 percent in 2011. Profit after tax of the sector increased in absolute terms. The net interest margin of 4.1 percent was marginally lower than the previous year, yet, managed to maintain the return on assets at 1.7 percent. The return on equity of the sector was 20.2 percent.

Capital funds of the banking sector in 2012 increased by 18 percent in comparison to the increase of 26 percent in 2011. The increase in capital funds in 2012 was mainly due to profits whereas in 2011, the increase of funds was spurred by IPOs and rights issues of a few banks. The capital adequacy ratio was maintained at 16 percent while the core capital ratio was maintained at 14 percent, both within the prescribed requirements.

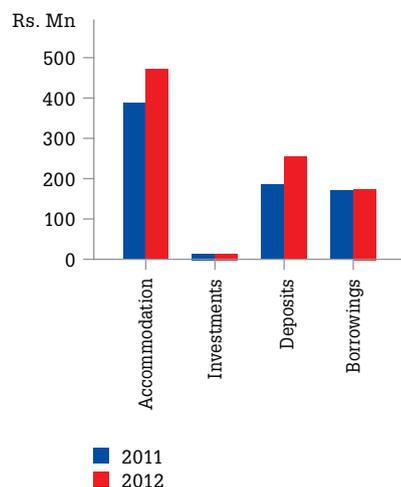
The Non-Banking Finance Sector

NBFI Sector Financial Indicators	2012	2011
Net Interest Income (Rs. Bn)	40.3	32.9
Profit After Tax (Rs. Bn)	14.9	19.0
Asset Base (Rs. Bn)	596.6	489.9
Net Interest Margin (%)	6.8	6.7
Gross NPA Ratio (%)	5.0	5.1
Return on Assets (%)	4.2	5.9
Return on Equity (%)	18.9	34.3
Capital Adequacy Ratio (%)	16.0	14.0

Source: Annual Report 2012, Central Bank of Sri Lanka

The Non-Banking Financial Institution (NBFI) sector comprising 47 Licensed Finance Companies (LFCs) and 13 Specialised Leasing Companies (SLCs) continued to grow with sound fundamentals. Four institutions obtained LFC licences during the year whilst four SLCs upgraded to LFC status. The branch network of the NBFI sector reached 972 branches, including 206 new branches with 75.6 percent located outside the Western Province.

NBFIs - Assets & Liabilities



Source: Annual Report 2012, Central Bank of Sri Lanka

NBFIs have thrived in the post conflict settings within a well regulated framework that has brought greater discipline to the sector. In the year, stringent measures were implemented and newly adopted to secure the soundness of the sector with emphasis on risk management and governance practices. The restructuring process of the few “distressed” NBFIs continued with focus on supervision and monitoring as well as on finding strategic investors to turnaround operations. The new Finance Companies Act No. 42 of 2011 which came into effect in the preceding year reaffirmed good governance practices in the LFC sector. Therefore, the overall sector performance was underpinned by sound fundamentals including asset quality, capital base and liquidity levels.

The sector was well positioned in 2012 to be resilient to the challenges posed by the overall policies directed at balancing the macro economy. The subdued economic activity, credit ceiling, interest rate hikes, weaker exchange rate, rising prices

especially that of energy and higher duties on vehicle imports, had an adverse impact on the performance. Notwithstanding this impact, the NBFIs managed the downside of the economy, resiliently, and strode ahead, albeit, at a decelerated pace as compared to the preceding year.

The total asset base of the NBFIs sector posted a modest increase of 21.8 percent in 2012 as against 26.3 percent in 2011. This was due to the growth in the accommodation portfolio inclusive of finance leases, hire purchase, pawning and other secured advances. The finance leases within a restrictive regime for imported vehicles through higher duties inter alia, grew by only 29.4 percent, in sharp contrast to the growth of 89.8 percent in 2011. Deposits, the main source of funding for LFCs posted a remarkable growth of 36.6 percent as against 27.3 percent in 2011, demonstrating the public confidence on the stability of the LFC sector. Borrowings led by the SLCs, moderated with a mere growth of 3 percent in contrast to 24 percent in 2011.

Despite the challenges faced, the quality of the credit portfolio did not deteriorate as against the preceding year. In absolute terms, the non-performing accommodations (NPAs) increased by 19 percent to Rs. 24 billion in comparison to Rs. 20 billion in 2011. Over 90 percent of the NPAs were accounted for by the LFC portfolio led by the few “distressed” companies. NPAs in relation to loans outstanding i.e., NPA ratio however, marginally declined from 5.1 percent in 2011 to 5 percent in 2012.

The NBFIs sector continued to post satisfactory earnings even in the midst of lower credit growth and higher market interest rates. The net interest income increased by 22.5 percent to Rs. 40.3 billion whilst the margin increased by 0.1

percent to 6.8 percent. In contrast, non-interest income declined by 22.6 percent and non-interest expenses increased by 15.9 percent. This had a bearing on net profits which declined by Rs. 4.1 billion to reach Rs. 14.9 billion in 2012. Consequently, return on assets declined from 5.9 percent in 2011 to touch 4.2 percent in 2012. Return on equity in the year was 18.9 percent.

With the new regulations both LFCs and SLCs of the NBFIs sector was required to increase the core capital to Rs. 300 million and Rs. 150 million respectively with effect from 1st January 2013. However, capital funds of the sector recorded an increase of 27 percent in 2012 to Rs. 86 billion. This represents moderation as compared to 2011 of a 57 percent increase. During the year, capital funds totaling to Rs. 5 billion was infused into the sector through rights issues, strategic and capital investments. The capital adequacy ratio of 16 percent was sound and above the prescribed minimum and above the ratio of 14 percent as at the end 2011. The core capital ratio was also maintained well above the requirement of 5 percent at 15 percent as at 2012.

The sector is expected to display greater stability in the ensuing year especially within a more balanced macro framework and the much anticipated revival of the global economy. The tight monetary policies that were in place in the year under review have already been relaxed which is expected to have a positive impact on the credit growth, lessen the interest rate risks and ensure sustenance of margins. Access to foreign currency funds and incentives extended to develop the debt market will give options for the NBFIs sector to source funds necessary to boost its position in the growth trajectory of the country.

Management Discussion & Analysis *contd.*

Insurance Sector

This sector accounting for about 3 percent of the total assets in the finance sector moved ahead, though moderately in comparison to the preceding year. At the end of the year, the sector had 21 registered insurance companies in operation including 12 companies engaged in both long-term (life) and general (non-life) insurance and 6 companies engaged exclusively in general insurance. Out of these companies, 7 are already listed on the Colombo Stock Exchange.

The asset base of the insurance sector in 2012 grew by 16 percent compared to 20 percent growth in the previous year. The total gross written premium led by the general insurance segment also increased at a lower pace by 11 percent as against 17 percent growth in 2011. Investment income of the sector turned around from a decline to an increase despite the sluggishness of the capital market and re-pricing losses in government securities. Given the higher claims and management expenses in general insurance, underwriting profits declined as against the previous year. Notwithstanding this, general insurance contributed significantly for the overall profit before tax to increase by 8.4 percent to Rs. 13.4 billion in the year. The return on assets posted an increase for general insurance but declined in terms of long term insurance.

Capital Markets

The capital market posted a mediocre performance in 2012 in comparison to the upsurge that was witnessed in 2010 but more stable especially in the latter part of the year in comparison to 2011. The market benefited from the relaxed policy direction on broker credit and trading. Foreign participation, the stabilising rupee and interest rates towards the end of the year further added on to strengthen the market. The All Share Price Index

performed better than 2011, although still posting a decline of 7 percent in comparison to 8.5 percent in the preceding year. The more transparent S&P SL20 Index which replaced Milanka Price Index with effect from 1st January 2013 increased by 8 percent. Following the trends in pricing, the market capitalisation declined by 2 percent to 29 percent of GDP. Yet, it was cushioned, in the year, with new listings through Initial Public Offerings, Introductions and Rights Issues.

Corporate Debt Market

With government patronage to develop the debt market in Sri Lanka, both commercial paper and corporate bonds picked up during the year. In the backdrop of the credit ceiling and high interest rates, commercial paper market saw greater activity with the value touching Rs. 36.9 billion in 2012 in comparison to Rs. 13.6 billion in the preceding year. Mobilising funds through debenture issues also increased with nine listings for the value of Rs. 12.5 billion. Three more debentures were issued by way of Introduction. Trading turnover of debentures on the Colombo Stock Exchange, however, was extremely low compared to the preceding year with turnover falling over 90 percent. The incentives offered in the hands of the investors as per the Budget for 2013 i.e., income tax exemption for interest income on debt securities is expected to give a boost to this market.

Economic Policy Changes and Measures: NBFi Sector

27th February 2012

Application rule for new finance companies aligned to the new Finance Business Act No. 42 of 2011.

Revised the annual licensing fees for LFCs.

29th March 2012

Revised the definition of core capital for SLCs in line with BASEL II.

Revised the gearing ratio calculation for SLCs with core capital as the yard stick instead of capital funds.

11th July 2012

Issued direction to SLCs on fitness and propriety of the Board and officers performing executive functions.

Issued direction to SLCs on liquid assets - on computing the liquidity requirement.

6th September 2012

Issued direction to LFCs on Information Systems Security Policy.

23rd October 2012

Issued Finance Companies (Panel of External Auditors), Circular No.1 of 2012 and Finance Leasing (Panel of External Auditors) Direction No. 5 of 2012 to LFCs and SLCs respectively.

28th December 2012

Revisions made to interest rate margins for time deposits and non-transferrable certificates of deposits - for LFCs

31st December 2012

Guidelines issued to the Panel of External Auditors selected by the Monetary Board on external audits of NBFIs.

Source: Annual Report 2012, Central Bank of Sri Lanka

Economic Outlook

The outlook for the year ahead is positive in the backdrop of the global economy sending positive signals of recovery after a four year running recession, even double-dip for some advanced economies. In the domestic front, the ensuing year is expected to benefit from the monetary and fiscal policy adjustments adopted in 2012 as anti-inflationary and external sector stabilisation measures thereby setting a conducive environment with the right fundamentals for sustainable growth. The ensuing year is expected to rebound at 7.5 percent GDP growth whilst moving towards over 8 percent growth as envisaged for the medium term. The country, therefore, is expected to secure its place in the US\$ 4,000 per capita income category by 2016.

Measures were adopted to reverse the tight monetary policy by bringing down policy rates and allowing the credit restrictions on commercial banks to expire as at the end year 2012. However, the policy will continue to focus in the mid-term on curtailing inflation to be maintained at single digit levels. On the external front, policies are expected to boost diversification of the export structure with greater emphasis on value-addition and the search for new export markets. This together with the continued restraint on imports and the steady inward remittances from migrant workers is expected to contain the trade deficit and thereby maintain adequate foreign reserves.

In the medium term, the country's growth strategy will advocate aggressively the 5-hubs concept – maritime, aviation, knowledge, energy and commercial sector together with tourism as a thrust sector. The ongoing major development projects are expected to bring positive benefits to the economy in the years ahead.

Company's Performance in Relation to the Industry

PLC being the market leader in the leasing industry has set standards for the industry to emulate. PLC in the year greatly focused on bolstering the operational and financial performance along with financial discipline, risk management and good governance practices in response to the challenging trends and undertones which were prevalent in the economy.

The operational and financial performance in the year under review was less phenomenal in comparison to the great heights achieved in preceding year. Yet, the results were fitting to its position in the industry and even exceeded the industry averages in terms of the key performance indicators including profitability and non-performing ratio.

	NBFIs* 31st December 2012	PLC 31st March 2013	PLC's Contribution to the Industry (%)
Profit & Loss (For Year Ended)			
Net Interest Income (Rs. Bn)	40.3	6.2	15.4
Profit Before Tax (Rs. Bn)	22.7	4.0	17.6
Profit After Tax (Rs. Bn)	14.9	2.8	18.8
Financial Position (As at)			
Total Accommodations (Rs. Bn)	471.7	75.7	16.0
Total Assets (Rs. Bn)	596.6	83.9	14.1
Total Capital Funds (Rs. Bn)	94.9	17.7	18.7
Key Ratios			
Net Interest Margin (%)	6.8	8.1	
NPA Ratio (%)	5.0	1.2	
Return on Assets (%)	4.2	4.9	
Return on Equity (%)	18.9	16.5	
Capital Adequacy Ratio (%)	16.0	21.2	

* Source: Annual Report 2012, Central Bank of Sri Lanka

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Management Discussion & Analysis *contd.***Company's Contribution to the National Economy**

PLC being the market leader in the leasing industry has marked its place in the growth trajectory of the economy. The Company through its scale and success of operations significantly contributed to the national economy. The trickle-down benefits from its value creation, employment generation, subsidiary activities, timely payments of statutory dues and sustainable initiatives pervaded the entire economy.

Aligned to the development goals of the country, the Company was at the forefront of spreading financial literacy and promoting financial inclusivity among all communities. During the year, the Company's network totaling to 183 branches and window offices reached people spanning the entire island. The Company further focused in increasing its outreach in the rural and untapped regions of the country including the North and East. The year saw the Company expanding for wider penetration with new 05 mini branches and 06 window offices including converting a branch to a mini branch.

In its bid to promote regional development and playing its part to reduce the nation's unemployment levels, the recruitment policy is skewed towards recruiting employees within the local communities where branches are located. PLC has a labour strength of 1,134 employees with a representation of 72.49 percent at the branch network. In the reporting year, PLC recruited 192 new employees out of whom 135 are for branch expansions mostly within the respective local areas.

The Company's range of products supports and uplifts the livelihood and lives of

people, in turn creating and distributing value to the entire economy. The grantings during the year under review totalled to Rs. 34,619.71 million including grantings of Rs. 816.66 million to the agricultural sector. The cumulative grantings in terms of service sector was significant with having financed over 80,000 passenger and commercial vehicles representing approximately 95 percent of the portfolio.

Rs. 550 Mn
Economic Value Addition

Rs. 2,764 Mn
Market Value Addition

PLC's subsidiary activities covering diverse needs in the non-bank finance domain complemented the Company's role in the economy. People's Finance PLC (People's Finance), a key subsidiary which was acquired with controlling stake at the time of being a "distressed" finance company in the year 2009 turned around operations to contribute its part as a disciplined finance company with its outreach island-wide and operational success. People's Finance reaching the masses with a gamut of financial products from savings, fixed deposits, leases, loans to Shari'ah Law compliant Islamic products has achieved commendable grantings of Rs. 6,201.45 million and profit after tax of Rs. 293.90 million in the year under review. Merger with this company was effected in April 2013 and will be discussed in detail in the ensuing sections of this report.

People's Microfinance Ltd (People's Microfinance) which commenced its commercial operations in March 2011 combines commercial viability with social goals of reaching the grass-root masses with financial support. People's Microfinance in the reporting year achieved revenue of Rs. 110.33 million and profit after tax of Rs. 15.64 million.

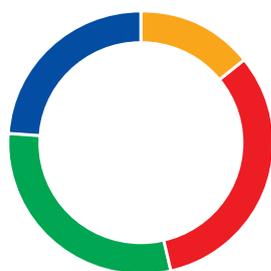
People's Insurance Ltd (People's Insurance) catering to the non-life insurance segment performed creditably, despite the macro conditions and intense competition in the industry. Within a short period of three years, People's Insurance is ranked at number 05 in the industry in terms of non-life insurance. The premium income for the period recorded Rs. 2,944.49 million whilst profit after tax reached Rs. 234.66 million, representing a 226.10 percent growth in comparison to the previous financial year.

In line with the strength of the Group brand image, PLC upholds the best practices in governance, balancing value creation with financial discipline, professionalism and corporate responsibility. The Company's performance in terms of profits and relatively lower non-performing portfolio underlined by good governance has set the pace as a role-model for the industry to emulate. In the reporting period, the Company engaged in many initiatives spending Rs. 40.31 million to boost its corporate social responsibility towards the community and to the environment. The Company is also conscientious towards its statutory commitments and in the year a sum of Rs. 2,732.45 million was settled to the Department of Inland Revenue as taxes on income/ revenue contributing to the domain of public expenditure.

Statement of Value Addition
For the year ended 31st March

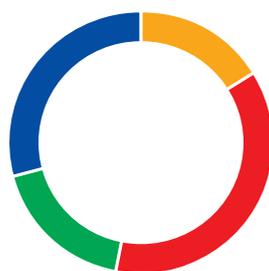
	2013		2012	
	Rs. Mn	%	Rs. Mn	%
Value added				
Interest and similar income	14,626.55		12,001.89	
Cost of services	(9,748.14)		(7,220.97)	
Value added by financial service	4,878.41		4,780.92	
Other income	1,219.85		910.36	
Impairment charges	(522.75)		(307.98)	
Total	5,575.51		5,383.30	
Distribution of value added				
To employees				
Salaries and other benefits	917.28	16.45	772.27	14.35
To providers of capital				
Dividend to ordinary shareholders	1,959.93		1,560.00	
Dividend to preference shareholders	137.42		168.08	
	2,097.35	37.62	1,728.08	32.10
To the government				
Debit tax, stamp duty and SRL	98.97		154.63	
Income tax	592.61		1,083.29	
VAT on financial services	256.67		368.05	
	948.25	17.01	1,605.97	29.83
To expansion and growth				
Retained profit	882.85		1,014.85	
Depreciation and amortisation	159.03		139.67	
Deferred taxation	570.75		122.46	
	1,612.63	28.92	1,276.98	23.72
	5,575.51	100.00	5,383.30	100.00

Distribution of value added 2012



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

Distribution of value added 2013



Employees	16.45%
Providers of capital	37.62%
Government	17.01%
Expansion and growth	28.92%

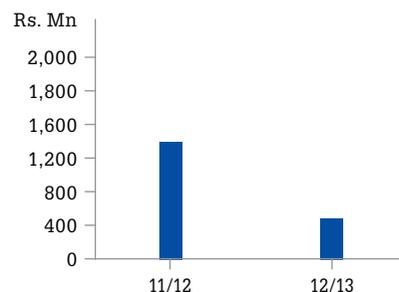
Aligned to the development goals of the country, the Company was at the forefront of spreading financial literacy and promoting financial inclusivity among all communities.

Management Discussion & Analysis *contd.***Economic Value Added (EVA)**

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

For the Year ended 31st March

	2013	2012
	Rs. Mn	Rs. Mn
Shareholders' funds	17,672.38	16,809.20
Accumulated provision for impairment charges	713.28	462.80
	18,385.66	17,272.00
Profit attributable to		
Shareholders	2,842.78	2,574.84
Add: Impairment provision	522.75	307.98
Less: Disposal losses	263.94	201.23
	3,101.59	2,681.59
Economic cost % (Average Treasury Bill Rate + 2% risk premium)	14.31%	10.19%
Economic cost	2,551.31	1,204.16
Economic value addition	550.28	1,477.43

Economic Value Added**Market Value Added (MVA)**

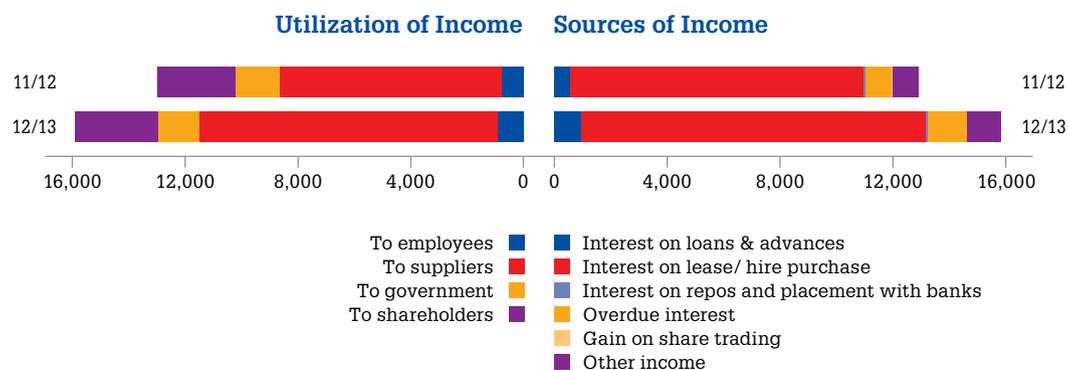
MVA is the difference between the current market value of the Company and the capital contributed by investors. A positive MVA signifies the Company management's ability to create value for its shareholders. Accordingly, the management of People's Leasing & Finance PLC has created value of Rs. 2,763.62 million as at 31st March 2013.

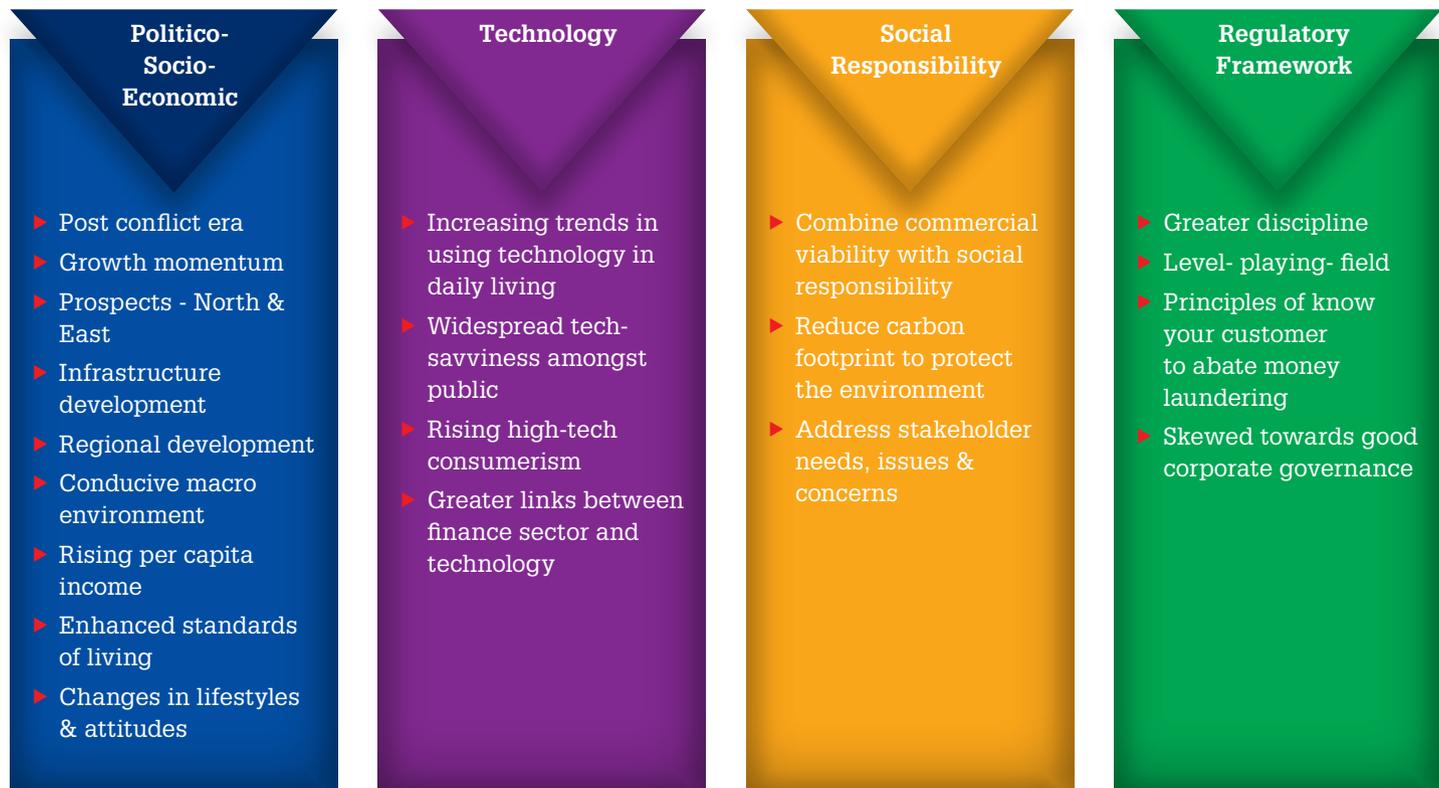
For the Year

	2012/13	2011/12
	Rs. Mn	Rs. Mn
Market Capitalisation/Market value of equity	20,436.00	18,096.00
Less: Equity owners' funds		
Shareholders' Fund	17,672.38	16,809.20
Total equity owners' funds	17,672.38	16,809.20
Market value added	2,763.62	1,286.80

Sources and Utilisation of Income
For the Year ended 31st March

	2013		2012	
	Rs. Mn	Composition %	Rs. Mn	Composition %
Sources of Income				
Interest on loans and advances	930.64	5.87	567.96	4.40
Interest on lease/ hire purchase	12,257.01	77.35	10,399.99	80.54
Interest on repos and placement with banks	70.46	0.44	48.39	0.37
Overdue interest	1,359.06	8.58	949.24	7.35
Gain on share trading	-	-	4.67	0.04
Other income	1,229.23	7.76	942.00	7.30
Total	15,846.40	100.00	12,912.25	100.00
Utilisation of Income				
To Employees				
Personnel expenses	917.28		772.27	
	917.28	5.79	772.27	5.98
To Suppliers				
Interest paid	8,320.37		6,133.78	
Other expenses	1,526.74		1,241.82	
Depreciation	159.03		139.67	
Impairment charges	522.75		307.98	
	10,528.89	66.44	7,823.25	60.59
To Government				
VAT on financial services	256.67		368.05	
Income tax	1,163.36		1,205.75	
	1,420.03	8.96	1,573.80	12.19
To Shareholders				
Dividends - Preference shares	137.42		168.08	
Dividends - Ordinary shares	1,959.93		1,560.00	
Transfer to reserve fund and investment fund reserve	430.38		656.99	
Retained earnings	452.47		357.86	
	2,980.20	18.81	2,742.93	21.24
Total	15,846.40	100.00	12,912.25	100.00



Management Discussion & Analysis *contd.***Business Environment****Politico-Socio-Economic Landscape**

With the onset of peace, the politico-socio-economic landscape in the country has changed. The country's economy is now set on an upward growth trajectory. The country is now fully geared to tap the opportunities and reap the benefits of development across the island including the North and the East. Towards this end, the political ideology as well as the macro-economic policies in the recent past have been largely directed to set a conducive environment for development especially with greater emphasis on regional development.

However, the fluctuations in the global economy and the geo-political undercurrents have moderated the nation's way forward. Notwithstanding these pressures, the country has resiliently moved forward in achieving its development goals – above average GDP growth, rising per capita income resulting in the country being classified as a middle income country, increasing standards of living with a more buoyant and tech-savvy lifestyle.

This backdrop has opened up a platform for the financial sector of this country to avail the many opportunities present to grow and prosper. In response, PLC

has grown from strength to strength and consolidated its strong-hold in the non-bank financial sector of the country with remarkable operational and financial performance. The Company underlined by a strong parent support, People's Bank, has established an extensive outreach with an island-wide branch network, a comprehensive range of financial solutions and a subsidiary network to complement its core operations. These have set the mainstay for PLC to maintain its market leadership in the leasing industry for the 11th consecutive year and thereby explore and secure the opportunities prevalent in the nation's fast changing politico-socio-economic environment.

Technology

In the globalised economy, technology has created a new paradigm in business, leading to great heights of growth and expansion. Most businesses have embraced technology to capitalise on opportunities and to create a distinct competitive advantage, essential to face a dynamic environment. The role of technology is more pronounced in the financial sector where it is crucial to be quick and efficient in processing and decision making.

At PLC, technology is embedded to the core of operations. Yet, the approach to technology is more pragmatic where only the most appropriate technology advancements are adopted in its daily operations. The systems and processes of the Company have been streamlined and new products such as branch-less banking as is discussed in the Information Technology section of this Annual Report have paved way to penetrate deeper into the market especially in the periphery of the country, with greater flexibility and efficiency. Future plans are also in progress to deploy the latest in technology in taking the operations forward.

Social Responsibility

Business ethics and social responsibility are intrinsically linked to the success of businesses in an intensely competitive, vigorous and unpredictable market environment. It is indeed essential to integrate economic, social and environmental aspects in managing any business for greater sustainability. In response to this need, PLC has placed great emphasis on harmonising business decisions with social responsibility and business ethics which in fact is the mainstay underlining the success of the Company.

Statutory & Regulatory Framework

In the recent past, regulatory bodies mainly the Central Bank of Sri Lanka have strengthened the regulatory framework to bring greater discipline to the business arena especially to the finance sector. Aligned to the statutory and regulatory requirements, PLC has given precedence to uphold the governance principles and ensured consistent compliance as elaborated in the Corporate Governance Section of this Annual Report.

Principal Risks and Uncertainties

In the backdrop of the present day business environment, the Company is exposed to varied risks both internally and externally. Managing principal risks as identified below and making effective decisions are given the utmost priority by the Company's management.

Exposure to High Risk Sectors

PLC is cautious to its exposure to sectors of the economy that may bring high risk to the portfolio operations. Through its periodic risk assessments, the Company has identified certain sectors which require more attention to abate non-performance. Out of these high risks sectors, construction industry and road development have been identified to have greater propensity to default given possible delays, mismanagement and cost overruns. The Company also exercises its caution in grantings to the agriculture sector which is subject to the vagaries of weather and climate change on the one hand and poor second hand market for agricultural equipment on the other. In the year under review, grantings to these sectors were under set limits and consistently monitored.

Interest Rates

Fluctuations in interest rate may pose significant risk to the Company's earnings and capital base. Hence, it is important to have adequate risk management practices to maintain this risk within prudent levels. The rising interest scenario as was the case in the reporting period together with the credit ceiling on commercial banks challenged the Company's operations. The rising interest rates exerted pressure on the growth momentum of the country, thereby impacting the bottom-line of the businesses. This increased the risk of non-performance and even recovery through re-possessed assets was not an easy option. The margins of the Company also came under pressure and measures were taken to source alternate funding to fuel the growing needs of the Company. The Company increased its lending rates aligned to the interest rate trends and revised its lending targets downwards which cushioned the margins and ensured credit quality in the reporting year.

Asset Quality

A quality portfolio is crucial to maintain the Company's financial stability. Towards meeting this end, PLC follows a stringent credit evaluation process prior to grantings and consistently monitors the portfolio quality to minimise the susceptibility

In the globalised economy, technology has created a new paradigm in business, leading to great heights of growth and expansion. Most businesses have embraced technology to capitalise on opportunities and to create a distinct competitive advantage

Management Discussion & Analysis *contd.*

to default. The Company relies on its efficient management information system, credit ratings and internal controls to ensure portfolio quality and thereby maintain a low non-performing ratio.

Competition

Competition in the industry spanning a gamut of specialised leasing companies, finance companies and banks and even other financial institutions poses a significant challenge to PLC's operations. Hence, PLC focuses on maintaining a sound profile and brand image buoyed by the parent company, People's Bank whilst extending the best service to customers. The outreach from the island-wide branch network, innovative and flexible product range, loyal customer relationships and goodwill with all stakeholders especially initiated through its CSR projects have ensured an approximate market share of 16 percent in terms of portfolio and its position as the market leader in the leasing industry.

In Response to SWOT

Strengths

- ▶ Strong brand & reputation
- ▶ Parent support
- ▶ Group synergies
- ▶ Strong subsidiary network
- ▶ Versatile product portfolio
- ▶ Island-wide branch network
- ▶ Skilled and dynamic workforce

Weaknesses

- ▶ Time consuming procedures
- ▶ Inadequate training at the middle management level
- ▶ Shortage of professionally qualified people to work in the periphery
- ▶ Dependence on few products

Opportunities

- ▶ Growing economy
- ▶ Political patronage for regional development
- ▶ Potential in the North and East
- ▶ Increasing financial literacy among rural communities
- ▶ Unexplored market potential
- ▶ Branch location with potential for better customer outreach
- ▶ Finance business license

Threats

- ▶ Intense competition
- ▶ Strong competitors with reputable group support
- ▶ Exposure to high risk sectors
- ▶ Unpredictable tax policies for imported vehicles
- ▶ Volatile interest rate regime
- ▶ Trained staff turnover within the industry

The table below sets out the strategy and key actions taken in the financial year 2012/13 in response to the strengths, weaknesses, opportunities and threats (SWOT) that were present in its path to progress:

SWOT	Strategy	Key Actions - FY 2012/13
Strengths		
Brand image & group synergies	Maximise the brand strength supported by the parent and optimise group synergies.	<ul style="list-style-type: none"> ▶ Strengthened ties with the parent, People's Bank in collaborating on brand enhancement campaigns. ▶ Extended the branch network with 05 new window offices at People's Bank network and one in People's Insurance regional office. ▶ Supported with greater focus and streamlined administration, HR, finance and ICT of the subsidiary network.
Branch network	Extend island-wide coverage through branches, mini branches and window offices.	<ul style="list-style-type: none"> ▶ 33 branches, 23 mini branches and 127 window offices across all provinces as at the year end. ▶ Opened 05 new mini branches in Tangalle, Mannar, Chunnakkam, Moratuwa, and Mahaiyawa. ▶ Opened 06 window offices in Middeniya, Polgahawela, Udugama, Wariyapola, Welimada, and Negombo. ▶ Re-established Nawalapitiya branch into a mini branch.
Skilled & dynamic team	Initiate and follow the best practices in HR to ensure trained staff, team spirit and employee productivity.	<ul style="list-style-type: none"> ▶ Offered well-structured training programmes both internally and externally including foreign training. Over Rs. 10 million was spent on training in the FY 2012/13. ▶ Strengthened the incentive scheme linked to key performance indicators - grantings, non-performance portfolio etc. ▶ Strengthened Welfare Society activities to bring greater team spirit.
Weaknesses		
Cumbersome procedures	Streamline procedures and processes with greater application of Information Technology (IT).	<ul style="list-style-type: none"> ▶ Further streamlined the processes and initiated new operational processes viz. mobile phone and palmtop transactions and online approval systems. ▶ Increase IT literacy among all employees to avail the benefits of IT systems available in carrying out daily transactions.

Management Discussion & Analysis *contd.*

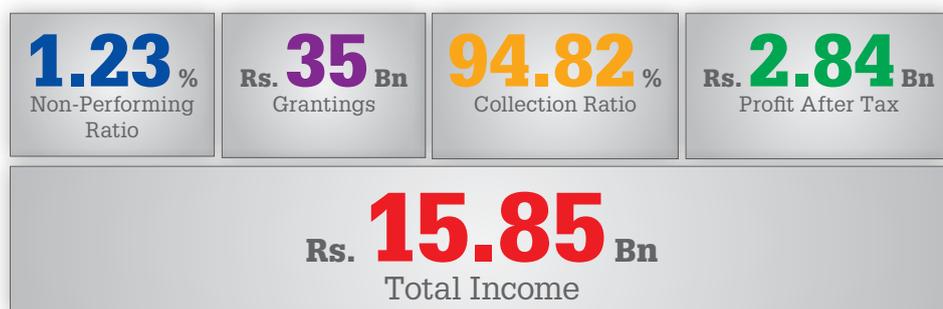
SWOT	Strategy	Key Actions - FY 2012/13
Shortage of trained staff at the periphery and middle manager level	Employ and train people within the communities in close proximity to the locations of branches.	<ul style="list-style-type: none"> ▶ 135 employees were recruited for branch operations. ▶ Employees within branches were trained on credit evaluation. ▶ Training extended on customer service excellence to all staff across the head office, branches and subsidiary network. ▶ A comprehensive training of two days was given on revised Sri Lanka Accounting Standards (SLFRS/LKAS) to the senior management, branch managers and all accounts related staff.
Opportunities		
Nation's growth momentum	<ul style="list-style-type: none"> ▶ Strengthen core operations & expand the product range by embracing finance company operations. ▶ Consolidate the branch network and open new branches/window offices in strategic and unexplored regions. 	<ul style="list-style-type: none"> ▶ Obtained the license to conduct finance business under the Finance Business Act No. 42 of 2011 from the Monetary Board of the Central Bank of Sri Lanka. ▶ Set out the foundation to merge operations with the subsidiary, People's Finance with effect from 1st April 2013. ▶ Initiated a debenture issue to cap on the tax incentives offered to investors and thereby enhance funding options partly required for expansions. ▶ Consolidated the branch performance with strategic expansions. ▶ Strengthened group synergies and supported the subsidiary network.
Prospects for regional development	<ul style="list-style-type: none"> ▶ Greater penetration through branches and window offices in the periphery. ▶ Increase financial inclusivity by offering appropriate products for the sector. ▶ Increase financial literacy among the SMEs and rural communities. 	<ul style="list-style-type: none"> ▶ Extensive branch network in rural areas extending the outreach. ▶ Conducted awareness campaigns on improving financial literacy as well as on PLC's products and services through street promotions and door to door marketing campaigns in the regions. ▶ Offered flexible products and solutions suitable for rural masses. ▶ Supported the operations of the subsidiary People's Microfinance to penetrate deeper to the grass root communities.

SWOT	Strategy	Key Actions - FY 2012/13												
Openings in the North and East	Expand the outreach through the branches and window offices in the North and East.	<ul style="list-style-type: none"> ▶ Consolidated operations in the branches located in the North & East. ▶ Supported Islamic Finance operations of the dedicated branches in Kattankudy, Kalmunai and Mutur under the subsidiary, People's Finance. 												
Threats														
Intense industry competition	<ul style="list-style-type: none"> ▶ Offer the best service to customers and thereby enhance loyal customer relationships. ▶ Strengthen group synergies, branding and carry out strategic marketing promotions. 	<ul style="list-style-type: none"> ▶ Upgraded Fitch Rating to AA-(lka) with stable outlook. ▶ Leveraged on the parent company's support and group synergies. ▶ Opened a call centre to address issues, concerns and needs of customers and give speedy communication links to customers. ▶ Customised products and speedy processes to suit diverse customer needs. ▶ Maintained the PLC profile as a trusted and the best in the industry with sound governance practices and operational performance as compared to the industry averages. <table border="1"> <thead> <tr> <th></th> <th>Company</th> <th>Industry</th> </tr> </thead> <tbody> <tr> <td>Portfolio (Rs. Bn)</td> <td>76</td> <td>472</td> </tr> <tr> <td>Profit After Tax (Rs. Bn)</td> <td>3</td> <td>15</td> </tr> <tr> <td>NPA ratio (%)</td> <td>1.23</td> <td>5.00</td> </tr> </tbody> </table>		Company	Industry	Portfolio (Rs. Bn)	76	472	Profit After Tax (Rs. Bn)	3	15	NPA ratio (%)	1.23	5.00
	Company	Industry												
Portfolio (Rs. Bn)	76	472												
Profit After Tax (Rs. Bn)	3	15												
NPA ratio (%)	1.23	5.00												
Exposure to high risk sectors	Identify high risk sectors in the economy and exercise limits and controls in the exposure to such sectors.	<ul style="list-style-type: none"> ▶ Re-assessed and identified high risk sectors viz. construction, road development, agriculture etc. ▶ Exercised credit controls – set credit limits, stringent credit evaluations and consistent monitoring of facilities granted to high risk sectors. 												
Uncertainty in the financial system amid volatility in the macro economy.	Maintain astute operational practices with sound fundamentals.	<ul style="list-style-type: none"> ▶ Posted sound operational and financial results as explained above despite the macro shocks in the economy. ▶ Ensured lower non-performing ratio as compared to industry averages through diligent recovery efforts. 												

Management Discussion & Analysis *contd.*

SWOT	Strategy	Key Actions - FY 2012/13
Rising interest rate regime	<ul style="list-style-type: none"> ▶ Match the lending rates to interest rate trends and maintain credit quality. ▶ Source low cost funding. ▶ Stringent credit evaluation controls and monitor portfolio to ensure asset quality. 	<ul style="list-style-type: none"> ▶ Revised the lending rate upward in line with policy trends and reduced lending targets to maintain healthy margins. ▶ Obtained finance business license and initiated the merger with People's Finance PLC to expand the funding base. ▶ Issued debentures to raise Rs. 6 billion proceeds.
Rising import tax on vehicles	<ul style="list-style-type: none"> ▶ Diversify products away from the main portfolio of leases and hire purchase. ▶ Carry out strategic marketing campaigns for core products. 	<ul style="list-style-type: none"> ▶ Roadshows and door to door promotions organised at the branch level across all provinces to canvass business and create awareness on the entire product range. ▶ Organised "Riya Pola", a marketing campaign in collaboration with reputed vehicle dealers. ▶ Introduce foreign currency exchange. ▶ Opened five foreign exchange counters in strategic locations. ▶ Operate margin trading transactions. ▶ Offer Islamic products.
High trained staff turnover within the industry	Initiate best HR practices - promote work-life balance, due employee recognition and promotions, competitive remuneration and performance based incentives and offer structured training and skills development opportunities.	<ul style="list-style-type: none"> ▶ Conducted training as per a structured training calendar across the Company and the subsidiary network. ▶ Carried out annual performance evaluation for all employees and initiated due promotions and incentives. ▶ Enhanced the employee welfare schemes – medical and vehicle loans.

Operational Performance - The Company



Grantings

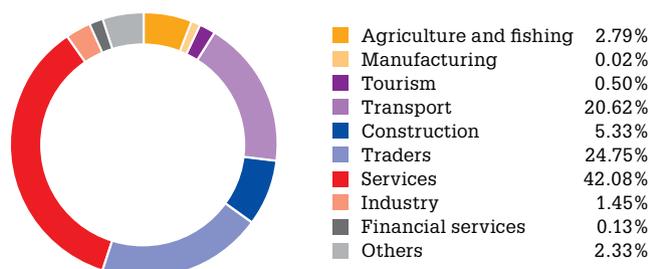
Consolidating its performance from great heights achieved in the preceding years, the Company posted total grantings of Rs. 34,619.71 million during the financial year 2012/13. This represents a decline of 29.14 percent as compared to the preceding financial year which comes in the backdrop of a more subdued economy amidst challenging macro dynamics - rising interest rates, hike in import taxes, higher inflation and a weaker Sri Lankan rupee. On account of these macro-economic vicissitudes, the Company pragmatically relaxed its granting targets in the early part of the reporting year. Yet, grantings during the third and the fourth quarter of the financial year picked up significantly which cushioned the overall grantings to maintain the market leadership for the consecutive 11th year.

Grantings	Rs. Bn
Actuals - FY 2011/12	48.9
Revised Targets - FY 2012/13	38.3
Actuals - FY 2012/13	34.6

Sector Performance

PLC's target market is mainly the small and medium businesses seeking to finance vehicles for both commercial and passenger use as well as to finance machinery and equipment. The grantings are more skewed to the services sector representing nearly 42.08 percent of the total portfolio. Trading and transport sectors absorbed around 24.75 percent and 20.62 percent of the total portfolio respectively.

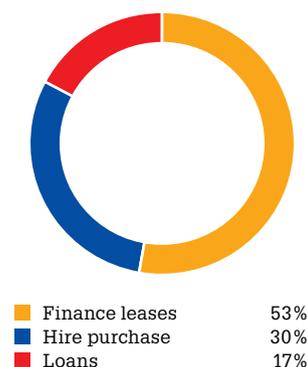
Company Portfolio by Sectors



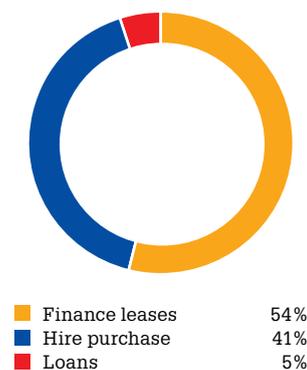
Portfolio Mix

The Company offers a versatile range of leasing products, hire purchase and term loans catering to the diverse financial needs of its customer base. Lease and hire purchase dominated the portfolio accounting for just over 80 percent of the total lending portfolio in the financial year under review. The portfolio mix has changed as compared to the financial year 2011/12 with lease and hire purchase losing its dominance whilst loans gaining more significance accounting for 17 percent of the total lending portfolio.

Portfolio Distribution 2012/13



Portfolio Distribution 2011/12



To reduce the dependence on a few products, in the reporting year, PLC greatly focused on subsidiary activities

Management Discussion & Analysis *contd.*

to be a comprehensive financial service provider. Currently, the Group offers an array of services apart from its core operations in leasing and hire purchase i.e. savings and fixed deposits, trade finance, factoring, forex, microfinance, Islamic finance, operating lease, margin trading and property development.

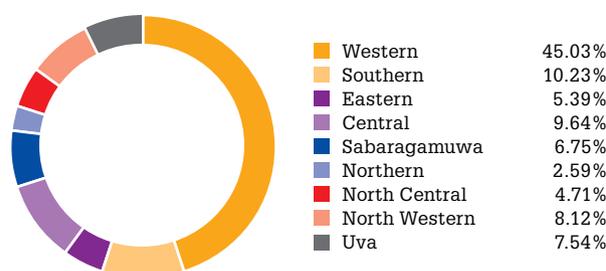
Lease and Hire Purchase Performance

Lease and hire purchase portfolio performance reflected the moderation of the country's economy and macro-economic shocks that were prevalent in the financial year under review. The grantings decelerated by 38.22 percent from a remarkable Rs. 46.52 billion in the preceding year to Rs. 28.74 billion in the reporting year.

The higher interest rate scenario together with increasing import taxes on vehicles, fuel prices and depreciating rupee adversely affected the demand for finance lease and hire purchase facilities especially in the first half of the reporting year. The revenue generated from finance lease and hire purchase fell in the first two quarters. Yet, towards the latter part of the reporting year, given the signs of stabilising interest rates and other macro fundamentals together with renewed activity in large-scale infrastructure projects brought the vigour back to the performance of lease and hire purchase portfolio. The revenue from finance lease and hire purchase portfolio posted a 17.86 percent growth to reach Rs. 12,257.01 million vis à vis the preceding year.

Branch Performance

In terms of the provinces, the Western Province with its strong dominance in economic activity accounted for the highest grantings of 45.03 percent. Grantings were considerable in the Southern, Central and Northern Western Provinces. The top most performers among the branches in terms of grantings were Dehiwala, Battaramulla and Kandy.

Grantings - Province wise

Most of the branches of PLC facilitate the Group's subsidiary network - collaborates and extends support on technical, financial management and marketing aspects of operations whilst giving access to diverse geographic locations to promote the respective product range. People's Microfinance, a fully owned subsidiary of PLC which commenced operations in March 2011 operates 25 window offices with 105 employees within the branch network of PLC. These window offices are able to reach the targeted segment of underprivileged communities with its microfinance product range. People's Insurance, another fully owned subsidiary also operates with two regional offices at Galle and Negombo and 45 window offices within PLC and People's Finance branch network covering key areas in non-life insurance sector and optimises the group synergies in obtaining insurance facilities from PLC customer base.

Grantings for 2012/13 – People's Leasing Group (Rs. Million)

Province	People's Leasing	People's Finance	People's Microfinance	Group Total	%
Western	15,587.80	3,963.90	143.61	19,695.31	47.36
Southern	3,540.69	659.77	84.73	4,285.19	10.30
Central	3,336.85	812.72	43.10	4,192.67	10.08
North Western	2,810.41	271.94	62.57	3,144.92	7.56
Uva	2,612.67	-	159.10	2,771.77	6.66
Sabaragamuwa	2,337.57	151.13	87.61	2,576.31	6.20
Eastern	1,865.06	269.77	113.97	2,248.80	5.41
North Central	1,631.35	72.22	73.67	1,777.24	4.27
Northern	897.31	-	-	897.31	2.16
Total	34,619.71	6,201.45	768.36	41,589.52	100.00

Profitability

Branch network is central to the Company's operations and thereby the performance. Granting and most of the other business operations are concentrated within the branch network. Therefore, branches account for the bulk of the profits made by the Company. The top performers in terms of profits were branches located in Dehiwala, Kandy, Negombo, Galle and Kurunagala.

Collections & Non-performing Ratio

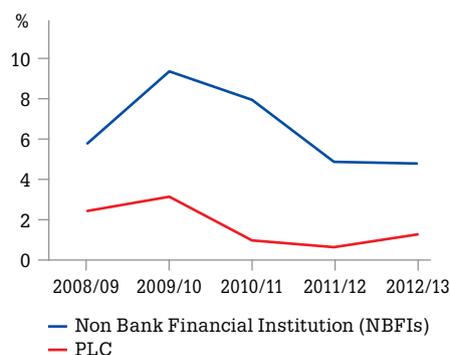
Key Branches	NP Ratio (%)	
	2012/13	2011/12
Western Province	1.11	0.72
Central Province	0.42	0.21
Uva Province	0.38	0.37
Overall NP Ratio	1.23	0.70
Industry NP Ratio	5.00	5.10

The Company is extremely conscious of timely collections and maintaining a low non-performing ratio especially necessary in the light of the current economic conditions both domestically and globally. PLC's integrated approach to limit the non-performing portfolio commences at the time of first contact with the customer. The Company gives utmost priority in building solid relationships with the customer which lay a strong foundation for a smooth collection process intertwined with trust, loyalty and integrity. This opens up a gateway for effective monitoring of facilities granted and early detection of possible defaults which is addressed with financial and even technical advice and support to bring these facilities into the mainstream.

The Company also follows a strict evaluation process and seeks to structure facilities in line with the macro fundamentals as well as customer requirements and servicing abilities. This is vital to minimise the vulnerability towards default whilst giving the Company a competitive edge over other industry players. Recoveries were further strengthened with consistent monitoring of the portfolio on a structured basis and incentivising the operational units and officers linked to diligence in the recovery efforts.

Underpinning these efforts, most branches managed to curtail the growth in the non-performing portfolio which otherwise would have created a greater impact in the midst of macro challenges of liquidity issues pressuring interest rates, higher inflation, depreciating rupee and relative inertia in the economy. The lowest non-performing ratios were recorded from Battaramulla, Nuwara Eliya, Trincomalee, Bandarawela, Mahiyanganaya and Galle branches which significantly contributed to maintaining an overall non-performing ratio of 1.23 percent which is well below 5.0 percent industry average.

Non-Performing Ratio



Impairment Policy

In its bid to uphold prudential oversight of credit quality and financial strength, the Company firmly believes in maintaining a conservative impairment policy. The policy formulated with the approval of the Board seeks to establish a structure to identify and curtail the impact of non-performing portfolio on the financial performance. In line with the revised Sri Lanka Accounting Standards the Company has broadly categorised the portfolio in to collective and individual impairment. Collective impairment has been determined based on the number of rentals in arrears and the expected losses for each outstanding period. Any loan in excess of Rs. 10 million has been considered for individual impairment after considering any financial difficulty of the borrower, breach of contract, changes in his status, economic condition or availability of any other indicators that suggest the borrower's inability to services the loan as agreed.

The Company is extremely conscious of timely collections and maintaining a low non-performing ratio especially necessary in the light of the current economic conditions both domestically and globally.

Management Discussion & Analysis *contd.***Business Review**

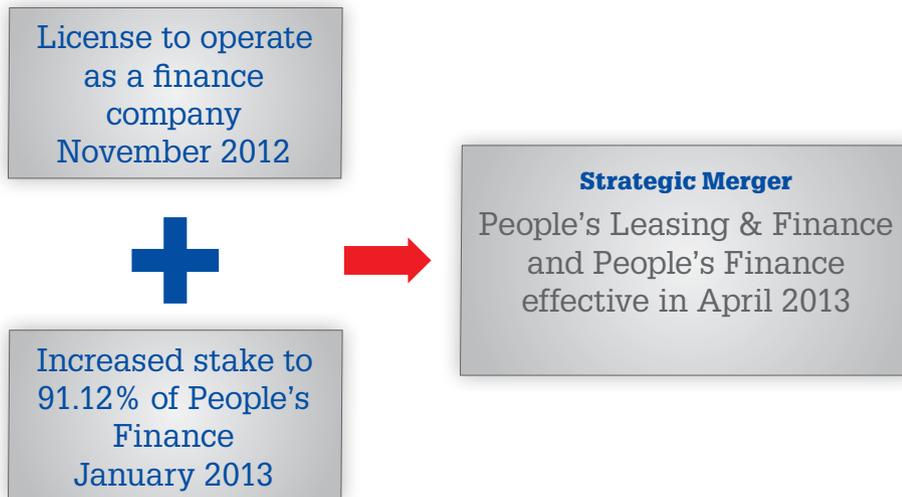
Goals Medium & Long Term	Targets FY 2012/13	Achievements FY 2012/13
Outreach		
Expand the outreach	<ul style="list-style-type: none"> ▶ Strengthen the branch network. ▶ Strategic relocations & setup window offices. 	<ul style="list-style-type: none"> ▶ Re-established 01 branch as mini branch. ▶ Opened 06 window offices. ▶ Opened 05 mini branches.
Product Portfolio		
Product diversification	<ul style="list-style-type: none"> ▶ Add value to the existing products. ▶ Obtain license to operate as a finance company. 	<ul style="list-style-type: none"> ▶ Finance Business License obtained in November 2012. ▶ Necessary approvals obtained and the process initiated to merge operations with subsidiary, People's Finance with effect from April 2013. ▶ Initiated value added features to core products – mobile phone, palm top and online facilities.
Promotions		
Reinforce the brand & promote products	<ul style="list-style-type: none"> ▶ Re-brand to encompass structural changes of the Group. ▶ Initiate effective promotional campaigns. 	<ul style="list-style-type: none"> ▶ Adopted new Articles of Association and initiated name change and re-branded with new logo. ▶ Carried out road shows, door to door campaigns to canvass business. ▶ Collaborative campaigns with vehicle dealers. ▶ Entered into an exclusive marketing promotions contract with Ashok Leyland PLC.
Customer Relationships		
Strengthen loyal customer relationships and attract new customers	<ul style="list-style-type: none"> ▶ Offer the best service. ▶ Motivate employees. 	<ul style="list-style-type: none"> ▶ Transactions enabled through mobile phones, palm tops and online approvals. ▶ Obtained customer feedback from customer surveys carried out in branches. ▶ Call Centre opened to address customer issues, concerns and needs and offer speedy communication facilities. ▶ Ensured employee well-being through compensation and comprehensive training given on customer service.
Human Resources		
Recruit the best in the industry and maintain a low staff turnover	<ul style="list-style-type: none"> ▶ Recruit the duly qualified and experienced persons. ▶ The minimum work force to be 1,100. ▶ Promote work-life balance culture and offer due recognition and remuneration. 	<ul style="list-style-type: none"> ▶ Recruited 192 staff including 32 for executive and management grades. The total staff strength is 1,134. ▶ Carried out a structured performance appraisal scheme with due promotions, incentives and recognition. ▶ Encouraged and paved way for employees to strike a balance in their work and life. ▶ Intensified activities of the Welfare Society for Rs. 31 million.
Training and skills development	Carry out structured training programmes.	<ul style="list-style-type: none"> ▶ Spent Rs. 12.55 million on training including internal and external training. ▶ Spent an approximate of Rs. 1 million on foreign training. ▶ Reimbursement of exam fees and professional memberships amounting to Rs. 1.20 million.

Group Synergies

In its path to encompass diversity, PLC during the year continued to reinforce on group synergies. The Company fastened ties with the parent, People's Bank, in turn giving PLC a platform to grow from strength to strength. The brand, the immaculate reputation and the island-wide network of the Bank facilitated and supported the Company to expand its outreach and to continue as the market leader for the 11th consecutive year in the leasing industry. The support extended was more particularly felt in the year which witnessed a successful debenture issue of Rs. 6 billion on the Colombo Stock Exchange.

Similarly, PLC strategically collaborated with its subsidiary network of six companies to encompass diverse financial products and services, thereby making the PLC Group a dominant player in the non-bank finance sector of the country. Further, PLC aggressively promoted a collaborative culture across the Group, accommodating window offices of the subsidiaries in strategic locations and sharing centralised functions - human resources management, ICT, finance and administration which indeed have proved to be a winning solution to the subsidiary performance through economies of scale and cost rationalisation. PLC also continued to advocate sharing skills and best practices in business and risk management across the Group which has set the Group apart from other industry players.

Finance Business License & Merger Plans



With the approval to operate as a finance company under the purview of the Finance Business Act No.42 of 2011 of the Monetary Board of Sri Lanka on 12th November 2012, PLC set forth its strategic plans to merge operations with its subsidiary, People's Finance. PLC during the financial year acquired 1.80 million shares of People's Finance for an investment value of Rs. 64.50 million. The acquisition increased PLC's stake in People's Finance from 88.71 percent to 91.12 percent.

The rationale for the merger apart from statutory guidelines is to optimise financial and managerial resources, extend a more pragmatic and convenient service to customers and further the future prospects in an intensely competitive and challenging environment. The merger is also expected to enhance the brand image and performance of the Company and thereby strengthen the funding base both locally and internationally. The merger was effected on 2nd April 2013.

Customer Relationships & Employee Factor

PLC made every effort to come out strongly as a customer-centric organisation and reinforce its position during the year under review as the number one player in the leasing industry. Towards this end, the Company employed an effective customer relationship strategy on a two-tier basis. On one hand, the Company focused on building customer partnerships through structuring products tailor-made to their needs, cross selling and product bundling linked to relationships, communicating effectively on the latest developments on products, addressing customer issues and complaints, but above all exceeding the expectations of customers in offering the best in service. The state-of-the-art call centre opened adjoining the head office building during the year is a significant step towards speedy and effective solutions to customer queries, issues and concerns.

On the other hand, the Company places much emphasis on employees who have the onus to extend the best experience to customers. The Company, during the year, endeavoured to empower employees with the right tools – best HR practices, training and skills development, and exposure to the latest in technology to ensure positive interactions in delivering customer service

Management Discussion & Analysis *contd.*

and thereby helping to build lasting relationships. This is more so given the Company's policy to recruit people, if possible, within the communities in which the branches operate, bringing greater loyalty and understanding to customer relationships.

During the year under review, PLC's customer base stood over 75,000 out of which 24 percent accounted for new customers.

Branch Network

In the true spirit of encompassing diversity, PLC focused during the year to expand its outreach and also to lessen the exposure to risk through the branch network spreading across all provinces. The branch network totaling to 183 as at the year end including 33 fully-fledged branches, 23 mini branches and 127 window offices was reinforced with the infusion of more resources in terms of facilities, trained staff and efforts to build team spirit. Further, systems and processes within the network were streamlined and even modernised to prompt higher employee productivity, efficiency and flexibility, essential to maintain its market share and be the leader in an intensely competitive market.

In the true spirit of encompassing diversity, PLC focused during the year to expand its outreach and also to lessen the exposure to risk through the branch network spreading across all provinces.

The Company in keeping with its policies advocates a leadership culture within the branch network. The branch staff is given autonomy to carry out operations under the direction of the head office. The decision making is under the guidelines set out in the Delegation of Authority which gives flexibility to branch managers to make timely and pragmatic decisions.

The Company continued with the "Best Branch" competition where branches are judged under three categories in terms of the portfolio – under Rs. 2 billion, Rs. 2 to 3 billion and above Rs. 3 billion based on pre-set key performance indicators – revenue, profitability, non-performing ratio etc. This together with the competition for the "Best CSR Project" where branches are judged, inter alia, on the impact to stakeholders, brand value and corporate communication effectively motivated the branches to perform in terms of grantings as well as maintain sound financial ratios and fundamentals.

The Company in the reporting year opened 05 mini branches whilst fastening on parent company support with 05 new window offices within the extensive branch network of People's Bank and one window office at newly opened People's Insurance regional office.



*Kurunegala Branch
Above Rs. 3 Bn Best Branch*



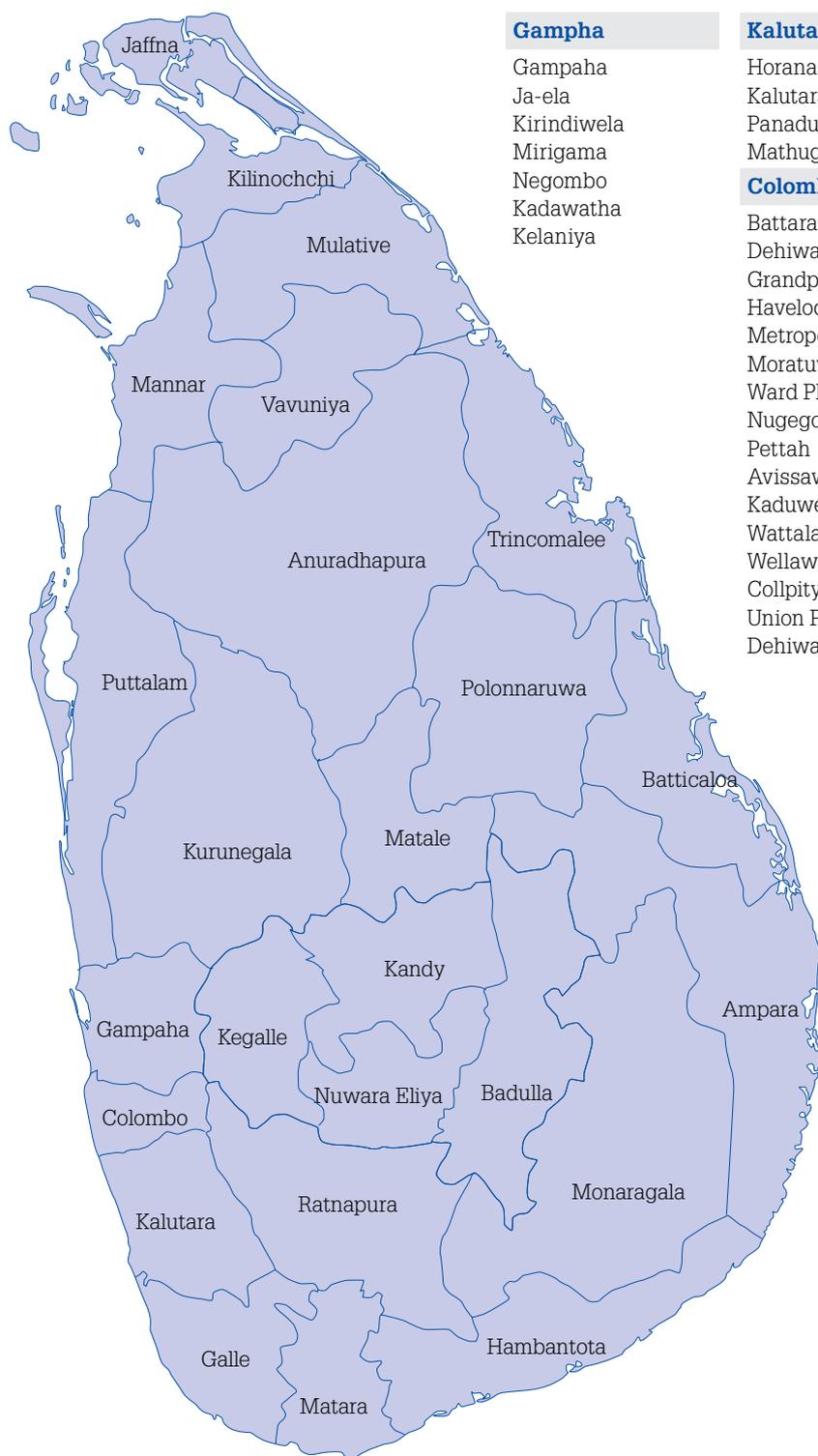
*Matara Branch
Rs. 2-3 Bn Best Branch*



*Three Wheel Unit
Under Rs. 2 Bn Best Branch*



*Gampaha Branch
Best CSR Project*



Gampha

Gampaha
Ja-ela
Kirindiwela
Mirigama
Negombo
Kadawatha
Kelaniya

Kalutara

Horana
Kalutara
Panadura
Mathugama

Colombo

Battaramulla
Dehiwala
Grandpass
Havelock
Metropolitan
Moratuwa
Ward Place
Nugegoda
Pettah
Avisawella
Kaduwela
Wattala
Wellawatta
Colpity
Union Place (Alsafa)
Dehiwala (Alsafa)

Galle

Galle
Neluha
Ambalangoda

Hambanthota

Ambalanthota
Tangalle
Thissamaharamaya

Matara

Deniyaya
Matara
Akuressa

Ratnapura

Ratnapura
Embilipitiya
Balangoda

Kegalle

Kegalle

Kandy

Kandy
Mahaiyawa
Kandy (Alsafa)
Pilimathalawa
Nawalapitiya
Gampola

Nuwara Eliya

Nuwara Eliya
Hatton

Matale

Dambulla
Matale

Badulla

Badulla
Bandarawela
Mahiyanganaya
Welimada

Monaragala

Monaragala
Wellawaya

Ampara

Ampara
Kalmunai (Alsafa)

Batticaloa

Batticaloa
Kattankudy (Alsafa)

Trincomalee

Kanthale
Trincomalee
Muttur (Kinniya)

Puttalam

Chilaw
Puttalam (Alsafa)
Wennappuwa

Kurunegala

Kuliyapitiya
Kurunegala
Wariyapola

Anuradhapura

Anuradhapura
Kekirawa
Thambuttegama

Polonnaruwa

Polonnaruwa

Jaffna

Jaffna
Chunnakam

Vavuniya

Vavuniya

Kilinochchi

Kilinochchi

Mannar

Mannar

Management Discussion & Analysis *contd.***Re-branding & Marketing****Re-branding**

“embodies the dynamic new approach to reinforce growth and prosperity whilst delivering on the well-known reliability that customers island wide have grown to trust.”

In the year under review, PLC focused on fine-tuning its marketing strategy to instill brand values - growth, prosperity, reliability, accountability and trust to aptly showcase the largest player in the non-bank finance sector. The Company deployed below the line tactics and greatly depended on the “positive-word-of-mouth” to boost brand recall and thereby the market share.

In the year, marketing campaigns played a significant role in establishing its future plans as finance and leasing entity and also to draw investors for the debenture issue held in March 2013. The Company adopted with the approval of the shareholders, the new Articles of Association and changed the name to “Peoples Leasing & Finance PLC” on 5th December 2012 and carried out a re-branding campaign including a logo change to set out the new brand identity of reaching out to greater horizons. Press campaigns in the national newspapers in all three languages and showcasing the brand and the products through the mobile propaganda unit with promotional vehicles going across the island, the Company strived to create awareness on the re-branding message among the general public. These campaigns further advocated financial literacy especially among the rural and the under-privileged communities.

Branches carried out direct marketing - road shows and door to door campaigns spanning the entire country to promote the products and services. The Company also successfully collaborated with reputed vehicle dealers at the “Riya Pola” campaign to promote lease and hire purchase of registered & unregistered vehicles in strategic locations in Chilaw, Anuradhapura and Kandy. The Company during the year secured an exclusive promotional contract with Lanka Ashok Leyland PLC to carry out mutually beneficial promotional campaigns.

The Company successfully initiated to promote products through the new age tools – e flyers & brochures, social networking sites and the official website which was updated and revamped to encompass the structural changes within the Group.

Sponsorships with possibilities to reach out to a broader segment of the target market were taken on to allure new as well as influence the existing customer base. In the year,

the Company sponsored “Rupees and Cents” on the Independent Television Network and “Jana Jaya Mawatha” on Sri Lanka Broadcasting Corporation giving PLC a significant brand mileage.

Product Portfolio

In keeping with the expansion plans, the Company focused in the reporting period, to leverage as a diversified financial service provider. The Company aimed at increasing and adding value to its product range in response to the changing patterns of demand and technology, essential to the long term viability of the Company in an intensely competitive industry.

In the reporting year, in the backdrop of falling demand for brand new and re-conditioned vehicles due to higher prices and the economic slowdown, the Company stepped up its “sale-lease-back” facilities for the registered vehicle market whilst promoting more flexible and efficient features to core products of leasing and hire purchase. In the ensuing year, PLC plans to promote mobile phones and palm-top transactions and online approvals to secure new facilities as well as to manage recoveries at the doorstep of customers. “Quick-Cash”, a one day service facility with flexible terms aimed at the public sector was launched with plans to extend for fixed income earners and professionals in the ensuing years.

The Company in the year under review initiated vehicle importation facilities where buyers can directly import vehicles from the auctions in Japan. In the reporting year, the Company drew up collaborative plans with Japanese vehicle dealers to take off this project.

The most significant step taken during the year under review was to initiate the process of becoming a leasing

and a finance company moving away from being only a specialised leasing company, thereby embracing a gamut of new products from savings, fixed deposits, forex transactions to niche market products complying with Islamic Finance. In December 2012, the Company commenced operations as a licensed finance company and plans were initiated to merge with its subsidiary, People's Finance by April 2013. This in the future will complement the Company's product diversification strategy, in turn setting out opportunities to grow the business to existing customers and /or entering new markets, culminating in boosting the Company's market share and funding options.

Apart from People's Finance, the Company also channeled its focus on strengthening the operations of its other subsidiaries engaged in providing insurance, microfinance, fleet management, vehicle valuations and servicing and property development.

Risk Management

Risk management as elaborated in detail in a separate section of this Annual Report, is interwoven to the heart of the Company's operations which is essential in today's context where most economies are grappling with the failure in the financial system. At PLC, risk management is given utmost priority and is consistently and timely applied across operations with policies and procedures that strike an effective balance between risk taking and risk avoidance. These policies and procedures are set out without ambiguity on how the entire company including the risk owners - the front-line officers has to manage their risks in their daily transactions.

In the reporting year, PLC further improved risk governance structure to encompass in greater depth the credit risk which is identified as the most significant risk affecting the operations of the Company. A separate sub-committee under the purview of the Board with representation from members of the management committee and the executive committee together with the risk management team was formed to give more importance to manage credit risk.

Recoveries

PLC is stringent and gives utmost priority to its recovery process. The importance of maintaining a well disciplined and an integrated approach to recoveries is embedded in its operations spanning the entire organisation from the time of granting a facility, to settlement. The performance of operational departments, the branch network and even the staff are appraised and given incentives based on recoveries and the resultant non-performing portfolio.

The marketing officers are well trained in credit evaluation and grantings are mostly based on customer credit worthiness. They also focus on building and maintaining hands-on relationships with customers. These underpin the strength of PLC to assess the facilities that have a greater propensity to default and take necessary precautions at the earliest stages to prevent these facilities from going in to non-performing category. This assumes greater significance given the Company's target market of rural and informal sector in Sri Lanka where many difficulties are prevalent in their livelihoods.

The facilities which are in 03 months arrears will be transferred to a special recovery unit where defaults are addressed with necessary follow up of rentals, letters of demand, investigations, reschedulements and even re-possession of leased assets. Given this rigorous process, the facilities in default that require litigation are insignificant as compared to the total portfolio.

During the year, the recovery operations were strengthened with further streamlining the process across the branch network where all recovery functions can be carried out on the system with real-time data and transactions. The dedicated recovery officers together with the management and the marketing staff are committed to manage their portfolio quality on a daily basis. They work to set a comprehensive recovery plan with effective monitoring of targets vs. actuals based on pre-set tools including recovery rates, non-performing ratio and provisioning whilst all necessary remedial actions are endeavoured to be taken promptly. These recovery efforts are well demonstrated by the lower non-performing ratio of 1.23 percent and the minute number of civil cases of 696 as compared to the total portfolio of 91,027 contracts.

The importance of maintaining a well disciplined and an integrated approach to recoveries is embedded in its operations spanning the entire organisation from the time of granting a facility, to settlement.

Management Discussion & Analysis *contd.*

Financial Discipline

During the year under review, it was essential to exercise financial discipline whilst focusing on growing profits on its top-line strategies, given the imbalances in the macro economy and the intense competition in the industry. The Company was meticulous in applying its cost effective measures sustainably across operations to arrest unnecessary overhead costs. These measures included proper planning, budgeting and closely monitoring the actuals vs. targets, streamlined systems and processes, waste management of resources especially paper and energy and optimising the cost-efficiency opportunities across the Group. The Company kept a vigil on possible defaults necessary to abate the proliferation of the non-performing portfolio in turn strengthening its bottom-line. These measures during the year, notwithstanding the 20.81 percent increase in expenses given the new recruitments for expansions and salary increases effected in April 2012 enabled the Company to post commendable performance in spite of the implications of a slowing economy. The statement of financial position as at 31st March 2013 was strong with a good asset base to meet the liabilities. The capital adequacy was maintained well above the prescribed norms.

Rating Agency	Rating 2012/13	Rating 2011/12
International		
Fitch Rating International	B+	-
Standard & Poor's	B+/B	-
Sri Lanka		
Fitch Rating Lanka	AA-(lka)	A+(lka)

On the strength of the financials, inter alia, PLC is currently rated with a stable

outlook by national and international rating agencies. In July 2012, Fitch Rating Lanka upgraded the national long term rating to AA-(lka) from A+(lka) whilst Fitch Rating International placed long term foreign and local currency issuer default rating at B+. Standard & Poor's long term and short term issuer credit rating was equivalent to the Sovereign of B+/B. Detailed financials will be discussed under the Financial Review of this Annual Report.

Fundamentals

The Company has made every effort to conduct its operations in line with good governance and sustainable practices. All employees, management and the Board are conscientious in complying and being up-to-date with the current regulations, statutory requirements and standards. During this financial year, the Company strengthened its risk management processes, tightened internal controls, consistently followed the pragmatic delegation of authority and successfully completed the first year under the revised Sri Lanka Accounting Standards aligned to International Financial Reporting Standards.

The Company upholds its tenet on corporate social responsibility (CSR) encompassing its stakeholders be it the employees, community and or the environment. This year, the Company endeavoured to enhance the well-being, team spirit and training opportunities for employees across the Group which are discussed at length in the Human Resources section of this Annual Report. Several CSR projects were continued and initiated to uplift and support community needs especially in branch operational locations. Firm steps were set out mainly with the use of technology and employee co-operation to reduce the Company's carbon footprint in terms of energy and paper usage. Detailed CSR review is given separately.

Internal Controls



The Board has established a systematic process to provide reasonable and objective assurance on the adequacy and effectiveness of risk management, control and governance in achieving corporate objectives.

Internal control, an independent and centralised function from operations is the responsibility of the PLC Board. The Board has appointed a three member sub-committee chaired by an independent non-executive director, the Board Audit Committee, to overlook this function on behalf of the Board based on comprehensive terms of reference. The Internal Audit Department of the Company guided by a code of ethics directly

reports to the Board Audit Committee and carries out the function with independence and authority under the policies established by the Board. The Board Audit Committee regularly reviews this process and recommends a suitable course of action, if necessary, to be in line with the current and the best practices in internal control.

The internal control framework permeating PLC's day to day operations ensures that internal controls are in place, properly documented, updated and adhered to by all departments at the head office, branch network and even the subsidiary companies. This is an ongoing process where Internal Audit seeks to identify and evaluate principal risks which may adversely affect the corporate objectives and gives an assurance on the appropriate and timely controls adopted to mitigate same. Internal Audit also play its role, significantly, in ensuring the effectiveness and efficacy of operations, steadfastness of financial reporting and compliance to applicable laws and regulations.

The audit function is carried out through ongoing monitoring, detailed reviews on all processes and limited reviews on selected processes, special audit reviews on an ad-hoc basis, reviews on statements of accounts, analysis of quarterly financial statements and reviews on extraordinary transactions. In addition, Internal Audit provides non-audit services i.e., consultancy services where operations are reviewed, assessed and make due recommendations for a course of action in response to the management requirements.

In the year under review, internal controls were well placed and provided objective assurance on risk management, on the preparation of Financial Statements

under the revised Sri Lanka Accounting Standards in line with the International Financial Reporting Standards and compliance to relevant regulatory requirements.

The year witnessed strengthening and streamlining the internal control function with greater emphasis on structured processes and documentation of procedures aligned to the recommendations of the External Auditors.

The Internal Audit documented and established the following:

- ▶ **Internal Audit Charter:** This sets out the guidelines to the Internal Audit Department on the mandate to carrying out the internal audit function. It provides a basis for the Board Audit Committee to evaluate the operations of the Internal Audit Function. The Charter has clearly set out the mission of the function, scope, responsibilities, authority, accountability, independence, continuity and impartiality.
- ▶ **Policy on Related Party Transactions:** This sets out the procedure on review and ratification of transactions of all employees, management and the Board to abate any potential or actual conflict of interest that may jeopardise the best interest of all stakeholders.
- ▶ **Policy on Non-Audit Services:** This policy covers the guidelines on how the Internal Audit has to determine the requirement and the process to provide non-audit services, keeping its objectivity intact from operations.

- ▶ **Policy on Whistleblower Protection:** This policy applicable to all employees sets out a comprehensive procedure for reporting alleged improper/ illegal activities and unethical practices within operations to the Board Audit Committee. It clearly establishes the protection available to the whistleblowers from harassment or victimisation and precedence on confidentiality. The Policy has specified the reward system for whistleblowing as well as disciplinary action for false allegations.

In the reporting year, along with the actions mentioned earlier, the Internal Audit Department ensured that all staff understood, appreciated and collaborated to implement the safeguards and internal controls on operations. Staff training on these developments especially on the Whistleblower Protection Policy made certain that all employees are an integral part of internal controls vital to the sustainability of operations and thereby bolstering the stakeholder value.

Management Discussion & Analysis *contd.***Treasury Operations****Funding**

- ▶ Commercial Papers
- ▶ Promissory Notes
- ▶ Asset Backed Securities
- ▶ Short & Long Term Loans
- ▶ Debentures
- ▶ Fixed Deposits
- ▶ Refinance Loans

Investments

- ▶ Government Securities
- ▶ Capital Market
- ▶ Blue Chip Companies
- ▶ Margin Trading

The treasury operations at PLC have evolved in response to the growing demands both internally and externally to improve the overall efficacy and add value to the Company way forward. The treasury is entrusted with the responsibility to manage risks arising from fluctuations in foreign exchange, interest rates and liquidity that are so prevalent in today's globalised economy whilst supporting the Company's overall business strategy. The focus at the treasury this year was to drive operational excellence by developing and selecting the right treasury tools and investments to create a funding mechanism which is flexible and responsive, essential to match the vigour of PLC's operations within an intensely volatile macro-economic environment.

Market Settings

In the settings of continued pessimism in the world economy, the year saw macro-economic policy challenges set to stabilise the country's unprecedented growth in credit and the balance of payment crisis. The credit ceiling that capped commercial bank credit to 18 percent and higher policy rates led to a scenario of lower liquidity and higher interest rates as discussed in detail in the preceding section. This was further exacerbated with the free fall of the exchange rate which subsequently stabilised towards the latter part of the year.

Treasury Performance

The treasury in the financial year under review therefore was tasked to increase the number of funding sources as well as to ease the maturity mismatches of short term financing to long term lending in its bid to sustain the Company's margins. In this light, the treasury's efforts to broad-base the funding options assumed a greater importance in the Company's operations. The treasury in the year bolted on the strength of PLC's brand, sound reputation and the immaculate track record of its capacity to meet the funding obligations and thereby succeeded to enhance its relationships with the Company's funding providers both domestically and internationally. The Company was able to be competitive in raising the required funds resulting in sustaining healthy margins. The license granted to the Company to encompass the scope of a finance

company in November 2012 also opened up the opportunities for the treasury to resort to retail funding through savings and fixed deposits which supported the existing funding base through inter bank borrowings and securitisation.

The highlight of the treasury operations in the year under review was to issue debentures which raised a total of Rs. 6 billion in two tranches of 3 billion at par value of Rs. 100/-. The debentures with a national long term rating of AA-(lka) from Fitch Ratings Lanka (Ltd) were issued as listed, senior, unsecured and redeemable with options of 4 and 5 years up to 2017/2018. The issue which was oversubscribed by Rs. 2.26 billion within the opening day was aimed at strategically attracting the public to avail the benefits of the Government's move to tax exempt interest income from debentures at the hands of the investors. The proceeds of the issue apart from supporting the expanded operations were used to settle the short term obligations of the Company which has improved the composition of the statement of financial position.

With the approval granted in the year 2011 by the Securities and Exchange Commission of Sri Lanka, the treasury continued margin trading operations in the reporting period. Yet, the operations which provide funds for mid-range investors were moderate given the lukewarm trends that were prevalent in the capital market in the year under review. The Company during the year carried out Rs. 100 million margin trading facilities and received Rs. 105 million in proceeds.

Investments in the stock market were limited to the blue chip companies such as Commercial Bank, Nations Trust Bank and Distilleries Company of Sri Lanka PLC.

Debenture Issue

Oversubscribed - Opening Day

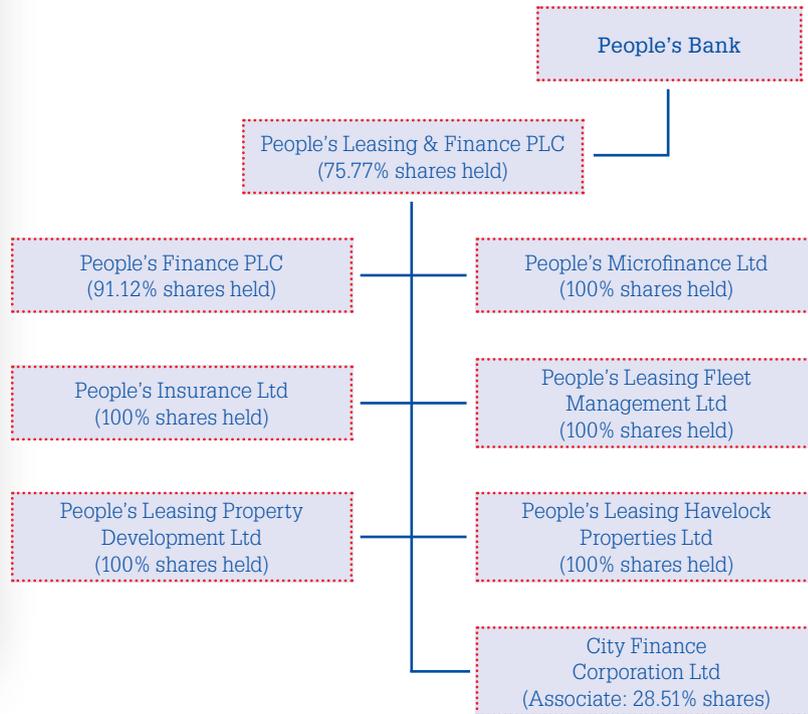
- ▶ Type: listed, senior, unsecured and redeemable
- ▶ Options: 4 and 5 Years
- ▶ Debentures Issued: Issue of 30 million with an option to issue up to a further 30 million in the event of an over subscription
- ▶ Par value: Rs. 100/- each
- ▶ Rating: AA-(lka) by Fitch Rating Lanka
- ▶ Funds Raised: Rs. 6 Bn

Way Forward

Post merger with the subsidiary company, People's Finance, PLC is poised to grow its market share in the non-bank finance sector which would necessitate the treasury to play a more central role in meeting the corporate goals. In this endeavour, treasury seeks to further diversify its funding options and obtain the best solutions with its financiers both domestic and abroad. With heads up from the Central Bank in liberalising foreign exchange controls, the treasury in the ensuing year will focus on raising foreign currency facilities. The Company has already drawn up plans for roadshows and promotional campaigns to showcase the potential of investing in both the destination as well as the credit worthiness of PLC especially targeting the Middle Eastern region.

Group Overview & Performance

Group Structure



Consolidated Performance

As at 31st March 2013, PLC Group structure consisted of 6 subsidiaries and one associate company. The Group's asset base of Rs. 101.14 billion represented an increase of 6.29 percent as at 31st March 2013 as compared to the position as at 31st March 2012. Consolidated performance in net profits were commendable amidst a challenging economy. Group net profits reached Rs. 3,110.33 million representing a 7.74 percent increase.

Rs. **20.81** Bn
Group Total Income

Rs. **3.11** Bn
Group Net Profit

Rs. **18.09** Bn
Shareholders' Funds

Rs. **101.14** Bn
Group Asset Base

Management Discussion & Analysis *contd.***Subsidiary Review****People's Finance PLC**

Incorporation: 31st July 2000					
Nature of Business: A licensed finance company providing a range of financial products including lease, hire purchase, term loans, other asset financing facilities, deposits, investments in securities and Islamic finance.					
Board of Directors for FY 2012/13					
Mr. W. Karunajeewa (Chairman up to 29.01.2013), Non-Independent, Non-Executive Director					
Mr. Gamini S. Senarath (Chairman w.e.f. 28.02.2013), Non-Independent, Non-Executive Director					
Mr. D. P. Kumarage (Managing Director), Non-Independent, Executive Director					
Dr. D. J. D. Jayakody, Non-Independent, Non-Executive Director					
Mr. W. S. S. Bandara, Non-Independent, Non-Executive Director					
Mr. P. A. I. S. Perera, Independent, Non-Executive Director					
Ms. M. G. Jinadasa, Independent, Non-Executive Director					
Credit Rating: A-(lka) – Fitch Rating Lanka					
Key Performance Indicators	2012/13	2011/12	% Change	2012/13 Key Actions	
Customer Base					
Total Customers	77,164	61,064	26.37	<ul style="list-style-type: none"> ▶ Drive deposit mobilisation including minor savings linked to a gift scheme and People's Debit Card. ▶ Introduced palmtop savings scheme. ▶ Opened foreign exchange facilities in certain branches. ▶ Initiated "Quick Cash" – speedy facilities for the public sector. ▶ Strengthened Islamic Finance by opening a dedicated branch in Puttalam. ▶ Set up the process for direct vehicles importation operations. ▶ Held promotional campaigns – below-the-line tactics, road shows, door-to-door personalised visits. ▶ Focused on customer service through training employees, obtaining feedback and prompt redressal of complaints or issues. 	
Branch Network					
Branches	26	25	4		
Employees					
Total Employees	260	285	(8.77)		
Total Training Programmes	17	4	325		
Operational & Financial Performance					
Grantings (Rs. Mn)	6,201.45	11,456.71	(45.87)		
NP Ratio (%)	3.00	1.88	59.57		
Revenue (Rs. Mn)	2,717.87	1,975.05	37.61		
Profit After Tax (Rs. Mn)	293.90	312.97	(6.09)		
Asset Base (Rs. Mn)	14,956.06	15,189.52	(1.54)		
Deposit Base (Rs. Mn)	12,016.19	11,359.05	5.79		
Capital Adequacy (%)	13.57	14.01	(3.14)		
Return on Equity (%)	16.23	23.22	(30.10)		
Return on Assets (%)	1.95	2.70	(27.78)		
Earnings Per Share (Rs.)	3.94	4.20	(6.19)		

Overview

PLC acquired the controlling stake in 2009 when Seylan Merchant Leasing PLC was ailing and deemed as a “distressed” finance company. Since then, the Company renamed and re-branded under the strength and steer of PLC, has turned around operations to post strong operational and financial performance with sound fundamentals to become one of the fastest growing and leading finance companies in Sri Lanka.

The year witnessed People's Finance consolidating its position as against an outstanding performance in the preceding year. The Company during the year reinforced its financial discipline and coupled it with progressive top-line strategies which were crucial to face a sluggish economy with volatile macro-economic variables.

Operational and Financial Performance

The total grantings led by lease and hire purchase touched Rs. 6,201.45 million during the year under review and contributed nearly 15 percent to consolidated grantings.

In keeping with the PLC business acumen, the stringent recovery effort accentuated by effective credit evaluations and structured risk management practices ensured that People's Finance maintained a healthy portfolio. The non-performing ratio of 3 percent though above the preceding year of 1.88 percent is well below the average ratio of 5 percent of the non-bank finance sector (Annual Report, 2012, Central Bank of Sri Lanka). Branches in Dambulla and Wattala recorded the lowest non-performing ratios.

Whilst growing its top-line, People's Finance endeavoured to manage cost effectively in the year under review which resulted in commendable profit after tax of Rs. 293.90 million as against the exceptional profit of Rs. 312.97 million in the preceding year.

The Company in the year under review declared and paid the first interim dividend of Rs. 2.50 per share in June 2012 and a second interim dividend of Rs. 2.25 in February 2013 for the financial year 2012/13.

The asset base of People's Finance stood at Rs. 14,956.06 million as at 31st March 2013. The year saw continued focus on adding value to its deposit products, notably, reinforcing its “People's Debit Card”, introducing convenient options through palmtop savings schemes and promoting minor savings with incentives and gift schemes. In response to these efforts and also complemented by rising interest rates and sluggish movements in the capital market of Sri Lanka, the Company's deposit base grew over 5.79 percent amounting to Rs. 12,016.19 million as at end March 2013.

Way Forward

As mentioned, People's Finance in the ensuing year will be operating as a merged entity with its parent company, PLC. Although this will set out structural changes in terms of shareholding, accounting, reporting etc., the merger will not bring any negative connotations to the core operations of People's Finance. In fact, the merger which in effect is between the fastest growing finance company and the largest non-bank finance organisation in Sri Lanka is expected to

seamlessly reinforce the dominance of the PLC group in the industry. The merger will bring stability, immense opportunities to grow the market share and bring greater economies of scale and thereby cost efficiencies leading to a winning solution to both the parent, PLC and subsidiary, People's Finance.

Al-Safa Islamic Finance Services Unit Overview

Commencing operations in 2005 under the wing of PLC and subsequently transferred as a specialised unit to People's Finance in 2010, Al-Safa Islamic Finance Service (AIF) unit is currently one of the foremost providers of financial products and solutions in compliance with Islamic/Shari'ah Guidelines in Sri Lanka. With seven dedicated branches in key locations and multifaceted product range, catering to a diverse clientele of corporates, small and medium enterprises, high net worth individuals and professionals in the fields of trading, transportation, agriculture and services, People's Finance is the market leader in Islamic finance among the registered finance companies in the country.

Operational and Financial Performance

Islamic finance brings in significant value addition to the overall product portfolio of People's Finance and PLC Group. During the year, AIF unit strived to penetrate deeper into the market to expand its outreach through consolidating its branch network as well as focusing on promoting products through awareness campaigns on Islamic finance in key locations and ensuring a “positive-word-of-mouth” on service and compliance to Shari'ah Guidelines.

Management Discussion & Analysis *contd.*

During the year, the AIF unit established a new fully-fledged and dedicated branch in Puttalam. Currently, there are seven dedicated branches in Union Place, Dehiwela, Kandy, Puttalam and three in the Eastern Province. AIF unit also has representation in Kurunegala, Dambulla and Matale.

Islamic finance operations faced a challenging financial year mainly due to the vagaries in weather that affected the agriculture sector especially impacting the operations in the Eastern Province.

Mudharabah Investment was the key source of funds for the AIF unit. The unit also sources funds on Wakalah Investment from the market.

AIF unit also focused to maintain a quality portfolio and thereby extended measures to strengthen its recovery process which is flexible and open to issues faced by the clients' in adhering to the contractual obligations. AIF, during the year, nurtured relationships with the clients in order to address any issues that may have serious implications on the quality of the portfolio. Hence, the non-performing ratio of the AIF unit was maintained during the year at 2 percent.

Governance

During the reporting year, AIF Unit further strengthened its governance process including employee training to be aligned to the standards prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions and in compliance with Shari'ah Supervisory Board of Al'safa which is an independent non-executive body that audits financial transactions and processes to ensure Shari'ah compliance. Necessary

certification from the Shari'ah Supervisory Board has been awarded for AIF for the financial year 2012/13. In addition, AIF operations are brought in line with the good governance practices advocated by the Group and as per the regulations for finance companies stipulated by the Central Bank of Sri Lanka.

Way Forward

Having penetrated the market at an early stage and secured a sound reputation as a trustworthy Shari'ah compliant Islamic financial provider, AIF seeks to consolidate its position in the industry amidst the growing competition posed by other registered finance companies and commercial banks. Towards this end, AIF unit plans to focus on the following key areas in the ensuing years:

- ▶ new product development with focus on microfinancing opportunities and catering to SME sectors,
- ▶ add special features and benefits to the core products important to retain the existing customer base as well as to attract new customers,
- ▶ seek new relationships among the Muslim communities as well as target the non-muslim communities through strategic promotional campaigns with special focus on deposit mobilisation,
- ▶ expand the outreach through dedicated branches or window offices within the new merged structure with special emphasis on the Southern Province in areas such as Galle, Matara and Kalutara and also consolidate operations in Kurunegala and Negombo and
- ▶ offer further training to employees on Islamic Financial Guidelines for better service.

Islamic Finance Products

Murabahah

- ▶ Finances short to medium term working capital requirements and purchases goods/assets
- ▶ Purchased goods/assets sold to clients at discount on deferred payment basis

Mudharaba

- ▶ An investment fund where the AIF Unit acts as a fund manager
- ▶ Pre-agreed profit sharing ratio

Diminishing Musharakah

- ▶ Specialised real estate financing product
- ▶ Joint acquisition of real estate with ownership transfer overtime
- ▶ Client to purchase the shareholding with a monthly rental and equity contribution

Ijarah

- ▶ Acquires and leases goods/assets to customers on a monthly rental basis
- ▶ Ownership transfer to client upon completion of all monthly rental

Al-Safa Mudharabah Savings Account

- ▶ Works on the same principles of 'Mudharabah'
- ▶ Minimum investment is LKR 1,000/-
- ▶ Range of benefits viz. Debit Card, SMS alerts on transactions, transactions up to Rs. 100,000 and nil service charge for low balances

Usfoor Minor Savings Account

- ▶ Minor savings with a minimum investment of Rs. 500/- and profits calculated on a monthly basis
- ▶ Permitted to make withdrawals for education and hospitalisation of the minor
- ▶ Converted to a regular Mudharabah savings account upon minor reaching age 18

Corporate Savings Plus Account

- ▶ Special features and higher returns for corporate customers
- ▶ Minimum investment of Rs.100,000/- and minimum balance of Rs. 5,000/-
- ▶ Profits calculated on a monthly basis

Senior Citizen Mudharabah Investment Account (12 Months)

- ▶ Special investment accounts for Senior Citizen
- ▶ Option 1: Minimum investment of Rs. 10,000/- and profit share ratio of 77% at maturity
- ▶ Option 2: Minimum investment Rs. 25,000/- and profit share ratio of 67% for monthly profit

12 months Mudharabah Investment Account

- ▶ Option 1: Minimum investment of Rs. 10,000/- and profit share ratio of 75% at maturity
- ▶ Option 2: Minimum investment Rs. 50,000/- and profit share ratio of 65% for monthly profit
- ▶ Option 3: Minimum investment Rs. 25,000/- and profit share ratio of 70% for quarterly monthly profit

3-6 months Mudharabah Investments Account

- ▶ Minimum investment of Rs. 50,000/-
- ▶ Profit share ratio for 3 months investments 60% and 6 months investments 65% profit paid at maturity

Management Discussion & Analysis *contd.***People's Insurance Ltd**

Incorporation: 22nd July 2009				
Nature of Business: Engaged in non-life insurance business.				
Board of Directors for FY 2012/13 Mr. J. P. Amaratunaga (Chairman) Mr. D. P. Kumarage (Managing Director) Mrs. D. N. W. N. Gammampila Mr. N. Vasantha Kumar				
Credit Rating: Not Rated				
Key Performance Indicators	2012/13	2011/12	% Change	Key Actions – 2012/13
Customers				<ul style="list-style-type: none"> ▶ Leveraged on the brand and group strength to expand outreach and promote products. ▶ Extended the best service to customers. ▶ Opened the first regional office in a strategic location in Galle. ▶ Leveraged on the state-of-the art call centre for better customer service. ▶ Streamlined systems and processes to give speedy, efficient and responsive solutions to customers. ▶ Completed the implementation of Enterprise Resource Planning (ERP) system. ▶ Focused on effective underwriting and claims management. ▶ Followed the best practices in governance, risk management and placed reinsurance with reinsurers within and even exceeding the prescribed norms. ▶ Successfully adopted the revised Sri Lanka Accounting Standards (SLFRS/LKAS). ▶ Published the first Annual Report together with the SLFRS/ LKAS compliant financial statements.
Policy Holders – Non Life	94,740	77,054	22.95	
Branch Network				
Number of Branches	1	-	100	
Number of Window Offices	45	32	40.63	
Employees				
Total Employees	165	111	48.65	
Training Programmes	3	1	200	
Training Expenditure (Rs. Mn)	1.7	0.4	325	
Operational & Financials				
Premium Income (Rs. Mn)	2,944.49	2,414.79	21.94	
Underwriting Profits (Rs. Mn)	41.92	(12.72)	429.56	
Profit After Tax (Rs. Mn)	234.66	71.96	226.10	
Claims Ratio (%)	80.47	83.57	(3.71)	
Combined Ratio (%)	97.76	100.86	(3.07)	
Asset Base (Rs. Mn)	3,318.94	2,541.29	30.60	
Return on Equity (%)	27.60	11.88	132.32	
Return on Average Assets (%)	27.19	12.26	121.78	

Overview

People's Insurance has progressed within a short span of three years under the visionary leadership of the parent company to capture a significant market share in the non-life insurance sector in Sri Lanka. Currently, the Company ranks 5th in the industry in terms of market share.

Operational and Financial Performance

In the year under review, People's Insurance consolidated its performance amidst a volatile macro economy and a highly competitive industry. The motor segment which contributes the bulk of the insurance business of the Company managed the adverse industry and economic dynamics of rising import duties, interest rates and weaker exchange rate scenario. The motor segment, albeit, posted a growth of 22 percent in turn contributing significantly to increase the overall premium income by 21.94 percent to reach Rs. 2,944.49 million in the reporting year, expected to top the industry average.

Underwriting profits improved to Rs. 41.92 million and profit after tax to Rs. 234.66 million for the reporting period resulting in a growth of 429.56 percent and 226.10 percent respectively as against the financial year 2011/12. People's Insurance therefore was able to pay a dividend of Rs. 1 per share amounting to Rs. 60 million contributing significantly to subsidiary income of PLC.

Total assets of People's Insurance of Rs. 3,318.94 million were adequate to meet the Company's liabilities, thereby reflecting a sound Statement of Financial Position as at 31st December 2012.

Way Forward

During the past years, People's Insurance laid the foundation to set its course to the next phase of growth. However, the uncertainties that are currently underlining the economy, both globally and domestically necessitate People's Insurance to further focus on effective underwriting, claims management and introduce cost reducing measures. In addition, People's Insurance will have to be assertive in its promotions and seek alternative products or introduce value additions to limit the dependency on the motor segment whilst focusing more on its key strengths customer service, branch network, parent company support and brand image which will ensure or even better its current position in the industry.

Management Discussion & Analysis *contd.***People's Microfinance Ltd**

Incorporation: 3rd September 2010				
Nature of Business: Engaged in providing financial services including funding, technical and marketing support, yet excluding banking business to the underprivileged and low income communities across the country				
Board of Directors for the FY 2012/13 Mr. W. Karunajeewa (Chairman up to 29.01.2013) Mr. Gamini S. Senarath (Chairman w.e.f. 07.02.2013) Mr. D. P. Kumarage (Managing Director) Mr. W. S. S Bandara				
Credit Rating: Not Rated				
Key Performance Indicators	2012/13	2011/12	% Change	Key Actions - 2012/13
Customer Base				<ul style="list-style-type: none"> ▶ Expanded its outreach by leveraging on the PLC network. ▶ Capitalised on customer request for small loans within the group network. ▶ Focused on building trust and loyal relationships with the rural masses with more regular site visits. ▶ Two-week collection scheme and consistent and regular monitoring of facilities to ensure credit quality. ▶ Extended training opportunities, technical and marketing support and assisted to build effective linkages in the supply chain. ▶ Strengthened management information systems for effective decision making. ▶ Streamlined operations with the use of customised IT systems to increase efficiency and productivity and thereby costs.
Total Customers	20,531	3,885	428.47	
Branch Network				
Number of Window Offices	25	14	78.57	
Employees				
Total Employees	105	31	238.71	
Training Programmes	8	5	60.00	
Training Expenditure (Rs.)	295,455	38,417	669.07	
Operational & Financials				
Revenue (Rs. Mn)	110.33	13.59	711.85	
Profit After Tax (Rs. Mn)	15.64	1.64	853.66	
Non-Performing Ratio (%)	1.52	0.48	216.67	
Asset Base (Rs. Mn)	742.78	141.70	424.19	
Return on Equity (%)	26.94	5.13	425.15	
Return on Average Assets (%)	3.54	2.06	71.84	

Overview

People's Microfinance Ltd (People's Microfinance) supporting the unbankable communities especially in rural Sri Lanka to come up on the socio-economic ladder is in line with the social goals that are aspired by the PLC Group. People's Microfinance within two years after commencing commercial operations has capitalised the opportunities present within the PLC network for small value loans ranging from Rs.10,000 to Rs. 400,000 mainly from grass root communities and micro enterprises reaching across all provinces except the North. The portfolio is skewed, as commonly the case in microfinance, towards women population in sectors of agriculture, animal husbandry and small industries.

Operational and Financial Performance

During the year under review, People's Microfinance managed to sustain the growth momentum of the preceding year and posted a revenue increase of 711.85 percent to reach Rs. 110.33 million. Net profit further improved to Rs. 15.64 million as compared to Rs. 1.64 million in the previous financial year. The non-performing portfolio fortified by hands-on relationship management which is crucial for recoveries in microfinance was maintained at a lower level with a non-performing ratio of 1.52 percent as compared to 0.48 percent in the preceding year.

Way Forward

The potential for growth especially given the onus to develop the rural Sri Lanka and to bring the informal sector to the mainstream is immense. Hence, People's Microfinance in the ensuing years will focus on expanding its outreach through the group network. In this endeavour, People's Microfinance intends to take up its role to spread financial literacy among the under-privileged communities and inculcate the habit of savings and planning their livelihoods for better living standards. Plans are underway to tie up with relevant multilateral and bilateral agencies for technical support and even seek funding lines whilst ensuring financial discipline to reach the social goals on a more sustainable model.

Management Discussion & Analysis *contd.***People's Leasing Fleet Management Ltd (PLFML)**

Incorporation: 6th August 2008				
Nature of Business: Engaged in fleet management, vehicle service and valuations.				
Board of Directors for the FY 2012/13				
Mr. W. Karunajeewa (Chairman up to 29.01.2013)				
Mr. Gamini S. Senarath(Chairman w.e.f. 07.02.2013)				
Mr. D. P. Kumarage (Managing Director)				
Dr. D. J. D. Jayakody				
Mrs. L. K. P. Sangakkara				
Credit Rating: Not Rated				
Key Performance Indicators	2012/13	2011/12	% Change	Key Actions - 2012/13
Customer Base				<ul style="list-style-type: none"> ▶ Initiated restructuring process to turnaround operations to make fleet management a viable venture for the PLC Group. ▶ Branch representation in place. ▶ Capitalised on PLC and group requirements. ▶ Sought opportunities outside the Group. ▶ Sought to offer comprehensive solutions in fleet management. ▶ Recruited certified valuers to step up the valuation department. ▶ Revamped the service centre.
Total Customers	162	137	18.25	
Fleet				
Vehicle Fleet - Fully owned	53	73	(27.40)	
Branch Network				
Number of Branches	3	3	-	
Number of Window Offices	12	1	1,100	
Employees				
Total Employees	34	17	100	
Total Certified Valuers	12	2	500	
Training Programmes	4	-	100	
Operational & Financials				
Revenue (Rs. Mn)	115.37	105.51	9.35	
Profit After Tax (Rs. Mn)	33.18	3.01	1,002.33	
Asset Base (Rs. Mn)	228.76	242.05	(5.49)	

Overview

During the year under review, PLC supported PLFML to initiate a restructure of operations. The management sought to increase the utilisation of the fleet by strengthening its ties with the Group as well as seeking new customers to increase income from vehicle renting and fleet management. In addition, the valuation department catering to the insurance sector for underwriting and claims management mainly to People's Insurance was strengthened with 12 certified valuers. The maintenance division, "People's Auto Care Unit" in Rathnapitiya was revamped to be well equipped to handle servicing and repairing requirements both within and outside the Group.

Operational and Financial Performance

Within this restructuring process, the Company in the reporting year increased its revenue by 9.35 percent to Rs. 115.37 million vis à vis the preceding year. During the year under review the Company recorded a profit before tax of Rs. 49.08 million. This include a profit of Rs. 48.55 million derived from the sale of fleet vehicles.

Way Forward

With the completion of the restructure scheduled for the year 2013/14, PLFML is expected to contribute significantly to the Group operations. Plans are underway to increasingly customise its operations to the requirements of the Group and be assertive in attracting customers within the PLC network. PLFML also sees potential in vehicle hire business for the booming tourism industry and already have commenced tours for the tourism sector including domestic tourism. Underpinning these plans, PLFML is expected to make a significant positive impact to the People's Leasing Group in the ensuing year.

Management Discussion & Analysis *contd.***People's Leasing Property Development Ltd (PLPDL)**

Incorporation: 15th August 2008				
Nature of Business: Engaged in property development projects for the People's Bank and the PLC Group.				
Board of Directors for the FY 2012/13				
Mr. W. Karunajeewa (Chairman up to 29.01.2013)				
Mr. Gamini S. Senarath (Chairman w.e.f. 07.02.2013)				
Mr. D. P. Kumarage (Managing Director)				
Dr. D. J. D. Jayakody				
Mrs. P. A. A. Panditharatne				
Credit Rating: Not Rated				
Key Performance Indicators	2012/13	2011/12	% Change	Key Actions - 2012/13
Projects				▶ PLPDL completed and handed over two projects at Tangalle and Vavuniya to People's Bank.
Projects in hand	22	7	214.29	
Employees				
Total Employees	6	6	-	▶ PLPDL has under taken 15 new projects for People's Bank.
Operational & Financials				▶ Construction of the adjoining building to the PLC head office was completed and rented in July 2012.
Revenue (Rs. Mn)	443.26	165.25	168.24	
Profit After Tax (Rs. Mn)	62.71	48.76	28.61	
Asset Base (Rs. Mn)	2,157.56	2,022.13	6.70	
Return on Equity (%)	12.84	10.28	24.90	
Return on Average Assets (%)	3.11	3.00	3.67	

Overview

PLPDL was incorporated to construct the head office building of PLC and its subsidiaries. New development projects have also been assigned to PLPDL by People's Bank during the calendar year 2012 such as Vavuniya 2nd phase, Trincomalee, Trincomalee Regional Office, Baduraliya, Beruwala, Udupussellawa, Boralanda, Wanduramba, Mathugama and Naula. In addition, People's Bank has agreed to award property development projects at Galkiriyagama, Kegalle, Giriulla, Mankulam and Hambantota in the calendar year 2013.

Operational and Financial Performance

The year under review posted an increase of 168.24 percent in revenue to reach Rs. 443.26 million from Rs. 165.25 million in the previous year. This include proceeds from the sale of Tangalle project amounting to Rs. 163.66 million. Profit after tax posted Rs. 62.71 million and the asset base increased to Rs. 2,157.56 million.

Way Forward

In keeping with the expansion plans of People's Bank, PLC and its other subsidiaries, PLPDL intends to take on further property development projects in coming year to expand operations. In the ensuing year PLPDL will have 22 projects in hand which are scheduled to be completed within 2 years. PLPDL is also looking at the feasibility of collaborating with other parties outside the Group which may open up a new status-quo for its operations.

People's Leasing Havelock Properties Ltd (PLHPL)

Incorporation: 12th August 2010
Nature of Business: Construct and operate an office complex in Havelock Road, Colombo 5.
Board of Directors for the FY 2012/13 Mr. W. Karunajeewa (Chairman up to 29.01.2013) Mr. Gamini S. Senarath(Chairman w.e.f. 07.02.2013) Mr. D. P. Kumarage (Managing Director) Dr. D. J. D. Jayakody Mr. N. Vasantha Kumar Mr. Yohan Soza
Credit Rating: Not Rated

Overview

PLHPL proposes to build an office complex to accommodate the growing needs of the PLC Group on a land at Havelock Road, Colombo 5. The project is due to take-off during the financial year 2013/14. As at 31st March 2013, the Company's asset base was Rs. 198.96 million which include the land value amounting to Rs. 156.14 million.

Future Outlook

With signs of global protracted contraction bottoming out and more stable growth prospects and macro consolidation within the Sri Lankan economy, the ensuing year may set out a more reliable path for the Company to progress. The industry will benefit from the trending decline in policy rates and expiration of credit controls for commercial banks. Yet, macro-economic shocks within the economy remain very much a reality. The sound fundamentals and financial strength of PLC coupled with a pragmatic strategy will underpin the resilience as demonstrated in the year under review to any uncertainties that may arise in the coming financial year.

Having strategically obtained the finance business license and drawn up merger plans with its subsidiary, People's Finance, the Company is on a paradigm shift with a definite path to encompass diversity. This assumes greater significance given the macro dynamics and industry undertones which have challenged the growth momentum of the Company in the reporting year. The merger being with a company such as People's Finance with much potential for growth combined with sound fundamentals and above all, aligned to the PLC ethos is expected to meet the conventional wisdom of mergers - "one plus one equals three" thereby fortifying PLC's reputation as a foremost non-bank financial institution in the country and adding more value to the shareholders.

In this scenario, the Company strategy will seek in the short term to seamlessly transform its operational structure, draw on greater synergies with the Group network and retain the market leadership. In the medium to long term, the Company will seek to penetrate deeper into the market by exploring new market segments, product development and further strengthen sustainability thereby bolster the brand image and shareholder wealth.

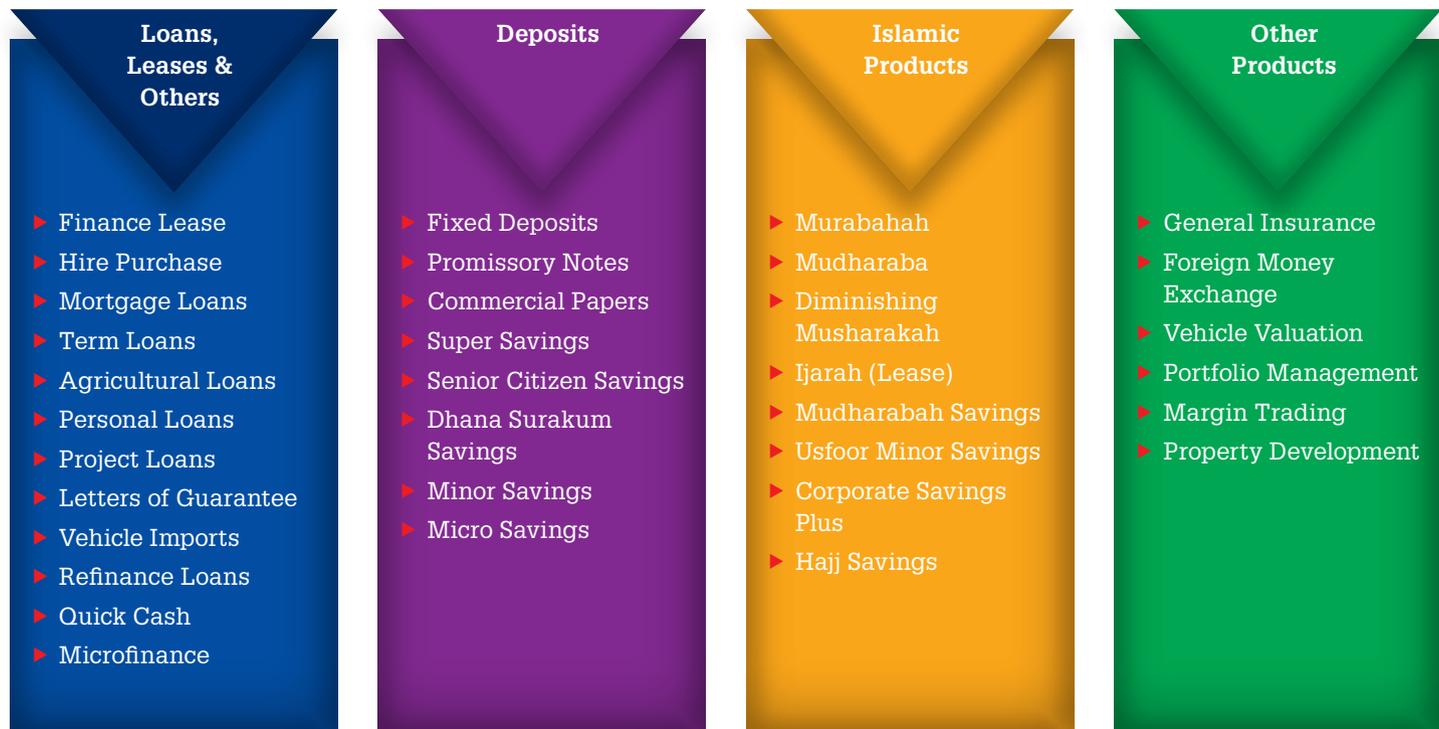
Set out below are the key focus areas for the ensuing year:

Parent & Subsidiaries

With plans for greater visibility and deeper penetration to absorb a higher slice of the market, it is an opportune time for PLC to further leverage on the strength of the parent company, People's Bank especially in terms of brand and outreach. PLC will also focus on fostering subsidiary network and even revamping operations, if necessary, after due diligence on market conditions, in turn enabling greater synergies and propping the Group image in the industry.

Customer & Employee Focus

PLC in the years ahead will seek to reinforce its position on customer service and will continue to nurture loyal customer relationships that have been the driving force underpinning the market leadership for 11 successive years. In its two way approach to customer relationships as formerly mentioned, the Company will give utmost priority to offer the best in quality and service to customers as well as make an empowering culture for employees to be motivated and thereby give their best in their daily transactions with the customers.

Management Discussion & Analysis *contd.***Products - PLC Group**

The product strategy is tailored to position PLC as a comprehensive provider for financial needs - a "one stop shop" and leverage on diversity to be competitive amidst a downturn economy and policy changes. PLC as a merged entity with a finance company and its subsidiary network will set out a platform to offer diverse products from leasing, deposits, insurance, microfinance, fleet management to real estate development.

The strategy for core products will aim at advocating greater convenience and user friendly products and solutions especially adding value in keeping with the new age dynamics. The Company also plans to further its strides into other products - money market operations, forex transactions with the new approval

granted to operate foreign currency accounts, agricultural loans and project loans.

Market Outreach

In a downturn economy exacerbated by intense competition in the financial arena, PLC will have to drive volume for future growth. PLC with its merged operations will have increased visibility through its combined branch network increasing from 57 to 85 fully-fledged branches. This will ensure greater outreach within its own network whilst expansions including relocations and converting window operations to branches will be targeted in partially or fully untapped markets that have the highest concentration of potential customers.

Cost Controls

In today's context, it is paramount to keep stringent cost control measures to ensure the long term viability of the Company. With the new structure, PLC envisages to increase economies of scale through expansion of markets, source low cost funds through deposit mobilisation and minimise operational overheads to the optimum level. This together with good governance that has always been the mainstay at PLC will be crucial to cushion the bottom-line in a challenging era.

Targets 2013/14



Management Discussion & Analysis *contd.*

Road Map - 2013/14

Group & Brand	Customer	Product	Outreach	Financials
<p>Leverage on parent brand with joint projects mainly on CSR & promotional campaigns</p> <p>Communicate to stakeholders on the merged entity and on new plans</p> <p>Strengthen operations of the subsidiaries</p> <p>Strengthen internal controls, risk management and ensure good governance of the subsidiaries</p> <p>Focus on CSR to bolster brand image</p>	<p>Nurture customer relationships</p> <p>Use latest technology to offer streamlined services, convenience and flexibility</p> <p>Comprehensive training to front-line staff on customer care</p> <p>Promote a culture of work-life balance and ensure employee well-being</p> <p>Strengthen the performance appraisal scheme with due recognition and promotions</p>	<p>Showcase the diverse product range of the group</p> <p>Promote convenience products - debit cards & ATM services, palmtop and mobile transactions</p> <p>Promote minor savings accounts with greater benefits</p> <p>Promote savings & fixed deposits</p> <p>Extend the foreign exchange facilities to key branches</p> <p>Strengthen Islamic finance</p> <p>Further new product development</p>	<p>Consolidate and streamline the branch network as a merged entity with amalgamations and relocations</p> <p>Undertake due diligence to open new branches in untapped areas especially in the North and East</p> <p>Open Islamic finance unit in the Southern Province</p> <p>Continue with the best branch competition and CSR projects with greater team benefits for winners</p>	<p>Leverage on economies of scale with market expansions</p> <p>Streamline branch network and reduce overheads</p> <p>Advocate deposit mobilisation for low cost funds</p> <p>Explore foreign funding opportunities as advocated by the latest government policy</p> <p>Ensure risk management, internal controls and good governance across branches and subsidiaries</p>

Financial Review

Overview

The dawn of the new financial year posed challenges to the leasing industry by the overall policies adopted by the government directed at balancing the macro economy. With the expertise of sixteen years in the industry, the Company was nothing less than well positioned to be resilient. The subdued economic activity, credit ceiling, interest rate hikes, weaker exchange rate, rising prices especially that of energy and higher duties on vehicle imports, had an adverse impact on the Company performance during the year. Notwithstanding this impact, the Company managed the down-side of the economy, resiliently, and strode ahead, albeit, the challenges confronted.

Convergence to revised Sri Lanka Accounting Standards

The Company financials as at 31st March 2013 and for the year then ended has been prepared in accordance with revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards and Lanka Accounting Standards (SLFRS/LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007. Accordingly, the current year's financial statements comprise of Statement of Financial Position as at 31st March 2013, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and a Summary of Significant Accounting Policies and Notes.

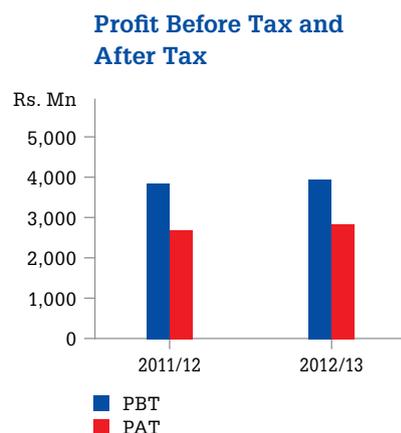
The corresponding year's financial statements have been also restated to comply with the current presentation, reflecting the financial position and the financial results according to SLFRS and LKAS. As per the restated financial statements for the year 2011/12, the Company's profit for the year was Rs. 2.57

billion as against Rs. 4.21 billion reported under the Sri Lanka Accounting Standards prevailed at that time. The change in determining the impairment losses on finance lease and hire purchase facilities and recognition of interest income and interest expense have mainly resulted in the change in financial results for 2011/12.

The financial review hereunder, is based on the financial statements prepared in accordance with SLFRS/LKAS.

Profitability

The Company has been able to achieve a pre tax profit of Rs. 4,006.15 million and a post-tax profit of Rs. 2,842.78 million for the year 2012/13, representing an increase of 5.97 percent and 10.41 percent respectively over the preceding year. This achievement is held commendable as it has been gained against the context of escalated interest rates, a credit celling on commercial banks and import duty hike on vehicles which affected both the demand for lease and hire purchase facilities as well as the Company's ability to source funds for grantings. The Company's astute management policies, shrewd funding strategies, prudence in cost management and pragmatic credit management policies are mutually appraised in reaching this end.



Interest Income

The total interest income in 2012/13 reported an unprecedented growth of 21.87 percent to Rs. 14,626.55 million from Rs. 12,001.89 million in 2011/12. The interest income from lease and hire purchase made a significant contribution of 70.75 percent to the said growth was complemented by both the upward trend in lending rates and of Company's proficiency to maintain grantings at a moderate level amid the pessimism prevailed in the leasing industry following the hike in import vehicle duty.

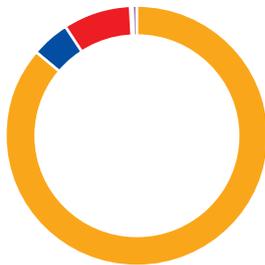
Interest income from lease and hire purchase reached Rs. 12,257.01 million whilst interest income from overdue rentals reached Rs. 1,359.06 million accounting for 83.80 percent and 9.29 percent from the total interest income respectively.

During the financial year, the Company witnessed a significant growth of 63.86 percent in interest income from loans and advances from the previous year. This increase is due to both the higher interest rates and the growth in loan portfolio.

With the increased level of liquid assets maintained by the Company subsequent to the direction on liquid assets and receipt of finance business license, interest income from bank deposits and repos increased by 45.61 percent to Rs. 70.46 million in 2012/13 from Rs. 48.39 million in 2011/12.

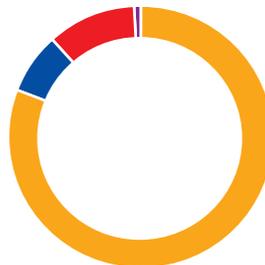
Financial Review contd.

Composition of Interest Income 2011/12



Finance lease & hire-purchase	86.65%
Loans and other advances	4.73%
Interest on overdue rentals	7.92%
Interest income from bank deposits & government securities	0.40%
Profit from Islamic finance	0.30%

Composition of Interest Income 2012/13



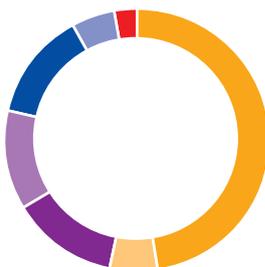
Finance lease & hire-purchase	83.80%
Loans and other advances	6.37%
Interest on overdue rentals	9.29%
Interest income from bank deposits & government securities	0.48%
Profit from Islamic finance	0.06%

Interest Expenses

Interest expenses increased by 34.21 percent to Rs. 8,457.79 million compared to Rs. 6,301.86 million in 2011/12. This increase is mainly attributed to the increasing trend in market rates and the 18 percent credit ceiling imposed by Central Bank of Sri Lanka on commercial banks which forced the Company to resort to short term funds at higher rates. Almost 50 percent of the total interest expenses for the financial year under review was represented by interest expense on short term borrowings whilst interest expense on long term borrowings and interest cost on asset back securities were limited to 21.15 percent and 20.02 percent respectively.

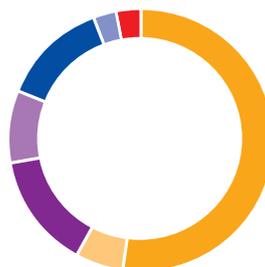
Coincidentally with the acceptance of public deposits following the commencement of finance business in December 2012, the interest expense on deposits amounting to Rs. 213.95 million had been added newly to the total interest and similar expenses.

Utilisation of Income - 2011/12



Interest cost	47.50%
Employees	5.98%
Operating expenses	13.09%
Taxes	12.19%
Dividends	13.38%
Reserve fund	5.09%
Retained profits	2.77%

Utilisation of Income - 2012/13

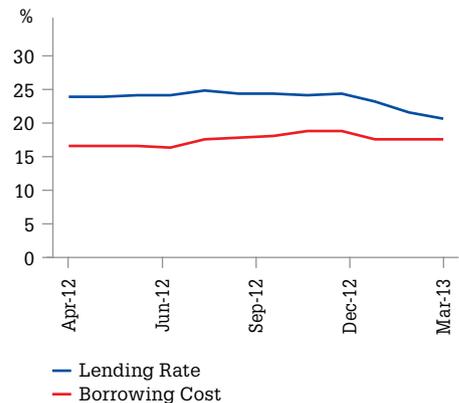


Interest cost	52.51%
Employees	5.79%
Operating expenses	13.94%
Taxes	8.96%
Dividends	13.23%
Reserve fund	2.72%
Retained profits	2.85%

Net Interest Income

As a result of the Company's shrewd policies in interest management, the Company witnessed an admirable 8.22 percent increase to Rs. 6,168.77 million compared to the previous year's Rs. 5,700.03 million of net interest income.

Lending Rate Vs. Borrowing Cost



Other Income

Other income in 2012/13 was Rs. 1,219.85 million formed of fees and commission income, trading income and other operating income with contribution of 60.72 percent, 0.83 percent and 38.45 percent respectively. Trading income with the commencement of share trading activities, recorded a remarkable growth to reach Rs. 10.14 million from Rs. 0.59 million in the previous year. Other operating income achieved 60.75 percent growth over the last year mainly due to the dividend received from subsidiaries, People's Finance PLC and People's Insurance Limited. Overall the Company recorded a significant 34 percent growth in other income against the previous year.

Impairment Charges for Loans and Other Losses

Impairment charges for loans and other losses in the financial year 2012/13 increased 69.73 percent to Rs. 522.75 million as against Rs. 307.98 million charge in 2011/12. Slowdown in the economy, dampened demand for second hand vehicles and restrictions on credit facilities enjoyed by the customers from commercial banks mainly resulted the said increase. However, the occurrence of impairment charge of Rs. 522.75 million for the year as against the related portfolio value of Rs. 76,087.61 million is a remarkable achievement when compared with the industry standards.

Operating Expenses

Operating expenses comprise personnel expenses, depreciation, amortisation and impairment of intangible assets and other expenses. The increase of other operating expenses from Rs. 2,153.77 million in 2011/12 to Rs. 2,603.05 million in 2012/13 was mainly associated with the expenses concerning the measures taken to reach new funding sources.

Personnel expenses which constitute 35.24 percent of other operating expenses, increased by 18.78 percent from Rs. 772.27 million in 2011/12 due to new recruitments for expanded branch operations and annual salary increments.

Taxation

The Company has set aside a sum of Rs. 592.61 million in respect of income taxation and Rs. 570.75 million for deferred taxation for the year under review. The better planning of income taxation enabled the Company to curb the income tax payment to Rs. 1,045.88 million in the current financial year as against Rs. 1,558.08 million paid in last financial year.

Cost to Income Ratio

During the year under review the Company saw its cost to income ratio rise marginally from 32.58 percent in 2011/12 to 35.23 percent. This increase can be drawn to the extra costs incurred to obtain funds under the tight monetary stance adopted by the Sri Lankan government in the year 2012. Growth of cost has been managed and curtailed to 20.86 percent as a result of the cost efficiencies achieved through the low cost window offices operated via People's Bank branch network.

Cost to Income Ratio



Securities Purchased under Resale Agreement

The Company has invested Rs. 797.19 million as at 31st March 2013 as against Rs. 448.36 million as at 31st March 2012 under resale agreements. The increase is mainly owing to the Company's compliance of Finance Companies (Liquid Assets) Direction No. 01 of 2009 under the finance business license.

Balances with Banks & Financial Institutions

Balances with banks consist of current accounts with commercial banks, saving accounts with other banks and deposits in foreign currency. This year's balance reflects an increase of Rs. 1,181.33 million as against the balance reported as at 31st March 2012. This increase can be drawn to the raised funds via the debenture

issue, increased level of liquid assets maintained by the Company subsequent to the direction on liquid assets and opening of new current accounts parallel to the expansion of operations during the year under review.

Financial Investments Held-for-Trading

The Financial investments held-for-trading balance as at 31st March 2013, consisting of investments in public quoted shares of banking and other sectors, amounted to Rs. 56.67 million as against the balance of Rs. 29.20 million at the end of the preceding year.

The treasury operations at PLC have evolved in response to the growing demands both internally and externally to improve the overall efficacy and add value to the Company's way forward. Having embarked on investing in the corporate stocks listed on the Colombo Stock Exchange on December 2011, during the year under review, the Company has aggressively invested in the share market to explore the opportunities posted.

Loans and Receivables

Rs. 75,722.68 million loans and receivables balance represented 90 percent of the reported total assets as at 31st March 2013 and recorded a 6.22 percent increase as against the reported balance of Rs. 71,288.74 million as at 31st March 2012. Loans and receivables consist of receivables from lease and hire purchase facilities, term loans, Islamic products, staff loans, related party receivables and margin trading receivables.

During the year, the finance leases within a restrictive regime for imported vehicles through higher duties inter alia, grew only by 12.08 percent, in sharp contrast

Financial Review *contd.*

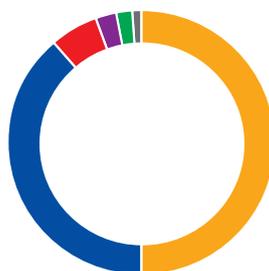
to the growth of 61.92 percent in 2011/12. Accordingly, the Company saw its gross lease portfolio grow to Rs. 40,583.42 million from Rs. 36,208.08 million in 2011/12.

The gross hire purchase portfolio recorded a slight decline of 11.40 percent against Rs. 30,968.70 million in the previous year. This is mainly due to the demand for new grantings which has shifted from traditional hire purchase to lucrative finance lease facilities drawing on the benefits of the tax exemption granted for new buses and lorries.

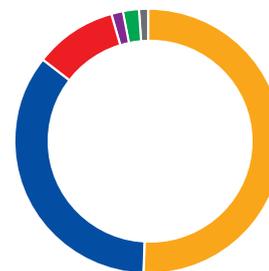
Gross term loans recorded an increase of 90.78 percent surpassing the growth rates of both lease and hire purchase.

During the year, as a resultant of the Company decision to strategically diversify its product portfolio by increasing its term loan grantings in comparison to the previous years and exploration of new opportunities in untapped areas, the gross term loan portfolio grew from Rs. 4,096.79 million in 2011/12 to Rs. 7,816.00 million in 2012/13. This also includes the concessionary loans granted to promote agriculture, livestock, fisheries, industry, SMEs, IT and business process outsourcing, infrastructure and education sectors under the new direction by utilizing the set aside funds in the investment fund reserve, created with 8 percent of the profits liable for VAT on financial services and 5 percent of the profits before tax calculated for payments of income tax.

Related party receivables indicates 59.04 percent increase against the previous year to reach Rs. 341.45 million whereas margin trading receivable balance stood at Rs. 6.90 million as at 31st March 2013 compared to the previous year's balance of Rs. 9.86 million.

Composition of Loans and Receivables - 2011/12

Lease/Ijhara receivables	50.46%
Hire-purchase/ BBA receivables	43.16%
Term loan	5.71%
Staff loans	0.36%
Related party receivables	0.30%
Margin trading receivables	0.01%

Composition of Loans and Receivables - 2012/13

Lease/Ijhara receivables	53.09%
Hire-purchase/ BBA receivables	35.90%
Term loan	10.23%
Staff loans	0.32%
Related party receivables	0.45%
Margin trading receivables	0.01%

Financial Investments Available for Sale

Financial investments available for sale comprise the Company's investments in equity securities of Sanasa Development Bank, People's Merchant Finance PLC and Credit Information Bureau of Sri Lanka. The slight decline of 13.85 percent in financial investments available for sale against the previous year's balance of Rs. 213.79 million is due to the deterioration in the market value.

Investment in Subsidiaries

The Company's investment in its six subsidiaries accounted to Rs. 3,182.69 million as at 31st March 2013. PLC's investment in People's Finance PLC as at 31st March 2013 amounted to Rs. 1,707.69 million. During the year under review, the Company increased its investment in People's Finance PLC by purchasing 1.80 million shares at a cost of Rs. 64.50 million, increasing its stake from 88.71 percent as at 31st March 2012 to 91.12 percent. Subsequent to the receipt of finance business license, adhering to the regulatory requirements the Company merged with People's Finance PLC with effect from April 2013.

Investment in other fully owned subsidiaries remained unchanged during the year. Adding value to the parent's investments, all subsidiaries have performed remarkably well during the year under review.

Subsidiary	Holding (%)	Number of shares	Investment value (Rs.)
People's Finance PLC	91.12	67,956,205	1,707,687,562
People's Leasing Fleet Management Ltd	100.00	7,500,000	75,000,000
People's Leasing Property Development Ltd	100.00	55,000,000	550,000,000
People's Leasing Hevelock Properties Ltd	100.00	20,000,000	200,000,000
People's Microfinance Ltd	100.00	5,000,000	50,000,000
People's Insurance Ltd	100.00	60,000,000	600,000,000

Goodwill and Intangible Assets

Rs.35.30 million balance presented on the statement of financial position entirely comprises the unamortised amount of intangible assets- computer software.

Property Plant and Equipment

The Company has cautiously invested in property plant and equipment in the past years. And the balance as at 31st March 2013 stood at Rs.604.23 million compared to Rs. 638.90 million at the end of the previous financial year. The contraction was mainly resultant from the depreciation of property plant and equipment.

Investment Property

Investment property comprised the service station at Rathnapitiya rented out to fully own subsidiary People's Leasing Fleet Management Ltd amounting to Rs. 56 million.

Other Assets

Other assets reflect a significant reduction of 58.40 percent to Rs. 643.20 million as at 31st March 2013 from Rs. 1,546.18 million as at 31st March 2012, mainly due to utilization of unrecovered VAT. The remaining balance mainly consists of advance payments, inventories and other receivables.

Financial Liabilities

Financial liabilities comprise the short term and long term loans, asset back securities, debentures, deposits, overdrafts, redeemable preference shares, creditors and accrued expenses and related party payables. Following the receipt of finance business license the Company embarked on accepting fixed deposits opening up a new source of funding. And within a shortest time span of just four months the Company witnessed its deposit base escalate, reaching over Rs. 6 billion.

Consequently promissory notes, the main source of funding from retail fund providers, under the Specialized Leasing Company license has been ceased and as a resultant the liability of promissory notes has declined from Rs. 13,547.35 million in early December 2012 to Rs. 9,168.36 million as at 31st March 2013. The Company currently does not pursue the issue of promissory notes and therefore this liability is expected to be at a minimal at the end of the ensuing financial year.

During the year 2012, Commercial papers were the main source of funding when the restrictions on commercial bank lending prevailed, is also now reporting a declining trend due to the funds raised from the debenture issue in March 2013.

The Company with a strategic aim to diversify its funding sources and to reap the benefits from opportunities risen in the macro environment following the new budget proposal, successfully completed its first listed debenture issue totaling to 60 million listed, senior, unsecured, redeemable and rated four year and five year debentures at LKR 100 each. The proceeds of the issue apart from supporting the expanded operations have been utilised to settle higher rated short term obligations of the Company which has improved the composition of the statement of financial position.

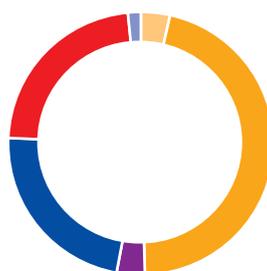
Successively, the Company saw its overall short term obligations declining to Rs. 22,921.16 million from Rs. 27,009.08 million as at 31st March 2012.

Securitisation remained as a sustainable funding source for the last few years and continues to be very attractive as the Company provides mainly its book debt as the collateral.

Financial liabilities also include bank overdraft of Rs. 774.69 million whereas the unutilised balance remained over Rs. 2,000 million as at the end of the financial year.

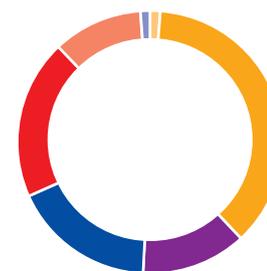
Furthermore, the Company is exploring funds from foreign sources subsequent to the relaxation of monetary policy in budget 2013 to manage the funding requirements.

Borrowing Mix - 2011/12



Overdraft	3.53%
Short term loans	45.98%
Debentures	3.43%
Long term loans	22.74%
Asset backed securities	22.74%
Deposits	0.00%
Redeemable preference shares	1.58%

Borrowing Mix - 2012/13



Overdraft	1.25%
Short term loans	36.84%
Debentures	12.67%
Long term loans	17.49%
Asset backed securities	19.61%
Deposits	10.98%
Redeemable preference shares	1.16%

Financial Review *contd.***Deferred Tax Liability**

The accelerated finance lease grantings at the end of the financial year 2012/13 has immensely increased deferred tax liability from Rs. 534.54 million as at 31st March 2012 to Rs. 1,105.29 million as at 31st March 2013.

Other Liabilities

Other liabilities amounting to Rs. 48.21 million as at 31st March 2013 comprise value added tax payable and retirement benefit obligations.

Stated Capital

The stated capital of Rs. 12,258 million as at 31st March 2013 comprises 1,560,000,160 number of ordinary shares. The Company has not undertaken any share issues during the year under review. However, an amount equivalent to the redemption of preference shares has been transferred from retained profits to stated capital.

Statutory Reserve Funds

Since the Company's capital funds exceed 25 percent of its total deposit liabilities, the Company has transferred 5 percent of profit after tax to this reserve, in order to be in compliance with the Finance Companies (Capital Funds) Direction No. 01 of 2003.

As per the Finance Companies (Capital Funds) Direction No.01 of 2003, Companies with capital funds exceeding 25 percent of their total deposit liabilities shall transfer 5 percent of profit after tax to the statutory reserve fund.

In compliance the Company has transferred Rs. 142.14 million to the statutory reserve fund during the year under review.

Other Reserves

Other reserves mainly include the Investment fund reserve amounting to a balance of Rs. 805.51 million as at 31st March 2013, created in compliance with 8 percent of the profits liable for VAT on financial services and 5 percent of the profits before tax calculated for payments of income tax. Accordingly, Rs. 288.24 million has been added to the investment fund reserve during the financial year under review.

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

Cash Flow

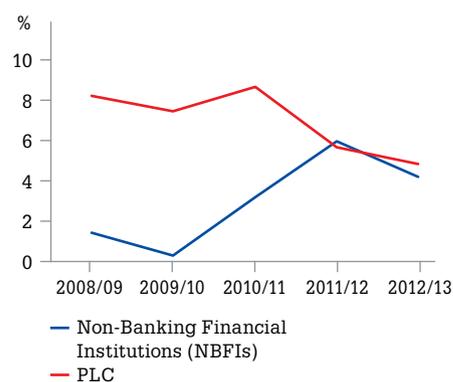
The cash and cash equivalents balance of the Company carried a favourable balance of Rs. 1,988.67 million as at 31st March 2013 compared to the unfavourable balance of Rs. 735.39 million as at 31st March 2012. Operating activities recorded a net cash outflow of Rs. 976.22 million whereas investing activities reported a net cash outflow of Rs. 96.12 million at the end of the financial year under review. Net cash flow from financing activities of Rs. 3,796.40 million was positively infused by the issuance of quoted debentures at the end of March 2013.

Debt to Equity Ratio

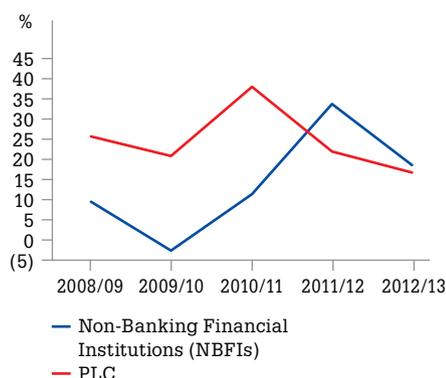
The Company for the year 2012/13, has reported a debt-to-equity ratio of 3.52 times against the 3.49 times reported in the previous year. The increase can be drawn to the increase in borrowed funds for business expansion via new funding sources.

Debt to Equity Ratio**Return on Assets (ROA) & Return on Equity (ROE)**

For the year ended 31st March 2013, the Company has placed on record a ROA and ROE of 4.93 percent and 16.49 percent against 5.57 percent and 20.46 percent in 2011/12 respectively. The industry average ROA and ROE for the year stood to be at 4.2 percent and 18.9 percent respectively. It is commendable that the Company performed above the industry in terms of return on assets within the framework of macro dynamics that prevailed in the year.

Return on Assets

Return on Equity



Capital Adequacy

The Company's capital adequacy ratio remained at healthy levels with both core capital and total risk weighted capital ratio at 21.15 percent and 20.06 percent respectively as at 31st March 2013. The change in the method of calculating the risk weighted assets was aligned to the Company status changing from leasing establishment to a finance establishment. This resulted in a decline in the current year's ratio compared to the previous year's ratio.

Credit Quality

The Company gives priority to maintain a quality portfolio and thereby places a great emphasis on timely collections. Apart from the Company's endeavouring recovery efforts, the prudent credit policies adopted by the Company and its continuous credit evaluation process have been the main contributors of the quality credit portfolio achieved thus far.

Within the framework of an ailing economy and relatively high inflation, the Company has achieved a gross non-performing ratio of 1.23 as at 31st March 2013. The non-performing ratio of the

Company witnessed an increase compared to the previous year, but it is well below the industry average non-performing ratio of 5 percent as at 31st December 2012.

Furthermore the Company during the year under review has maintained its recovery ratio at an approximate of 95 percent.

Grantings

The subdued economic activity, credit celling, interest rate hikes, weaker exchange rate, rising prices especially that of energy and higher duties on vehicles imports, had an adverse impact on overall grantings. Against this backdrop the Company saw its grantings decline by 29 percent compared to Rs. 48.86 billion in the previous year, the highest ever grantings in the history of the Company. The Company modestly achieved grantings of Rs. 34.62 billion during the year out of which 83 percent comprised its core business of lease and hire purchase.

However, the Company witnessed an increasing trend in the final quarter reporting a quarter to quarter increase of 28.43 percent following the relaxation of the tight monetary policies that were set in place to control the macro-economic imbalances prevailed at that time.

Dividends

On the 21st of December 2012, the Company paid an interim dividend of Rs.0.75 per ordinary share for the financial year 2012/13 and the Directors have recommended a final dividend of Rs. 0.50 per ordinary share upon the approval of the shareholders at the Annual General Meeting.

Cash dividends of Rs. 72.25 million and Rs. 72.25 million were paid on fully paid cumulative preference shares on 31st October 2012 and 31st March 2013 respectively to the investor, People's Bank.

Redemption of Preference shares

During the year under review, the Company redeemed 20 million preference shares at Rs. 10/- each which were invested by the parent, People's Bank on 30th April 2012, 30th September 2012, 31st October 2012 and 31st March 2013 in Rs. 50 million tranches.

The Company gives priority to maintain a quality portfolio and thereby places a great emphasis on timely collections. Apart from the Company's endeavouring recovery efforts, the prudent credit policies adopted by the Company and its continuous credit evaluation process have been the main contributors of the quality credit portfolio achieved thus far.

Financial Review *contd.***Share Price and Market Capitalisation**

The share price recorded a high of Rs. 16.70 and a low of Rs. 10.30 during the financial year. The closing price at the year end was Rs. 13.10 and market capitalisation was Rs. 20,436. Despite a year on year drop of 7 percent in All Share Price Index (ASPI) the Company closing share price posted an increase of 12.93 percent as against the previous year end price of Rs. 11.60. And the price earnings ratio was 7.20 times as at 31st March 2013.

Snap Shot of the Financials of Subsidiaries

The results are encouraging and augur well for the sustained growth and profitability of the Group. Summary financials of the subsidiaries are set out hereunder,

2012/13	PF	PLPDL	PLFML	PIL	PML	PLHPL
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	2,717.87	443.26	115.37	2,730.31	110.33	1.17
Pre tax profit	415.41	63.36	49.08	324.00	22.70	(0.25)
Post tax profit	293.90	62.71	33.18	234.66	15.64	(0.84)
Total assets	14,956.06	2,157.56	228.76	3,318.94	742.78	198.96
Shareholders' funds	1,781.15	641.71	98.75	863.00	65.85	198.81

Information and Communication Technology (ICT) Review

Information and Communication Technology (ICT) plays a central role in providing an effective and flexible platform for the Company to successfully achieve its corporate goals. ICT supports all levels of operations with streamlined structures and processes within the organisation as well as for subsidiaries. The ICT department is well equipped and geared to use the latest technology for effective and smooth functioning of software, hardware and systems. However, the focus is on appropriate technology whilst consistently seeking to ensure security and confidentiality of information. This ensures the availability, tailored to the Company and integrity of ICT, essential to implement the corporate strategy and plans in a sustainable manner.

Latest Developments

In the reporting year, ICT initiated a number of key projects as detailed below which were intended to further streamline the processes and thereby increase the efficiency and effectiveness of operations.

System Merger

With plans for merging operations with the subsidiary, People's Finance, the year saw the ICT department tasked with the complex amalgamation of the core systems of the two companies. However, the Company's ICT team, with their expertise and dedication along with the support of other staff members of both companies successfully completed the integration of all modules and systems. The common system was launched with effect from 1st April 2013, fully operational and without any glitches. Detailed user manuals were prepared to assist the users to master the common system, necessary to carry out daily operations without discontinuity due to system issues.

Call Centre Upgrade

Upgrading the existing call centre system which was relocated to the head office, with capacity increases and state-of-the-art features was a significant milestone accomplished during the year under review. The new call centre has provided a stable call solution for the growing operations of the PLC Group and greatly enhanced the efficiency and quality of service, vital for a customer oriented financial services organisation.

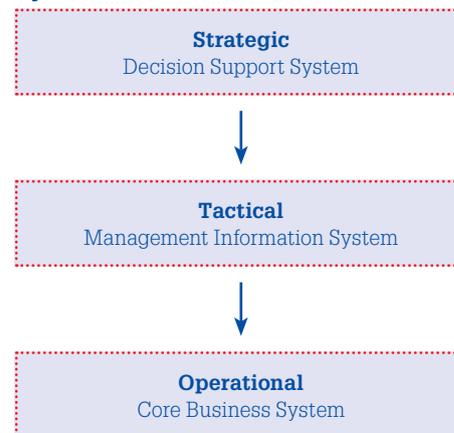
Call Centre Features

- ▶ Inbound Automatic Call Distributor
- ▶ Skill Based Routing
- ▶ Interactive Voice Response
- ▶ Outbound Voice & SMS
- ▶ Centralises Management
- ▶ High Reliability & Scalability
- ▶ Multi-Protocol Support
- ▶ Call Recording
- ▶ Basic Call Management System Reporting

Microfinance System

During the year, the Company developed and implemented a microfinance system for its subsidiary, People's Microfinance. The system, with a full software package for microfinance operations was developed with in-house expertise. It is comprehensive and customised to carry out the operations efficiently and effectively. The system includes an integrated and a real-time general ledger system which is even capable of retrieving the financial statements online. Necessary support was extended for the staff of People's Microfinance to get accustomed to the new system. Currently, the system is fully operational and is pivotal for the subsidiary's business processes and for the way forward.

Systems & Processes



Decision Support System

The Decision Support System (DSS) of the Company, limited to authorised users in the management and the executive grades, enables efficient and speedy analytical facilities and generation of information. The system incorporating business intelligence includes options for financial modelling, forecasting and scenario planning. Therefore, this system is able to provide historical, current and predictive data on the operations, in turn, complementing the strategic planning process.

Information and Communication Technology (ICT) plays a central role in providing an effective and flexible platform for the Company to successfully achieve its corporate goals.

Information and Communication Technology (ICT) Review *contd.*

Management Information System

Management Information System (MIS) at PLC is an internal system that enables collection, compilation and analysis of data and information across the organisation including branches and subsidiaries. The MIS reports facilitate the top-tier as well as the middle management to make effective decisions on operations considering productivity, efficiency, cost-effectiveness and resource optimisation.

During the year under review, the MIS was further strengthened with special emphasis on the subsidiary network. Enterprise Resource Planning (ERP) System was initiated at People's Insurance to effectively manage its operations in terms of pricing, claims and expenses.

Core Systems

ICT is a centralised function at PLC linking all window offices, mini and fully-fledged branches, departments at the head office and the subsidiary network through a central processing system. Core - operations including leasing, hire purchase, Islamic finance, savings, investments and insurance are linked to the online "General Ledger" which facilitates real-time information and transactions. The non-core operations in human resources, administration and finance are also automated and linked to the "General Ledger", enabling efficient information management necessary for effective decision making. During the year, the system was updated in line with the revised Sri Lanka Accounting Standards aligned to International Financial Reporting Standards.

The core system operates on the "Inbank" concept where the operational staff is responsible for maintaining the system

information and transactions. This has led to more accurate information, ensured security and confidentiality and improved the effectiveness of the delivery process essential for customer service.

Core Systems
SMS Gateway
SMS system alerting customers of the entire Group on rental dues, withdrawal and receipt details
Common Cashier Module
Cashier functions are integrated into one module
Enhance efficiency & minimise network delays
Document Tracking System
Automated solution
Tracks and accelerates the movement of documents
Minimises time lag in processing documentation
Branch-less Banking
Facilitates online, real-time transactions from any geographical location
Routine transactions to be done at customers' convenience
Document Management System
Reduces prime storage space
Speedy retrieval of documents and information
Improves security and information confidentiality
Enables disaster recovery
Less likely for documents to be misplaced
Promotes a "paperless" office concept

Information Security

Business Continuity Plan

PLC is steadfast in its efforts to ensure information security and to prevent loss of data and information which is vital for business continuity. The Company has in place a comprehensive Business Continuity Plan including disaster recovery to direct the computer system recovery process in an unforeseen eventuality that will result in continuous interruption of ICT facilities.

The Disaster Recovery System that is maintained internally and externally covers all functions at the head office, branches and the subsidiary network to safeguard the security of information and data back-up. Measures are in place to alert staff via SMS to ensure prompt action and recovery of information and data in the event of a power failure.

A sophisticated monitoring system is also in place to monitor, identify and to rectify issues arising on the network with speed and efficiency. This system has administrative controls essential to ease out unnecessary traffic and minimise unproductive activities on the network.

Audit & Certification

The Company's ICT system is subjected to periodic audits from independent bodies. In the reporting year, the Company carried out a penetration test and vulnerability assessment through an independent and reputed consultancy firm to affirm the security measures that are in place to safeguard the business continuity. Results of this audit revealed that the Company's security measures are current and effective. In addition, Det Norske Veritas (DNV), global certification body conducted an audit on the ICT function

and the necessary audit clearances were obtained. The standards of ICT security management is certified under ISO/IEC 27001:2010.

Official Website

The Company places much emphasis on maintaining the “look and the feel” as well as the technical content of the official website which was launched in the preceding year, aligned to the PLC branding. This is crucial to attract the “tech-savvy” customers as well as investors. In the reporting year, the ICT department added investor relations and interim reports portals to make the website more comprehensive. Plans were drawn to revamp the website in keeping with the changes including the name and logo change in view of the merger with People's Finance.

Training & Development

Training has always been a priority at PLC. This is more so with ICT, where PLC constantly strives to keep up with the latest developments in technology and upgrades in software. Hence, it is not only important for the staff of PLC to be ICT literate but also be current with skills to be able to adopt new technology to facilitate their daily operations. Hence, the management extends skills development opportunities focusing on both general training needs as well as specific to their functions and special requests made by the management.

In the year under review, ICT team was given extensive training including foreign training to enhance their skills and to keep abreast on the developments in the world of technology, in turn, complementing PLC to reach operational excellence. Further, comprehensive training was given to operational staff and management across

the Group on application skills, systems and processes including cashier module, savings, fixed deposits and microfinance systems, crucial to carry out their duties effectively and productively. The fully equipped ICT training lab facilitated these training programmes.

E-Waste Management

As a responsible corporate, PLC is conscientious in its disposal of e-waste, i.e. computers and other electronic equipment. The ICT department collaborates with CRM department to collect and dispose e-waste in a responsible manner that minimises the impact on the environment.

Future Outlook

With the evolving and ambitious operations of the PLC Group, ICT will definitely continue to take centre stage in supporting the Company to move ahead on its future path, to progress. Key initiatives expected to be implemented in the near future are detailed below:

- ▶ **Margin trading system:** The Company plans to develop the margin trading arm especially with the positive signals from the equity market in Sri Lanka. The ICT department therefore will seek to upgrade the margin trading system and extend necessary training for familiarisation.
- ▶ **System improvements:** In keeping with the ICT policy, the Company will continue to seek further improvements on the systems in line with the latest developments in technology. Towards this end, the ICT department will evaluate all current processes to re-engineer and improve efficiency levels in servicing both external and internal stakeholders and thereby being sustainable in a competitive industry.
- ▶ **Websites for subsidiaries:** Plans are underway to develop separate web sites for the subsidiaries to facilitate their growing operations. Priority will be given to develop a more specialised web site for People's Insurance Ltd in the ensuing year.

Human Capital Management

At PLC, employee performance is the driving force that underlines the operations of reaching out to the corporate goals aligned to the Company's vision. The many corporate feats especially in the recent past are intertwined with the commitment, discipline and hard-work of all our employees. Hence, it is considered the onus of the Company to set an enabling and a non-discriminatory workplace for employees to perform their best, vital to the sustenance of the operations. This has set the pace of having the best in human resources (HR) management with the right focus on recruitment, career development, skills training, motivation, well-being, grievance redressal and effective communication on Company's strategy, plans and goals.

HR Structure

HR is a centralised function at PLC where the entire network including the branches and subsidiaries comes under the purview of the HR department, at the head office. Centralisation has enabled the best policies and practices advocated by the head office to spread across the network. In addition, this has enabled PLC to leverage on cost efficacies led by economies of scale.

Branch managers within the Company as well as the management of the subsidiaries are empowered and given necessary training on current HR policies and practices to carry out the day to day HR functions including initial screening for recruitment, identifying the skills gap, in-house training, initial performance appraisals and supporting employees to address their grievances and to meet their targets. The branch and the subsidiary managers are encouraged to update the head office on HR aspects in their respective departments/branches on a periodic basis to ensure seamless HR management.

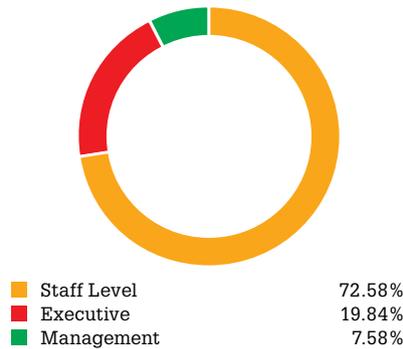
Cadre Composition

Employee Strength

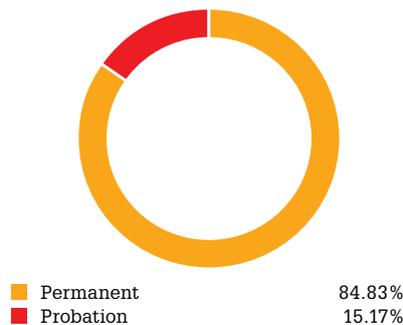
As at the statement of financial position date, the cadre strength of the Company was 1,134 as compared to 1,050 as at the position in the preceding year corresponding to a 08 percent growth. Out of the total cadre, 45.50 percent of employees are concentrated in the Western Province followed by Southern and Central. Permanent employees represent 84.83 percent of the cadre whilst comprising a healthy balance between the operational staff and managers.

	2012/13
Central	90
Eastern	62
North Central	55
North Western	83
Northern	44
Sabaragamuwa	74
Southern	127
Uva	83
Western	516
Total	1,134

Category Analysis



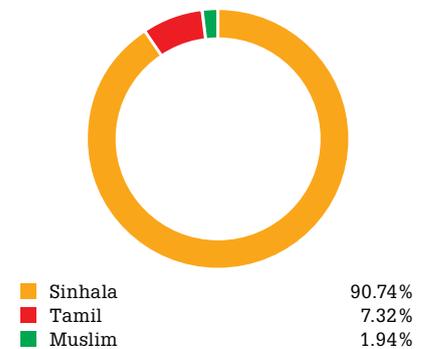
Employment Type



Employee Diversity

The Company's HR policy advocating the principle of "equal opportunity" focuses on embracing greater diversity in the workforce with a well-balanced mix of ethnicity, gender, culture and other socio-economic variables.

Ethnicity Mix

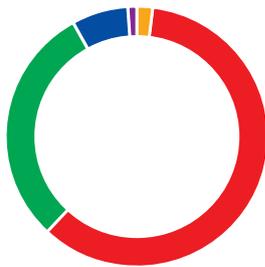


The cadre is dominated by males representing 79.37 percent of the total workforce. This is mainly due to the scope of marketing operations within the branch network that requires extensive fieldwork more suitable for males. However, during the year under review, the Company recruited 44 female employees mainly at the staff level.

HR management at PLC firmly believes in generational diversity and thereby maintaining a good mix between the more experienced and senior employees with the vitality and the new age thinking of the Generation Y employees. The work culture promotes diverse values, talents, perspectives and attitudes whilst encouraging all employees to work together effectively allaying conflicts over generational stereotypes.

Out of the total workforce, 93.02 percent are below the age of 41 years as at the reporting date.

Age Analysis



20 years & below	0.80%
21 – 30 years	61.04%
31 – 40 years	31.18%
41 – 50 years	6.89%
Over 50 years	0.09%

Employee Turnover & Retention

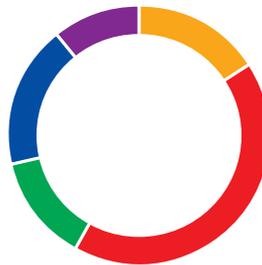
The Company is extremely conscious of keeping its staff turnover low to minimise the financial implications of resignations and replacing experienced and trained staff. The Company places much importance on its retention strategies to make employees feel valued and part of the team which in turn supports to offset employee replacement costs and thereby cushion the bottom-line.

The retention strategy seeks to attract the best in the industry and focuses on developing sound employer-employee relationships through continuous

dialogue, competitive remuneration and fringe benefits, due recognition for high performers, timely promotions, career development, employee well-being and advocating a work-life balance across the organisation.

In the reporting year, there were 111 resignations out of which only 12 were from the executive to upper management level grades. Staff turnover ratio was 10.16 percent which compares well with the preceding year's ratio. Turnover ratio of executive and above grades was as low as 4.04 percent. In terms of service of the employees as at the end of the year, 42.33 percent is between 1-2 years service category. However, 31.13 percent accounts for employees between 3-10 years service category which demonstrates the solid base of experienced employees retained within the organisation.

Service Analysis



0 – 1 years	15.87%
1 – 2 years	42.33%
3 – 4 years	13.23%
5 – 10 years	17.90%
Over 10 years	10.67%

Recruitment

Recruitment policy at PLC strictly follows the principle of "equality of opportunities" notwithstanding any kind of social prejudice. The strategy seeks to strengthen the workforce with people who are qualified, skilled, talented, flexible and dynamic to meet the corporate goals. Staff is given the necessary learning

opportunities and skills training essential to meet the challenges of the Company.

Wherever possible, the recruitment is done within the communities in which the branch network is located. This policy complements the operations by strengthening bonds with the communities whilst being able to understand and respond to their needs effectively, in turn bolstering the Company's position in the industry.

In the year under review, the Company curbed its recruitment process which was stepped up in the preceding year given its expansion drive especially for the branch network. Internal recruitment and due promotions were given precedence as per the Company's recruitment policy. In the year, 197 high performing employees were promoted based on a structured performance evaluation scheme mainly concentrating on the employees in the staff grade. However, the promotions reflected a 35.20 percent decline as at position of the preceding year. Necessary support, guidance and training were given to these employees to successfully deliver their new responsibilities.

The work culture promotes diverse values, talents, perspectives and attitudes whilst encouraging all employees to work together effectively allaying conflicts over generational stereotypes.

Human Capital Management *contd.*

All external recruitments are based on merit following a well-disciplined and a competitive assessment process including advertising the vacancies in the national newspapers, reviewing applications, short-listing based on aptitude, attitude and responsiveness and selection of the right candidate. In the year under review, 192 employees were externally recruited.

	2012/13		2011/12	
	Recruitments	Promotions	Recruitments	Promotions
Staff Level	160	180	274	185
Executive	31	15	30	80
Management	1	2	1	39
Total	192	197	305	304

Employee Well-being**Work-Life Balance**

The Company supports a culture of work-life balance which in effect is vital to motivate staff, reduce job absenteeism, maintain high productivity levels and even cap the staff turnover. The necessary support measures are in place including a comprehensive leave system to ensure a healthy work environment where employees are given space to balance work duties with their personal responsibilities in turn culminating employee loyalty.

Welfare Measures

Welfare measures at PLC are focused to optimise on the well-being of employees and thereby ensure motivation and high productivity. Key initiatives are set out below:

- ▶ **Medical Insurance Scheme** which is under People's Insurance is for all permanent employees and their families of the PLC network. The medical scheme covers personal, accident and life insurance up to a limit of Rs.150,000 for hospitalization and other.
- ▶ **Death Donation Scheme** covers the loss of life of an employee or immediate family/parents for a sum of Rs 50,000. The cover is also extended to include spouse's parents for an entitlement of 45 percent of the full donation.
- ▶ **Vehicle Loan Scheme** offers loan facilities up to a limit of Rs. 4.5 million with preferential terms. In the reporting year, 55 employees obtained this facility.
- ▶ **In-house Gym Facilities** are open to all employees for a nominal monthly membership fee up to maximum of Rs.400.
- ▶ **Welfare and Sports Society** plays a central role in driving team spirit and motivating employees to give the best to the organisation. Employee's contribution to the welfare fund ranges from Rs.100 to Rs.200, for staff to executive grades respectively. During the year, the Welfare and Sports Society organised many successful programmes and events that actively promoted fellowship among employees.

**Performance and Rewarding**

PLC operates on a performance based culture. Necessary guidance and tools are in place to ensure that all employees are able to give their best to the organisation as well as reach out to the heights of their careers. The Company's interactive and transparent performance evaluation scheme enables managers and employees to assess the operations in retrospect and identify measures for any weaknesses which warrant support for progress. The process enables the employee to ascertain the career prospects within the Company whilst being rewarded for performance purely on merit.

The Company in the reporting year continued with the annual performance evaluation scheme and ensured that all employees were given an opportunity to be evaluated and rate his/her performance with their respective heads on pre agreed targets which was subsequently validated by the Management Committee. All rewards given during the year - annual increment, bonus and incentives were based on performance. Even in promotions, the performance evaluation results played a central role in determining the merits for promotions.

Training and Development

Skills training is a vital part of the PLC Group's success. The Company unstintedly invests on training the employees on both technical and soft skills, essential for sustainability in the midst of the dynamics of today's fast-paced world. Towards this end, the Company has strategically set out a structured training plan covering all employees across the network.

The approach to training is pragmatic. Skills gap is initially identified based on the recommendations of the departmental heads and then addressed taking into account employee's career development and collective benefits to achieve the corporate goals. As per this assessment, training is prioritised and extended through internal, external and even foreign training.



During the year under review, the Company stepped up its internal training programmes advocating work rotation within the Group network, on-the-job training and opportunities to participate in special projects. In addition, the HR department organised 20 training programmes on customer service and 8 training programs for marketing. The Company's fully-fledged IT training centre facilitated employees to learn and update on the latest in technology including office applications, web browsing and even social network marketing. The Company

also carried out comprehensive induction programmes for new recruits covering corporate values, code of ethics, group structure and operations.

Apart from internal training, the Company also heavily invests on external training. As per the requirements, the best professional trainers are hired to meet the growing demands of the Company and to be on par with the best industry standards. As at 31st March 2013, the Company invested a sum of Rs. 12 million on external training including Rs. 1 million on foreign training.

The Company has in place a higher education reimbursement scheme for employees to further their professional lives. In addition, employees are encouraged and given financial support to obtain their memberships from professional bodies. During the year, 37 employees accounting to 3.26 percent of the total workforce availed the benefits of this scheme.

Productivity of Employees

	2012/13	2011/12
No of Employees	1,134	1,050
Income Per Employee (Rs. Mn)	14.51	13.56
Profit Before Tax Per Employee (Rs. Mn)	3.67	3.97
Profit After Tax Per Employee (Rs. Mn)	2.60	2.70
Net Assets Per Employee (Rs. Mn)	15.58	16.01
Value Added Per Employee (Rs. Mn)	0.84	0.81

Statutory Obligations

The Company is conscientious in upholding the principles, laws and regulations governing labour in Sri Lanka. All statutory obligations have been met including contribution to the Employees' Provident Fund, Employees' Trust Fund and maintaining gratuity scheme as prescribed.

Future Outlook

Given the merger with People's Finance, it is important to implement a cohesive integration plan with quality management strategies in the year ahead. HR will be required to act swiftly to ensure a seamless transition as a new entity. This in effect is not a difficult task as the HR policies, practices and the corporate values are already aligned to the subsidiary network.

Yet, the new entity envisaging leveraging on its diversity and expansive market share will require greater commitment, team spirit, professionalism and above all dynamism of the employees. Thus, it is paramount that the HR at PLC reinforces its role in the Company's operations and even re-visits its policies and practices to step up its strategy to be apt for the new paradigm shift.

 **Integrated Risk Management**

Embracing risk management practices for sustainable long term growth

Risk management today is in the spotlight due to the tightened regulatory supervision followed by the volatility in financial markets. Managing risk has become an essential tool to tackle the inevitable uncertainty associated with business as an integral part of Corporate Governance. As the largest Non-Bank Financial Institution in the country, People's Leasing & Finance PLC (PLC) believes in integral good Corporate Governance practices leading towards mitigating or counter-measuring the potential risks.

The Company firmly believes that sound risk management practices are critical for long term growth of the Company. Company's objective is to add maximum sustainable value to all activities of the organisation. It marshals the understanding of the potential upside and downside of all those factors which can affect the Company. Risk management is a continuous and developing process which run throughout the organisation's strategy and the implementation of that strategy.

Risk Management Environment

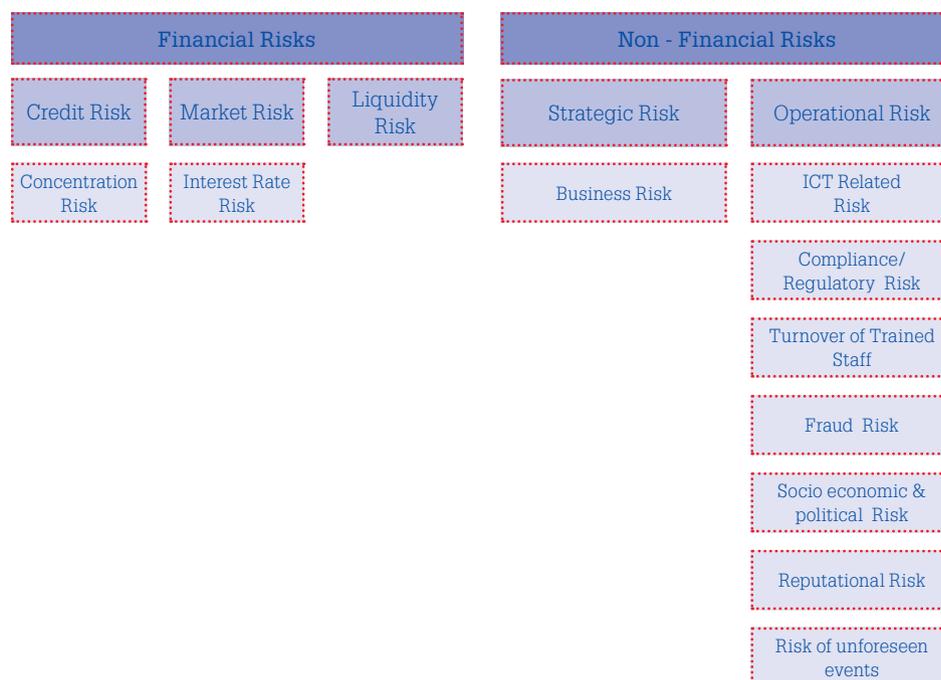
Risk Management strategy is an integral part of Corporate Governance, management decisions and business processes in the Company. Integrated risk management is essential to the effective functioning of operations from top to bottom. Inculcating risk management initiatives into business planning and the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

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

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

Hence, the risk is driven in every activity of the 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



Importance of Risk Framework

In an attempt to manage the risk, it is of paramount importance to identify the risk appetite and 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 Integrated Risk Management framework at PLC encompasses the following key priorities.

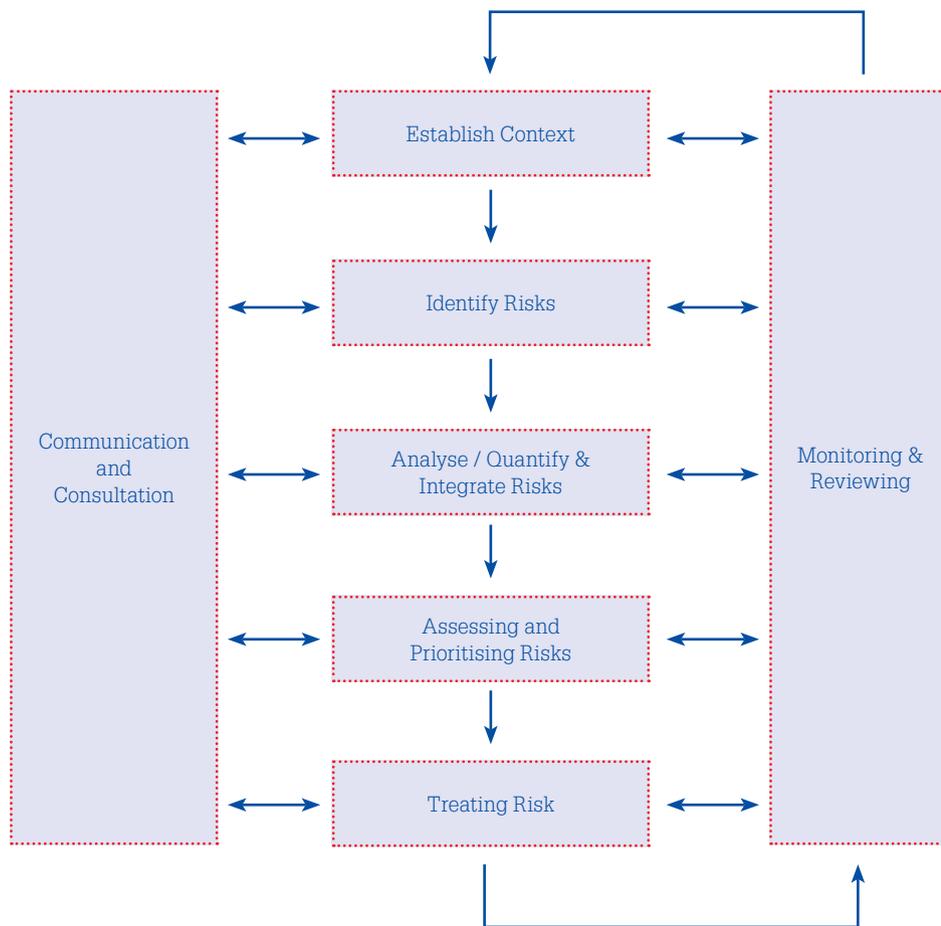
Priority	Description
Aligning risk appetite and strategy	Select among objectives and strategy alternatives which are based on the risk appetite of the Company.
Enhancing risk response decisions	The framework will provide the rigour to identify and select among risk avoidance, transfer, mitigation, sharing or acceptance of risks.
Reducing potential loss events	This has enhanced capability to identify potential loss events and establish responses, reducing losses or loss events.
Managing multiple and cross-integrated risks	Integrated 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 well positioned to identify and pro-actively realise opportunities.
Improving deployment of capital	Robust risk information allows management to effectively assess overall capital needs and appropriate capital allocation.

The above key concerns inherent in Integrated Risk Management framework act as an aid to the management in achieving the Company's performance, profitability targets, prevent loss of resources and ensure effective reporting and compliance with laws and regulations. Also this has led the Company to set out where it wants to reach and avoid pitfalls and unexpected events along the way forward.

The Company firmly believes that sound risk management practices are critical for long term growth of the Company. Company's objective is to add maximum sustainable value to all activities of the organisation.

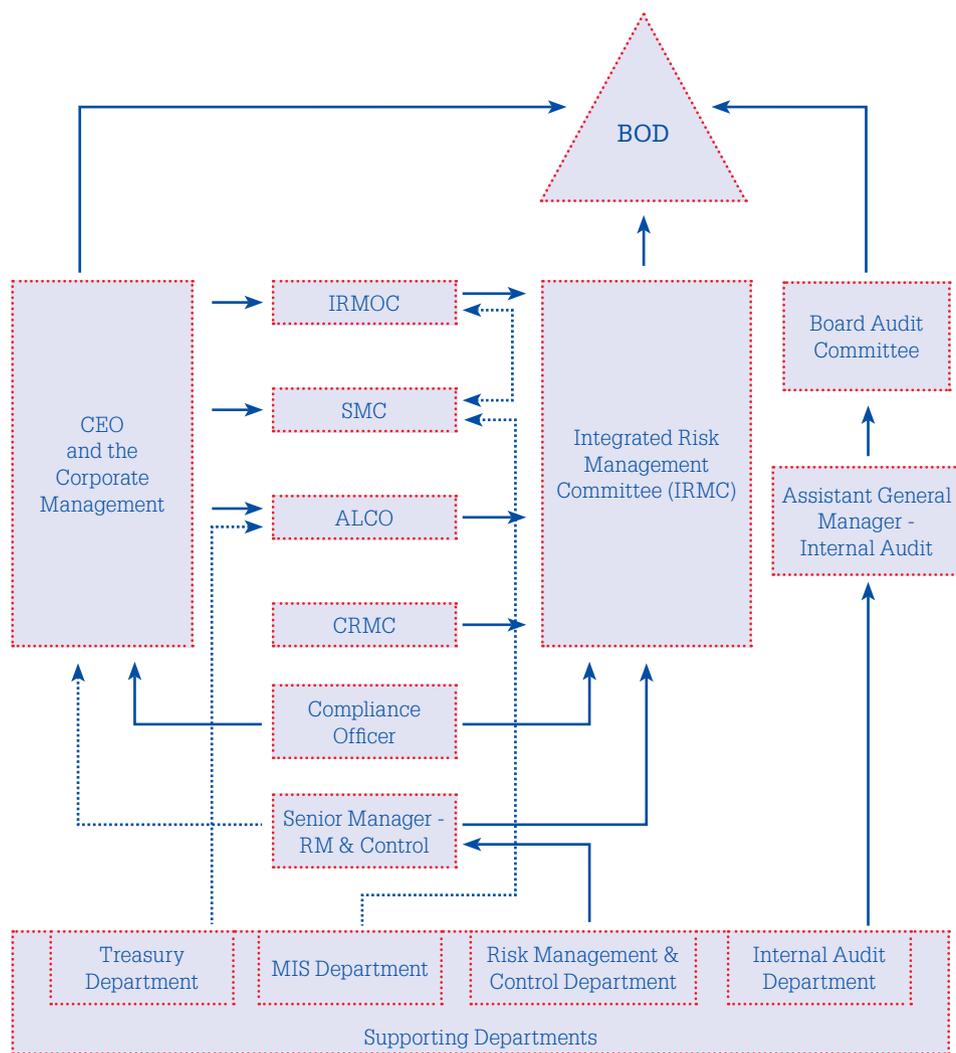
Integrated Risk Management *contd.*

Risk Framework



Risk Governance

The ultimate responsibility for setting the risk appetite, communicating risk strategy and approving policies for the effective management of risk rests with the Board. Acting within the authority delegated by the Board, the Integrated Risk Management Committee (IRMC) reviews specific risk profiles and receives regular reports on risk management, which include the Company's portfolio trends, policies, standards, soundness of the system of internal controls, infrastructure and regulatory compliances. The IRM Committee 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.



BOD - Board of Directors
 ALCO - Assets and Liability Management Committee
 IRMOC - Integrated Risk Management Operating Committee
 SMC - Senior Management Committee
 CRMC - Credit Risk Management Committee
 MIS - Management Information System

Integrated Risk Management *contd.*

The Board of Directors is assisted by the Committees as shown on the previous page 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	Represented by	Committee is headed by
Integrated Risk Management Board Sub-Committee(IRMC)	<ul style="list-style-type: none"> ▶ Responsible for monitoring the implementation of the risk management strategies of PLC. ▶ To review and oversight of the risk profile of People's Leasing & Finance PLC and its Subsidiary Companies. 	Three Non Independent and Non Executive Directors, Chief Executive Officer, Deputy General Mangers, Compliance Officer, Senior Manager-Risk Management & Control and key risk owners of subsidiaries.	Non Independent, Non Executive Director
Asset and Liability Management Committee (ALCO)	To review the Treasury; Asset and Liability functions of the Company.	CEO/ GM, Corporate Management, Treasury, Finance	CEO/GM
Integrated Risk Management Operating Committee (IRMOC)	To strengthen the risk governance structure of the Company at the senior management level.	Key Risk Owners of all functional areas including key management personnel	CEO/GM
Senior Management Committee (SMC)	<ul style="list-style-type: none"> ▶ To review overall policy matters and decide on corrective measures. ▶ To communicate the salient policy decisions to the staff by way of staff circular letters. 	Chief Executive Officer/ General Manger, Corporate and Senior Management.	CEO/GM
Credit Risk Management Committee (CRMC)	To ensure that Company's overall credit risk exposure is maintained at a prudent level.	Credit Risk Owners	DGM - Operations

Integrated Risk Management Committee - (IRMC)

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 Integrated Risk Management Committee consists of six members including three Non-Executive, Non-Independent Directors. Other three members are Chief Executive Officer/ GM, DGM - Finance & Administration and DGM - Operations. The Compliance Officer, Chief Operations Officers of People's Finance PLC and People's Insurance Limited, Assistant General Manager – Branch Coordination who is overseeing People's Microfinance Ltd and the Secretary of the ALCO are present

on invitation in accordance with the said Direction No. 4 of 2009. The Integrated Risk Management Committee is held responsible for the review of risks on a quarterly basis, including credit, market, liquidity, operational and strategic risk, pertaining to People's Leasing & Finance PLC and its subsidiaries at the integrated level. The Integrated Risk Management Committee reports to the Board of Directors of People's Leasing & Finance PLC. The Integrated Risk Management Committee 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 Integrated Risk Management Committee quarterly. A detailed report

on the Integrated Risk Management Committee is presented on pages 178 to 179 of this Annual Report.

Integrated Risk Management Operating Committee (IRMOC)

In order to manage the risk associated with the Company and to strengthen risk governance structure, the Integrated Risk Management Operating Committee was established and it is accountable to the Integrated Risk Management Committee. The Committee consists of risk owners of all functional areas including key management personnel.

IRMOC is authorised to identify, review and monitor all the risk exposures and risk related policies/ procedures affecting

credit, market, liquidity and operational areas. IRMOC is responsible for maintaining the awareness of any changes in the Company's overall risk profile in an integrated manner and monitoring areas of risk management/ compliance. Also the Committee will be deciding risk mitigation techniques based on the severity of the risk profile. The Department of Risk Management & Control will directly report to IRMOC on the activities carried out by the Risk Management Department.

Credit Risk Management Committee (CRMC)

Lending being the main line of business of the Company, credit risk can be considered as the highest contributor in the overall risk exposure of PLC. Thus, CRMC was established to optimise a well structured credit risk management process through assessing, quantifying, pricing, monitoring and managing credit risk on a consistent basis. CRMC carries out credit risk reviews regularly with a view to identify, assess and take appropriate risk mitigation measures to ensure that existing credit risk exposures are maintained at a reasonable level. CRMC is headed by DGM - Operations and other members are Assistant General Managers representing the Branch Coordination Department. The minutes of the Committee are communicated to the Integrated Risk Management Committee seeking for the concurrence.

Group Asset and Liability Management Committee (ALCO)

The ALCO regularly meets to assess the liquidity position and market risk of PLC Group. The ALCO focuses on PLC's sources of funds and its lending strategy with an aim to meet profitability objectives. A comprehensive internal reporting system relating to the Group's liquidity position and funding lines is in

placed to provide detailed information to the ALCO. This allows the ALCO to apply and, if necessary, amend the Asset and Liability Management Policies, analyse the maturity profile of various components of on/off balance sheet items and review monthly lending and borrowing rates and competitor behaviour. The ALCO also monitors any relevant policies or rules issued by regulators, such as the Central Bank, the Securities Exchange Commission and the Insurance Board of Sri Lanka. Based on its assessment and directions, the ALCO recommends to the Board on any action it considers necessary to limit or mitigate and to manage liquidity risks.

The ALCO reports to the Integrated Risk Management Committee (IRMC), which assesses factors affecting the liquidity risk and, in response, implement necessary policy changes.

Role of Treasury

PLC has already set up a dedicated department with independent reporting lines to manage treasury related liquidity risks with a better focus. The initial objective of the Treasury is to raise funds at the right time at the right rate. All Treasury related regulatory and management reporting functions are carried out by the department.

The Treasury closely monitors the cash flow position of the Company. The Treasury also monitors economic and other operating conditions to forecast potential liquidity needs. It projects cash flow needs under various stress scenarios and determines the level of liquidity required in relation to the test results. Depending on its assessment of the current risk and the funding needs of the Company, it proposes necessary changes to the Company's capital structure,

including the availability of alternative lines of funding. Ultimately, it attempts to ensure the availability of liquidity and cash to meet obligations as and when they fall due and obtain funds to fulfil any deficiency in liquidity. Treasury, reports to the Asset and Liability Management Committee (ALCO) which assesses factors embracing the liquidity risk and market risk in response, implement necessary policy changes as corrective measures.

Depending on the risk environment, Treasury will create an appropriate capital ratio of debt and equity in order to fund the business, ensuring the optimum balance between cost and risk.

Internal Audit

The Company also has an Internal Audit Department, which focuses in providing an independent risk based oversight to the Board Audit Committee on the processes and controls that help to mitigate major weaknesses. The internal audit department is responsible for independent, objective assurance on internal control mechanism, in order to systematically evaluate and propose improvements for more effective internal control processes and governance. Also, Internal Audit Department carries out independent reviews of compliance with risk policies and procedures to ensure the Board the effectiveness of risk management procedures.

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 on the next page. This provides the management with a comprehensive view on the associated risk, which will enable them to manage the risk better. The Management believes that, risk mapping

Integrated Risk Management *contd.*

provides the Company an overall understanding in managing risk, by selecting options through avoidance, transfer, prevention and risk reduction.

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

Management of Risk

Credit Risk

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

Description

Default 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 provide or write off non-performing facilities.

Assessment of Credit Risk

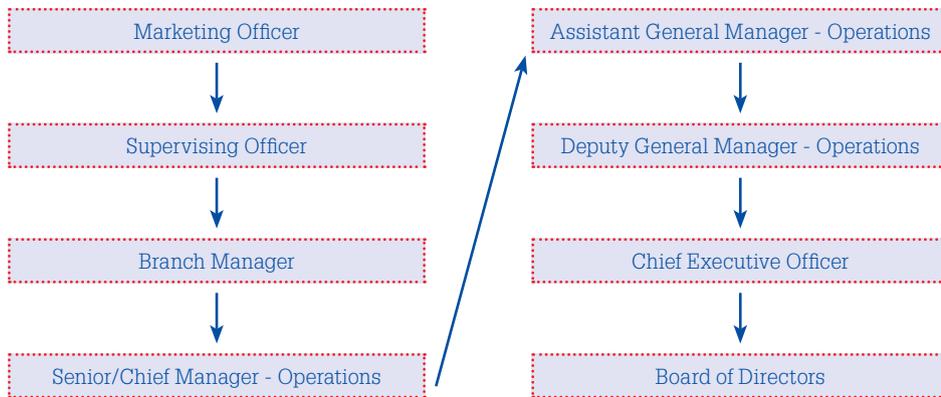
People's Leasing is exposed to credit risk with respect to facilities of lease, hire purchase and loans. The Company's market mainly consists of small and medium sized enterprises. Credit risk is managed through delegated approval authority limits decided by the management.

The PLC 's lease and loan approval process adheres to the credit policy and approval procedures described below.

Lease & Loan Approval Process

The lease and loan approval process begins when a customer requests a lease or loan facility. A marketing officer/ risk owner presents different lease and loan facility options to the customer. After evaluating the customer, if the marketing officer is satisfied the customer is recommended for approval and then supervising officer will review the customer before recommending it to a Branch Manager. If the Branch Manager is satisfied with the customer's credit profile and business plan (where applicable) and if it is within the approval limits, the application will be approved. However, if the amount underlying the loan or lease facility is above a certain proscribed limit, the Branch Manager will forward the customer application to a Senior/ Chief Manager or a AGM, either of whom will be authorised to approve the lease or loan. People's Leasing & Finance PLC has credit approval limits that may require among eight different levels of evaluating the customer based on the underlying facility amount. At each level, additional information may be called for the credit assessment, which establishes the credit worthiness of the prospective customer. The Board of Directors is the highest authority to approve loans or lease facilities that are of the highest value or are exposed to the highest credit risk. The table below sets out the hierarchy involved in the credit approval process.

Credit approval process



In addition to delegated authority, other mechanisms have also been put in place to mitigate credit risk. Manual controls require additional documentation relating to the customer and the asset underlying the lease, such as a vehicle inspection report. IT driven system controls ensure the adherence to laid down procedure at different levels, segregation of duties and escalation of transactions to required authority levels to eliminate the operational risk of the transaction.

It is the responsibility of the documentation department to complete all security documents while the finance department will ensure to release all disbursements from the Head Office to minimise any related risks.

Provisioning and accounting implications

The credit risk inherent in lease and hire purchase contracts is relatively low compared to loans as statutory provisions are available in the Consumer Credit Act governing hire purchase contracts and Finance Leasing Act governing Finance Leasing Contracts for the repossession of assets, given certain conditions are met for breach of contract provided due process is followed as laid down in the relevant statutes. PLC follows more stringent provisioning policies, despite the regulatory requirement to be a more prudent and responsible corporate citizen.

Following the convergence to revised Sri Lanka Accounting Standards based on the International Financial Reporting Standards (IFRS), PLC has adopted impairment of loans and advances which is comprehensively explained under note 19.2 to the Financial Statements on page 223.

Credit risk measurement and monitoring

In assessing credit risk, management information reports with regard to non-performing advances and recoveries are submitted to the Credit Risk Management Committee and Senior Management Committee periodically. The Credit Risk Management Committee evaluates the information provided and instructs branches as necessary. At the portfolio level, CRMC monitors the advances at the highest possible granularity of effectively

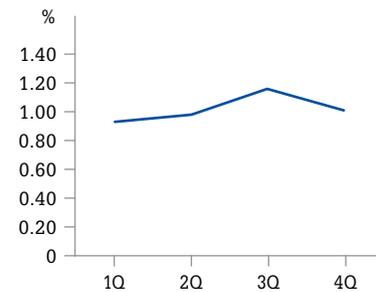
capture portfolio characteristics and possible correlations between portfolios/ environmental factors.

On a quarterly basis, Integrated Risk Management Committee assesses credit risk at the portfolio level which is presented to the Board for review.

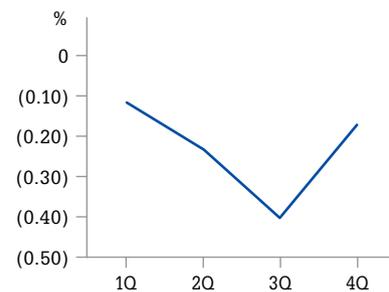
The Company contributes to improve its capabilities on credit risk management through investing in people, processes and IT infrastructure.

The Non-Performing advances portfolio of the Company analysed as to sector wise and Geographic areas given on page 114 together with respective provisions and amounts written off during the period under review.

Gross NPA Ratio - 2012/13



Net NPA Ratio - 2012/13



Integrated Risk Management *contd.***Segmentation of NP Portfolio as at 31 March, 2013 Sector Wise (Rs. 000')**

Industry Sector	Outstanding Value	Provision	Amount Written-Off
Services	278,713	127,725	11,114
Trading	312,599	166,451	16,713
Transport	103,861	48,673	13,253
Others	63,981	12,523	4,890
Constructions	80,854	34,776	3,678
Agriculture	92,822	39,506	14,526
Fisheries	2,664	1,193	619
Industry	14,201	7,130	31,766
Tourism	21,889	15,766	-
Total	971,584	453,743	96,559

Segmentation of NP Portfolio as at 31 March, 2013 Province Wise (Rs. 000')

Province	Outstanding Value	Provision	Amount Written-Off
Western	608,879	298,167	86,060
Southern	67,471	28,879	4,581
Central	28,169	13,312	70
Uva	24,846	13,189	1,173
Sabaragamuwa	60,319	26,757	1,467
Eastern	46,194	18,337	-
North Western	52,935	23,104	1,724
North Central	43,822	16,460	1,484
Northern	38,949	15,538	-
Total	971,584	453,743	96,559

Note: The above figures/ ratios have been prepared as per SLAS and may differ from SLFRS figures/ ratios.

Mitigation of Negative Impact

At PLC, loans and advances are granted on a selective basis to customers having good track records particularly the tested existing customers.

The Company has developed policies and procedures relating to operations as a measure to curb credit risk. All credit exposure limits are approved within a defined credit approval authority framework including single borrower limit (SBL). The Company strictly adheres to the single borrower limits as per the Central Bank directions. 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 minimise the exposure to credit risk. In addition, Employees are given adequate training on credit granting to identify credit worthy customers. The credit portfolio is analysed and presented to the Integrated Risk Management Committee on a 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. As a precautionary measure, The Company maintains healthy loan to value ratio at inception to minimise exposure at risk.

Collateral and guarantees form an important part of the credit risk mitigation process. In the case of leasing and HP, the asset itself becomes the collateral. The Company obtains collateral against its credit exposure wherever possible to reduce overall credit risk. Collateral include personal/corporate guarantees, vehicle or any other moveable asset.

Credit Concentration Risk**Risk Rating**

Frequency	Moderate	Risk Position: 3
Severity	Moderate	

Description

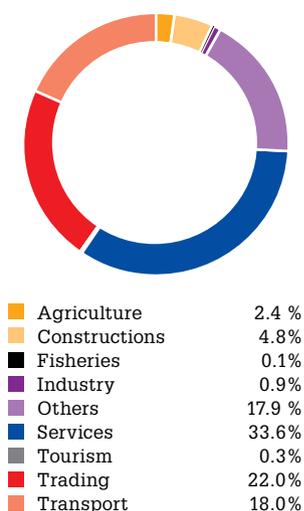
Concentration risk arises from the uneven distribution of exposures to particular sectors in the industry. The Company provides leasing facilities to several sectors in the economy, which carries peculiar risk characteristics. Therefore, the Company will expose to the risk of dependence by over concentrating on few sectors. By diversifying the credit concentration, 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

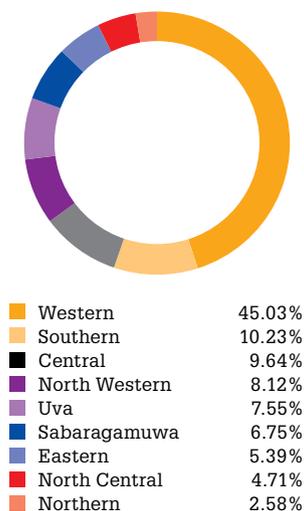
Industry exposure on disbursement is prepared on a monthly basis to identify the level of exposure to each sector in the economy. This is reported to the Integrated Risk Management Committee quarterly and the Credit Risk Management Committee periodically. Also the report of sector concentration is submitted to Central Bank of Sri Lanka on a monthly basis.

The monitoring of credit concentration is an integral part of the credit risk monitoring process. Key ratio analysis, internally developed limits are used to measure and monitor credit concentration in the Company's lending portfolio.

Industry Concentration - 2012/13



Geographical Concentration - 2012/13



Mitigation of Negative Impact

The Company generates a monthly report on sector wise exposure and geographical exposure on disbursements which is reviewed by the Senior Manager-Risk Management to identify any exposures at risk. The same is also reviewed and monitored by Credit Risk Management Committee (CRMC) and Integrated Risk Management Committee (IRMC) to strengthen the dynamic portfolio management practices and to provide an early warning on possible deterioration of the Company's credit quality. Geographical concentration is considered as an input when expanding the branch network of the Company.

Liquidity Risk

Risk Rating

Frequency	Moderate	Risk Position: 4
Severity	High	

Description

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations as and when they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows. It indicates that the cushion provided by the Company's liquid assets is insufficient to meet its obligations. Effective management of liquidity is very important to ensure confidence and smooth functioning of Company operations to generate working capital under any circumstance.

Assessment

Unutilised bank lines are available for the Company as a safety cushion to honour all cash outflow commitments as and when they fall due. More emphasis is placed on mitigating this risk as the Central Bank of Sri Lanka (CBSL) has strengthened the regulatory requirements with respect to liquidity.

A variety of key liquidity risk indicators are used by the Company to assess the adequacy of the liquidity position namely, Liquid Asset Ratio, Maturity Gap Analysis, and Funding Concentration. Key liquidity risk indicators are regularly monitored by ALCO to ensure that assets and liability portfolios of the Company are geared to maintain a healthy liquidity position.

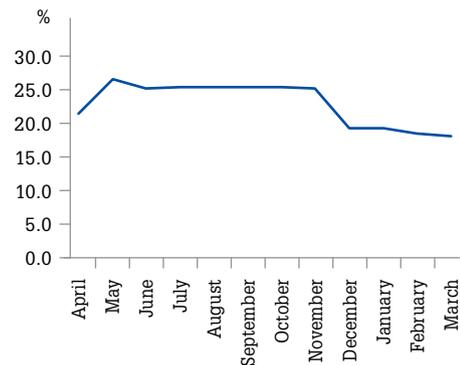
Integrated Risk Management *contd.*

The Company's Treasury Division is entrusted with the task of monitoring the daily liquidity requirement of the Company. ALCO is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company liquidity.

Responsibilities/ Functions of ALCO and role of the treasury are given on page 111 in this Annual Report.

People's Leasing & Finance PLC being a registered Finance Company; is required to comply with the directions issued under Finance Business Act No. 42 of 2011. Accordingly, the Company is required to comply with Finance Companies (Liquid Assets) Direction No.1 of 2009.

Capital Adequacy - Core Capital 2012/13*



* Prepared as per SLAS

Current/Non-Current Analysis is given under Note 45 of Financial Statement on pages 250 to 251.

Mitigation of Negative Impact

The Company continuously projects cash flows under various stress scenarios and determines the level of liquid assets necessary in relation thereto. The treasury department monitors the debt obligation of the Company to ensure the adequacy

of liquidity. Further, it reviews the level of liquidity required to complying with Central Bank directions. The Company maintains a reasonable level of unutilised credit lines with banks and good relationship with other fund providers to ensure liquidity at short notice if the requirement so arises. 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 and collections to assess cash flow deficit or surplus. Also, measures have been taken to enhance the fee based income to minimise the dependency on fund based income.

The Company encourages long term borrowings than short term borrowings as a strategy to mitigate the liquidity risk. In order to reduce the maturity mismatch long term funding lines such as debentures, long term foreign loans and securitisation etc. are preferred.

Market Risk - Interest Rate Risk

Risk Rating

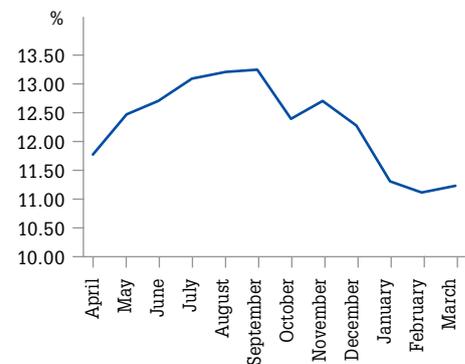
Frequency	Low	Risk Position:
Severity	High	
		3

Description

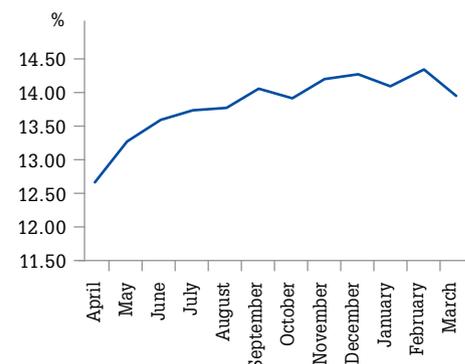
Interest rate risk is the volatility in the value of interest sensitive products and the level change in future income and expense levels due to the positions in the market interest rates. Funds at People's Leasing mainly consist of direct bank facilities, securitisations and debt instruments such as Commercial Papers and Debentures. The Company always prefers to obtain funds at fixed rates depending on the market conditions. The Company 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 favourable rates, especially through securitisations, as the quality of the Company's receivable portfolio is high. Lending policy rates are adjusted according to changes in market rates, in an attempt to mitigate the risk of falling interest rate margins. This has been paramount concern in the recent business scenario due to the volatility of interest rate. Also, the Company is exposed to the basis risk where the Internal Rate of Return (IRR) is affected due to changes in different liability interest rates.

TB Rates - 2012/13



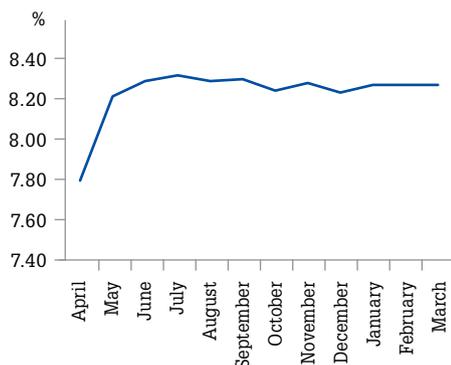
AWPLR - 2012/13



Assessment

The net interest position and the maturity gap are evaluated when assessing the interest rate risk. Sensitivity analysis are carried out on various interest rate scenarios to decide on the risk exposure. Also, the Company assesses potential impact on the Company's profitability resulting from alternative interest rate scenarios.

Net Interest Margin - 2012/13*



* Prepared as per SLAS

Impact on the Net Interest Income (NII) of the Company due to market changes is assessed by forecasting the Company's Statement of Financial Position for a 12 months period taking into consideration of the expected future business growth based on the budget. This is included in the risk dash board for the assessment at the Integrated Risk Management Committee (IRMC).

Basis risk results from differences in the relative movements of rate indices which are used for pricing instruments with similar characteristics. ALCO assesses the potential contribution of basis risk towards Interest rate risk by monitoring movements in indices such as Prime Lending Rate (PLR), Sri Lanka Inter Bank Offered Rate (SLIBOR), and rates of Government Securities thereby making appropriate decisions to re-price or rebalance the portfolios as necessary.

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 spread between borrowing and lending rates and adopts 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.

Business Risk

Risk Rating

Frequency	Moderate	Risk Position: 4
Severity	High	

Description

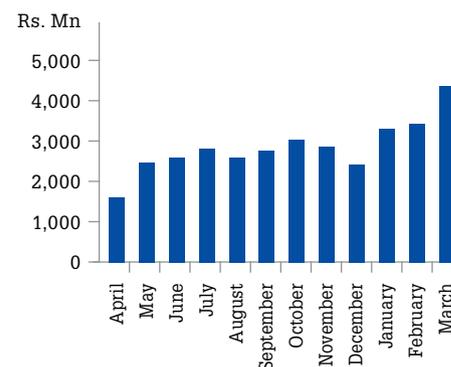
People's Leasing & Finance PLC has been able to enjoy the market leadership position in the leasing sector for over a decade. But the competition is intense and macro-economic environment is highly dynamic leading towards the business risk of falling business volumes and market share. The volume of business is highly sensitive to the macro economic conditions such as policy interest rates and import duty levels.

General economic condition and government decision on the credit restriction resulted volatile revenues and also reduced the profitability. 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 variance between budgeted disbursements and actual disbursements. Monthly disbursements of the Company with regard to set targets are assessed periodically to identify any deviations and remedial measures are taken where necessary.

Monthly Disbursements - 2012/13



Mitigation of Negative Impact

The management has taken several steps to mitigate the risk pertaining to the business. Granting 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 trained to provide a customer oriented service by way of a personalised service to meet vital customer needs. A comprehensive orientation programme is conducted by the HR department for every new staff member including marketing staff to familiarise with the operations of the Company. The Company promotes a target driven culture and performance based rewards linked to facility lending while achieving business volumes with the intention of protecting and enhancing market share. In addition, the Company has offered flexible hours to ensure better customer focus and customer complaints

Integrated Risk Management *contd.*

are welcome and resolved 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 maximise the profitability. Moreover, the management team keeps alert on competitor behaviour and takes proactive measures to improve the level of customer satisfaction and social networking relationship initiatives in response to aggressive competitor moves.

Strategic Risk

Risk Rating

Frequency	Low	Risk Position:
Severity	High	3

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 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 organisation 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. The Company may lose a significant portion of its market share, If the Company is unprepared for the competition. Changes in the customer values can make the customer shift to other similar service providers. Therefore,

the risk of losing the customer. 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 of 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 management 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.

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 Integrated Risk Management 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 Senior Management level and the Board Level.

In addition, The company ensures to align the medium term strategic planning process with the long term vision of the Company.

Mitigation 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.

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. PLC recognises that Operational Risk is inherent in all business activities and can bring unprecedented losses or damages to its business through direct or indirect financial loss, brand or reputational damage, customer dissatisfaction, or legal or regulatory penalties if such risks are not objectively managed. The management of Operational Risk is therefore, an important priority of the Company. The Company's Operational risk management mechanism enables the identification, measurement, monitoring controlling and reporting of inherent and emerging operational risks.

Assessment of Operational Risk

Operational Risk Assessment is a process of identifying and evaluating events that could affect the achievement of objectives of the Company. Such events can be identified in the external environment as well as within an organisation's internal environment. Risk identification is the primary component of Risk Management and PLC adopts several techniques to identify Operational Risk. Once the risk events have been clearly identified, a combination of qualitative and quantitative assessment is carried out to evaluate the potential impact of such risks. Tools such as audit findings and key risk indicators are used to identify and assess risk events under Operational Risk.

The Internal Audit department at 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. The Company assesses and responds to factors impacting operational risk by applying a broad-based approach that seek to regularly monitor errors or operational failures and respond to them with solutions and improvements to internal procedures.

Mitigating of Negative Impact

A sound internal control system is a key component in managing operational risk. The Company has established a strong internal control framework to mitigate operational risk of the Company.

Systems and controls adopted as risk mitigants are discussed under the 'Board Audit Committee Report and 'Directors

Statement on Internal Control Over Financial Reporting' elsewhere in the Annual Report.

The adequacy of the insurance 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. In order to enhance the performance and operations, new servers were added and reduced the existing servers with technically advanced and faster servers.

Information and Communication Technology (ICT) related Risk

Risk Rating

Frequency	Low	Risk Position: 3
Severity	High	

Description

Breakdowns and failures in information systems and the use of obsolete systems will adversely affect the smooth operations of the Company. Use of obsolete technology will erode the efficiency of the Company and ultimately affect 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

PLC uses the risk assessment to determine the extent of the potential threat and the risk associated with an IT system throughout its services. The output of this process helps to identify appropriate controls for reducing or eliminating risk during the risk mitigation process. Risk assessment methodology encompasses nine primary steps.

- ▶ Step 1 - System Characterisation
- ▶ Step 2 - Threat Identification
- ▶ Step 3 - Vulnerability Identification
- ▶ Step 4 - Control Analysis
- ▶ Step 5 - Likelihood Determination
- ▶ Step 6 - Impact Analysis
- ▶ Step 7 - Risk Determination
- ▶ Step 8 - Control Recommendations
- ▶ Step 9 - Results Documentation

The Internal Audit Department carries out system audits, with the aim of identifying weaknesses in the system and evaluating possible risks that could emerge. In addition, industry research is utilised to evaluate the need for system upgrades. Disaster Recovery replication is tested twice a day (8.00am – 8.30am) and (3.00pm- 3.30pm) on 13 days per month.

In order to assist with risk management process, a separate Vulnerability Assessment and Penetration Test (VAPT) is conducted annually. In compliance with ISO/IEC 27001:2005, it is necessary to perform a vulnerability assessment and penetration test (VAPT). The primary objective of conducting VAPT is to replicate the position of an internally and externally located malicious threat with the intention of gaining access to the PLC's computer system through any unknown weaknesses in the internal

Integrated Risk Management *contd.*

system or externally exposed servers and the development of plans for corrective action.

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 (BCP)

With a view of managing operational risk due to system failure, a Business Continuity Plan (BCP) has been established in compliance with ISO quality standards (ISO /IEC 27001:2005 (E), Clause A.14 Business Continuity Management). The key objective of BCP

is to allow the executive to continue to manage business operations under adverse conditions, by the introduction of appropriate resilience strategies, recovery objectives, business continuity, operational risk management considerations and crisis management plans.

Roles and responsibilities of the Crisis Management Team (CMT), BCP Coordinator, Deputy BCP Coordinator and IT Recovery Team have been clearly defined in the BCP. Following details are also included in the BCP:

- ▶ Risk Assessment
- ▶ Business Impact Analysis
- ▶ Crisis Response
- ▶ Call Tree

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 off site disaster recovery site used for business continuity.

Disaster Recovery Plan (DRP)

The DRP mainly focuses on the technical environment and it describes how the continuity of IT systems will be achieved in a disaster.

A Disaster Recovery Site has been established in a separate geographical area which has capabilities to continue operations in the event of primary site unavailability. The Disaster Recovery Site and other facilities are compliant with ISO 27001:2005 Information Security Management System Standard and it is annually reviewed and audited by external auditors.

Compliance and Regulatory Risk

Risk Rating

Frequency	Low	Risk Position:
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. This could adversely affect the Company's business operation, reputation, future prospects, financial performance or financial condition. Regulators may also tighten the supervision over Company's compliance on laws and regulations particularly in the areas of funding, liquidity, capital adequacy and prudential regulations.

Assessment

In evaluating Compliance risk, timely reviews are carried out to assess the extent of compliance with the regulations applicable to the Company. The management and the Compliance officer regularly review the changes in the regulatory environment to ensure the level of compliance required by the Company. Upon the application made to the Monetary Board of Central Bank of Sri Lanka on the 12th of June 2012 the Company received the license to conduct finance business under the Finance Business Act No. 42 of 2011 on the 08th of November 2012. As a result, the Company status changed from a Specialised

Leasing Company to a Registered Finance Company. Accordingly, the Company is required to comply with Finance Business Act No.42 of 2011 and regulations, directions, rules and guidelines issued by Central Bank of Sri Lanka. Once the Company was re-classified as a finance Company, reporting requirements were further reinforced by adding weekly, monthly and quarterly reporting to Central Bank of Sri Lanka complying with statute. In order to ensure the duly submission of weekly reports, all the computations are carried out on a daily basis. The Company updated and developed existing processes, procedures and allocated adequate resources to comply with these new regulations.

Mitigation of Negative Impact

In order to mitigate the compliance risk, a separate person 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 necessary action to ensure that the Company is in compliance with the regulatory requirements. A sound regulatory monitoring mechanism is adopted by the Company to monitor reporting and compliance with all mandatory reporting requirements with the intention of establishing a fully compliant corporate governance and risk mitigating culture. In addition, the Compliance Officer reports to the Integrated Risk Management Committee on a quarterly basis. The Audit Committee is also held responsible for the compliance with regulations and the risk based practices. Moreover, the Company takes expert advice on issues relating to income taxation and other related taxations.

Turnover of Trained Staff

Risk Rating

Frequency	Low	Risk Position: 2
Severity	Moderate	

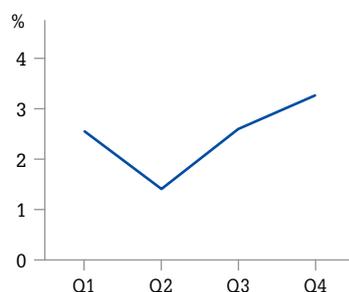
Description

People are the backbone business enablers and personality of a business-a showcase of organisation's talent, education, experience and success. Every organisation is entailed with the risk of losing trained staff and risk of not being able to 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 - 2012/13



Mitigation

Since skilled and well trained staff is the intellectual property or valuable asset of the Company, retaining them with the Company has become a major concern. In order to enhance the 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.

Fraud Risk

Risk Rating

Frequency	Low	Risk Position: 1
Severity	Low	

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 and permanently seal them to avoid future occurrence or repetition.

Integrated Risk Management *contd.*

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 action. The Company ensures the appropriate segregation of duties to prevent a single person being allowed to carry out a given process from the beginning to the end in order to prevent conflicts 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 takes immediate remedial action, when a fraud is detected. Employees are encouraged to report on any genuine concerns regarding fraud and misconduct through the whistleblower system established in the Company, while the anonymity of the whistleblower is strictly maintained.

Socio-economic and Political Risk

Risk Rating

Frequency	Low	Risk Position: 2
Severity	Moderate	

Description

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

Assessment

Socio-economic and political risk is assessed based on the possible changes in the regulatory requirements and the trends prevailing in the macro economy. 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 Senior 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 macro-economic changes in order to take timely action and emerging strategies

to capitalise 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.

Reputational Risk

Risk Rating

Frequency	Low	Risk Position: 2
Severity	Moderate	

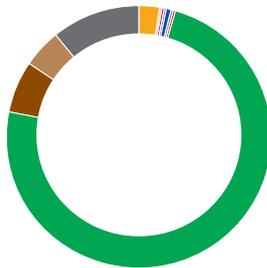
Description

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 being the market leader and the most preferred leasing destination in the leasing industry and also the flagship subsidiary of People's Bank.

Assessment

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

CSR Initiatives and Advertising 2012/13



Education	2.96%
Child & Elderly	0.45%
Differently - abled	0.35%
Empowerment of Less Privilege Community	0.02%
Women Empowerments	0.08%
Financial Literacy	0.68%
Entrepreneurship	0.13%
Environment	0.23%
Infrastructure Development	76.55%
Health Care	1.83%
Culture/Heritage, Religious	5.19%
Investors/Share Holders Relations, Employees & Supplier Relationship Building	11.53%

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.

People's Leasing being the largest Non-Bank Financial Institution has been able to manage its reputational risk successfully which is evident from awards, accolades and local and international ratings

conferred on the Company. (details are stated under 'Awards & Achievements' elsewhere of this Annual Report). It is our motto to deliver something beyond what we promise. Therefore the Company manages its reputational risk by promoting strong corporate governance and risk management practices at all levels of the organisation to improve reputation of the Company.

Risk of Unforeseen Events

Risk Rating

Frequency	Moderate	Risk Position: 4
Severity	High	

Description

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

Assessment

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

Mitigation

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

Future Outlook

- ▶ Integrated Risk Management Operating Committee will be further strengthened, after the amalgamation with People's Finance PLC in financial year 2013/14.
- ▶ Review and update the risk dash board report from time to time as per business growth to introduce more stringent controls to mitigate the risks prevailing in the business.
- ▶ Comprehensive training for staff including senior management emphasising importance of managing risk as sustainable growth strategy.
- ▶ Developing and maintaining a risk rating system as a means of quantification of credit risk, differentiating between the various levels of risk and determining the degree of control and supervision required.


Corporate Governance
Our Commitment and Approach

The Board of Directors of People's Leasing & Finance 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 behaviour 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 instil 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 applied Finance Leasing (Corporate Governance) Direction No. 4 of 2009 issued under section 34 of the Finance Leasing Act. No. 56 of 2000 until the Monetary Board of the Central Bank of Sri Lanka granted a license to the Company to carry on Finance Business under the Finance Business Act No. 42 of 2011. Upon the receipt of the finance license, the Company applies Finance Companies (Corporate Governance) Direction No. 3 of 2008 and subsequent amendments thereto. The level of compliance with the said Direction is presented on pages 127 to 144 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 145 to 157 of this Annual Report.

- ▶ Ensured that the Company has complied with the Listing Rules of the Colombo Stock Exchange (CSE) during the year under review.
- ▶ The Company believes that good ethical behaviour 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 162 to 163 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 106 to 123 of this Annual Report.

- ▶ The Company is committed to fulfil 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 126.

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 Business Act No. 42 of 2011 ▶ Finance Leasing (Corporate Governance) Direction No. 04 of 2009/Finance Companies (Corporate Governance) Direction No. 3 of 2008* ▶ Codes 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 ▶ Corporate governance Rules of the Colombo Stock Exchange ▶ Code of conduct adopted by the Finance Houses Association of Sri Lanka 	<ul style="list-style-type: none"> ▶ Articles of Association of the Company ▶ Corporate Governance Charter ▶ Internal procedure manuals and circulars ▶ Integrated risk management procedures ▶ Related party transaction guide ▶ Code of business conduct and ethics ▶ Whistleblower policy

** The Company was liable under the Finance Leasing (Corporate Governance) Direction No. 04 of 2009 until it obtained the finance license and thereafter Finance Companies (Corporate Governance) Direction No. 3 of 2008.*

Ownership Structure

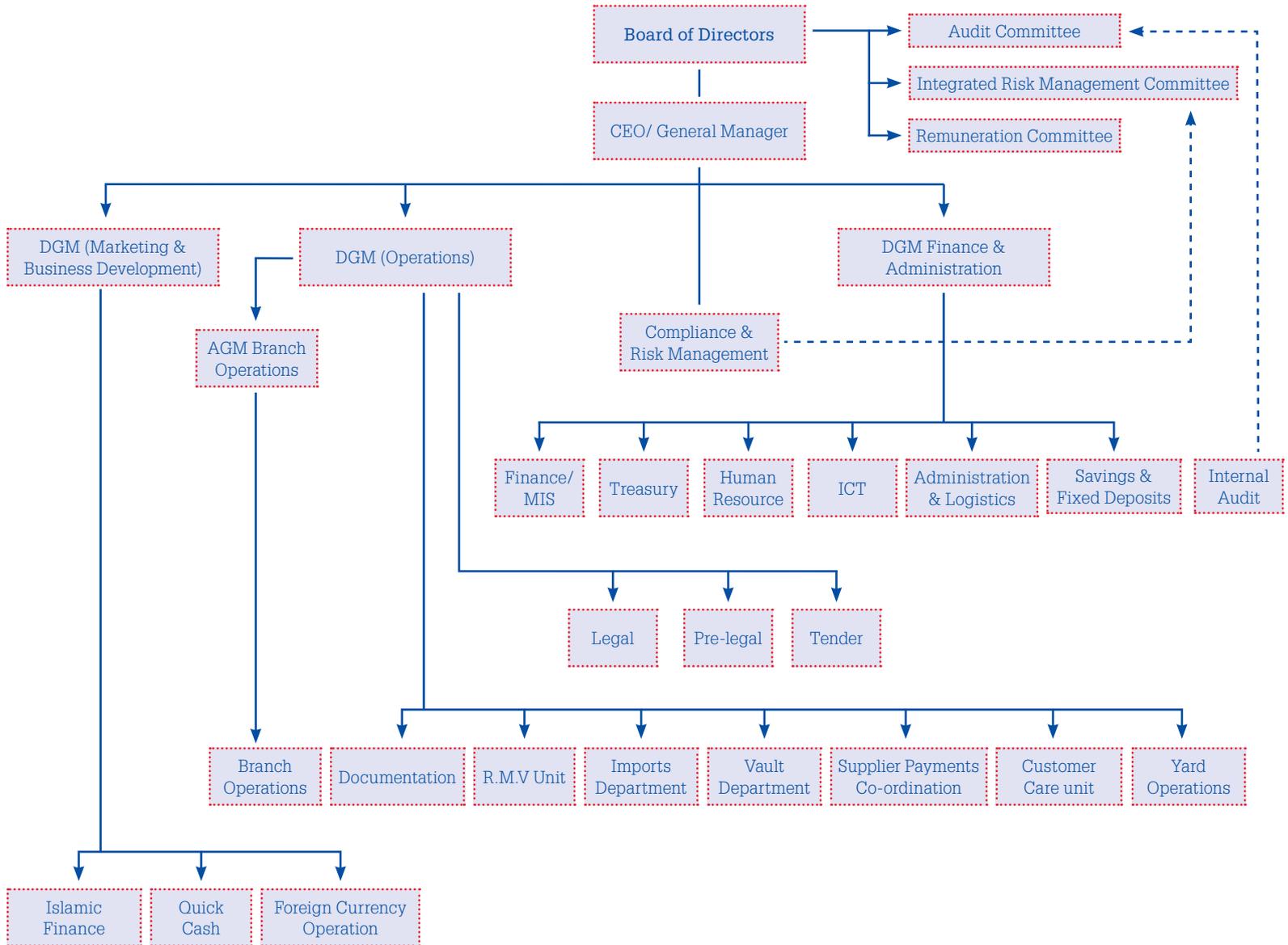
The right of shareholders to make decision is exercised at the Annual General Meeting of the Company and Extraordinary General Meetings are called as needed. According to the share register as at 31st March 2013, the Company had a total of 9,488 voting ordinary shareholders of which People's Bank was the largest shareholder of the Company with a stake of 75.77%.

Internal Control Mechanisms

In compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, 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.

Corporate Governance *contd.*



Section I

Report on the Compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008

Rule Reference			Rule Description	Compliance
2.			Responsibilities of the Board of Directors	
2.	(1)	a)	Approving and overseeing the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	<p>The Company is presently in the process of developing a comprehensive strategic plan which incorporates strategic objectives and corporate values.</p> <p>The Company has in place a sustainability strategy which encompasses the Company's vision of becoming a legendary in the financial service scene as a provider of customer friendly, creative and innovative total solutions and thereby maintains a sustainable competitive advantage.</p>
		b)	Approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	<p>The Company is in the process of developing an overall business strategy including therein an overall risk policy and risk management procedures and mechanisms with measurable goals to clearly set out the strategic direction of the Company pursuant to receiving the Finance Business License and amalgamation with its subsidiary People's Finance PLC.</p> <p>The Company has in place a comprehensive Corporate Strategic Financial Plan (Budget) which is being reviewed annually by the Board.</p>
		c)	Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	An Integrated Risk Management Committee (IRMC) has been established by the Board to identify risks and ensure implementation of appropriate systems to manage risks prudently and report to the Board on a quarterly basis.
		d)	Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	The Company has in place a policy of communication with all stakeholders.
		e)	Reviewing the adequacy and the integrity of the finance company's internal control systems and management information systems;	<p>The Board reviews the adequacy and the integrity of the Company's internal control system by way of internal audit reports submitted to the Board through the Board Audit Committee.</p> <p>The management information systems are reviewed by the Board by review of MIS Procedure Manual Outline/Guide for Documenting Local MIS Processes submitted to the Board by the Finance Department.</p>

Corporate Governance *contd.*

Rule Reference	Rule Description	Compliance
(f)	Identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	The Board of Directors, Chief Executive Officer, Deputy General Manager Finance & Administration, Deputy General Manager Operations and Deputy General Manager Business Development & Marketing have been identified and designated as the Key Management Personnel of the Company.
(g)	Defining the areas of authority and key responsibilities for the Board and for the key management personnel;	The areas of authority and key responsibilities for the Board and for the Key Management Personnel have been defined by the Board.
(h)	Ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy;	Key Management Personnel are represented by the Chief Executive Officer who apprises the Board on the performance and operations of the Company on a monthly basis.
(i)	Periodically assessing the effectiveness of its governance practices, including:	The Company ensures that periodically its governance practices are assessed.
(i)	the selection, nomination and election of directors and appointment of key management personnel;	<p>The Articles of Association of the Company sets out the general procedure in respect of appointing directors.</p> <p>Presently the directors of the Company are recommended by People's Bank, its Parent Company and appointed by the Board in terms of its Articles of Association and the Key Management Personnel are appointed by the Board at the recommendation of the Chief Executive Officer.</p>
(ii)	the management of conflicts of interests; and	The Management of conflicts of interests is addressed in a timely manner.
(iii)	the determination of weaknesses and implementation of changes where necessary;	The determination of weaknesses and implementation of changes where necessary will be addressed with the submission of the evaluation of the Board members.
(j)	Ensuring that the finance company has an appropriate succession plan for key management personnel;	<p>Presently the directors of the Company are recommended by People's Bank, its Parent Company and appointed by the Board in terms of its Articles of Association.</p> <p>The Company will initiate action to establish a board approved succession plan for other Key Management Personnel.</p>

Rule Reference		Rule Description	Compliance
	(k)	Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	The Key Management Personnel are represented at the monthly Meetings of the Board of Directors by the Chief Executive Officer of the Company who apprises the Board of any concerns raised by the Key Management Personnel at their weekly meetings. Furthermore, the Key Management Personnel are invited to participate in Board Sub Committee Meetings to review policies, establish lines of communication and monitor progress towards corporate objectives.
	(l)	Understanding the regulatory environment;	The Board is apprised of any changes to the regulatory environment by the Compliance Officer through the IRMC and also by the Company Secretary.
	(m)	Exercising due diligence in the hiring and oversight of external auditors.	The hiring and oversight of external auditors is carried out by the Board with the assistance of the Board Audit Committee (BAC).
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.	The Board has appointed the Chairman and the Chief Executive Officer and has defined and approved their functions and responsibilities. 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.
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 finance company'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 finance company.	The Company has in place a procedure that enables directors to seek professional advice at the Company's expense.
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.	Directors ensure that proper disclosures are made to the Board wherever a transaction is entered into wherein he or any of his relatives or a concern has a substantial interest or is interested and abstains from voting and he/she will not be counted in the quorum for the relevant agenda item.
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 finance company is firmly under its authority.	The Board has in place a formal schedule of matters specifically reserved to it for decision.

Corporate Governance *contd.*

Rule Reference		Rule Description	Compliance
2.	(6)	The Board shall, if it considers that the finance company 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 depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	The Company has not faced such a situation. Furthermore on a weekly basis the Company reports to the Director of the Department of Supervision of Non-Bank Financial Institutions of the liquidity position of the Company.
2.	(7)	The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	The annual corporate governance report setting out the compliance with this Direction is set out in the Annual Report on pages 127 to 144.
2.	(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	The Board has adopted a scheme of self-assessment to be undertaken by each director annually.
3.		Meetings of the Board	
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.	The Board has met fifteen times for the financial year under review and obtaining the Boards' consent via circulation was kept to a minimum of seven instances.
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 finance company.	The Board has in place a procedure that enables all directors to include matters and proposals in the agenda for regular Board meetings.
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 all other Board meetings, a reasonable notice shall be given.	The date of the next Board meeting is collectively agreed to by all Board members present during the previous meeting and reasonable notice is given of any other special Board Meeting.
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 appointment of alternate directors 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.	An Attorney-at-law with adequate experience has been appointed by the Board as the Company Secretary.
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.	The Chairman has delegated to the Company Secretary the function of preparing the Agenda for a Board Meeting.

Rule Reference		Rule Description	Compliance
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.	The Company has in place a procedure whereby all directors have access to seek the advice and services of the Company Secretary.
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.	The Company Secretary maintains the minutes of Board meetings and the same is available for inspection by any director.
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) 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 finance company is exposed and an overview of the risk management measures adopted; and (f) The decisions and Board resolutions.	The Company Secretary records the proceedings of the meetings and the decisions taken thereon in sufficient detail.
4.		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 13.	The Board consisted of 6 directors throughout the financial year.
4.	(2)	Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction 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.	The Company does not have any directors serving the Board for more than nine years.

Corporate Governance *contd.*

Rule Reference		Rule Description	Compliance
4.	(3)	Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (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.	The Company does not have any executive directors.
4.	(4)	With effect from three years commencing 01.01.2009, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors. A non-executive director shall not be considered independent if such director:	The Board consisted of two independent non-executive directors throughout the financial year.
	(a)	Has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company;	
	(b)	Has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited statement of financial position;	
	(c)	Has been employed by the finance company 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 finance company or exceeding 12.5% of the paid up capital of another finance company.	
	(e)	Represents a shareholder, debtor, or such other similar stakeholder of the finance company;	

Rule Reference	Rule Description	Compliance
	<p>(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 organisation:</p> <p>(i) which has a transaction with the finance company 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 statement of financial position of the finance company; or</p> <p>(ii) in which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited statement of financial position of the finance company; or</p> <p>(iii) in which any of the other directors of the finance company 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 statement of financial position of the finance company.</p>	
4.	(5) 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.	No such situation has arisen.
4.	(6) Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	A brief profile of each director is disclosed in this Annual Report.
4.	(7) With effect from three years commencing 01.01.2009, 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 half of the number of directors that constitute the quorum at such meeting are non-executive directors.	All of the directors of the Company are non-executive directors as mentioned above. Therefore the required quorum is met in all instances.
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 finance company. The finance company 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.	A brief profile of each director and the relevant information is given in this Annual Report on pages 26 to 28.
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.	Presently the directors of the Company are recommended by People's Bank, its Parent Company and appointed by the Board of the Company.

Corporate Governance *contd.*

Rule Reference		Rule Description	Compliance
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.	The Chairman who was appointed to fill the casual vacancy that arose with the demise of the former Chairman will be subject to re-election at the next Annual General Meeting.
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 of the Central Bank of Sri Lanka, 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.	The demise of the former Chairman and appointment of the new Chairman which occurred during the financial year under review was duly communicated to the shareholders via the Colombo Stock Exchange and the Director of the Department of Supervision of Non-Bank Financial Institutions was also informed of the same.
5.		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 finance company.	The Board does not consist of any directors over the age of 70.
5.	(2)	A director of a finance company 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 finance company. 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.	There are no Directors who hold office as a Director of more than 20 companies. Of such companies, none of the directors holds office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities.
6.		Delegation of Functions	
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.	The same is provided for in the Articles of Association and the delegation of any matter to a board committee 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 finance company.	The Board reviews the delegation processes in place on a periodic basis.
7.		The Chairman and the 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 3 years commencing from January 1, 2009.	The Role of Chairman and Chief Executive are separate.
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 finance company's Annual Report.	The Chairman is a non-independent non-executive director. The Company is in the process of designating a Senior Director and documenting the terms of reference and the same will be disclosed in the company's Annual Report when such designation takes place.

Rule Reference		Rule Description	Compliance
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.	The name of the Chairman and Chief Executive Officer are disclosed in the Annual Report on pages 27 and 31 respectively. There is no financial, business, family or other material/relevant relationship between the Chairman and the Chief Executive officer or among members of the Board.
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.	The Chairman provides leadership to the Board and ensures that the Board works effectively and discharges its responsibilities and all key issues are discussed by the Board in a timely manner.
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 function of preparing the Agenda 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.	The Chairman ensures, that all Directors are properly briefed on issues arising at Board Meetings by submission of the agenda and board papers with sufficient time for their perusal.
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 finance company.	The board has a self-evaluation process in place that encourages all directors to make a full and active contribution to the Board's affairs.
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.	The board has a self-evaluation process that assesses the contribution of non-executive directors.
7.	(9)	Subject to the transitional provisions contained herein, the chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	The Chairman is a non-executive Director who does not get involved directly in any of the executive duties of the Company.
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.	Shareholders are given an opportunity to communicate with the Board 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 finance company's operations and business.	The Chief Executive Officer functions as the apex executive-in-charge of the day-to-day management of the Company's operations and business.

Corporate Governance *contd.*

Rule Reference		Rule Description	Compliance
8.		Board appointed Committees	
8.	(1)	Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee.	The Company has two Board appointed Committees, namely the Board Audit Committee (BAC) and the Integrated Risk Management Committee (IRMC). Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the chairman of the respective committees.
		The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.	A report on the performance, duties and functions of the BAC and IRMC is given in this Annual Report on pages 176 to 177 and 178 to 179.
8.		(2) Audit Committee	
	(a)	The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	The Chairman of BAC is a Non-Executive Director who possesses the relevant qualification in auditing.
	(b)	The Board members appointed to the committee shall be non-executive directors	All members of BAC are non-executive directors.
	(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 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 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. 	The BAC has at its meetings recommended <ul style="list-style-type: none"> (i) that M/s Ernst & Young, Chartered Accountants be reappointed as the external auditors of the Company, (ii) the implementation of Central Bank guidelines issued to auditors from time to time, (iii) the application of International Financial Reporting Standards, (iv) the Group Audit Fee and the requirement to rotate the engagement partner with effect from the F/Y 2012/2013.
	(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.	BAC has reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.

Rule Reference	Rule Description	Compliance
	<p>(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:</p> <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. 	<p>BAC has implemented a policy on the engagement of an external auditor to provide non-audit services as required by this direction.</p>
	<p>(f) The committee shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including:</p> <ul style="list-style-type: none"> (i) an assessment of the finance company'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. 	<p>BAC has discussed and finalized, the nature and scope of the audit, with the external auditors.</p>
	<p>(g) The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:</p> <ul style="list-style-type: none"> (i) major judgemental 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. 	<p>BAC has reviewed the financial information of the Company in order to monitor the integrity of the financial statements of the Company and other financial disclosures and discussed the matters as required therein.</p>

Corporate Governance *contd.*

Rule Reference	Rule Description	Compliance
(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.	BAC has discussed issues, problems and reservations arising from the interim and final audits.
(l)	The committee shall review the external auditor's management letter and the management's response thereto.	BAC has reviewed the external auditor's management letter and management responses thereto.
(j)	<p>The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <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 programmed 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 (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; 	<p>BAC has taken steps to</p> <ul style="list-style-type: none"> (i) review the adequacy of the scope, functions and resources of the Internal Audit Department, (ii) review the result of Internal Audit Plan, (iii) appraise the Head of Internal Audit and (iv) 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.
(k)	The committee shall consider the major findings of internal investigations and management's responses thereto;	BAC at its meetings has considered major findings of internal investigations and management's responses thereto.
(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.	BAC has met with the external auditors even though the BAC does not consist of executive directors.

Rule Reference		Rule Description	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.	BAC is given explicit authority to investigate into any matter within its terms of reference and take necessary action thereto.
	(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.	BAC has met five times during the financial 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.	The necessary information is disclosed in this Annual Report on page 176.
	(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.	Head of Internal Audit functions as the Secretary to the BAC.
	(q)	The committee shall review arrangements by which employees of the finance company 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 finance company's relations with the external auditor.	The Company has in place a Whistle Blower Policy wherein employees of the Company may in confidence raise concerns on possible improprieties in financial reporting, internal control or other matters.
8.	(3)	Integrated Risk Management Committee	
	(a)	The committee shall consist of at least one non-executive director, CEO 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.	IRMC consists of three non-executive directors, CEO and the three DGMs supervising broad risk categories such as credit market, liquidity, operational and strategic risk.

Corporate Governance *contd.*

Rule Reference	Rule Description	Compliance
	(b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company 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 finance company basis and group basis.	IRMC assesses all risks, i.e., credit, market, liquidity, operational and strategic risks on a monthly basis through appropriate risk indicators. In the case of subsidiary companies and associate companies, risk management is carried out, both on a finance company basis and group basis using the indicators to maintain consistency within the group.
	(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.	Risk Management & Control Department has reviewed the limits and submitted to the IRMC for their approval.
	(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 finance company's policies and regulatory and supervisory requirements.	IRMC has reviewed and considered all risk indicators which have gone beyond their limits after establishing the specific quantitative and qualitative risk limits.
	(e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	IRMC has met every quarter within the period under review.
	(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.	Risks are identified collectively by the IRMC, the Assets and Liabilities Committee and Credit Risk Management Committee.
	(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.	A risk assessment report is submitted by the IRMC at the next immediate Board meeting preceding the IRMC meeting.
	(h) The committee shall establish a compliance function to assess the finance company'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.	<p>Committee has established a compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.</p> <p>At present the compliance function is handled by a Chartered Accountant who reports to the IRMC on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and internal controls on all areas of business operations in place.</p>

Rule Reference		Rule Description	Compliance
9.		Related party transactions	
9.	(2)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction:</p> <ul style="list-style-type: none"> a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest. 	<p>The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as “related parties” has been identified.</p> <p>Furthermore the Company is in the process of developing a system whereby the Company is able to monitor and report such transactions and retrieve data throughout its network.</p>
9.	(3)	<p>The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> a) Granting accommodation, b) Creating liabilities to the finance company in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the finance company or obtaining those services from the finance company, d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party. 	<p>The RPT Policy covers the type of RPT transactions.</p> <p>Furthermore steps will be taken to strengthen the same as per the regulatory requirements including the Corporate Governance Direction.</p>

Corporate Governance *contd.*

Rule Reference		Rule Description	Compliance	
9.	(4)	<p>The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, “more favorable treatment” shall mean:</p> <p>a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’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 finance company’s share capital and debt instruments with a remaining maturity of 5 years or more.</p> <p>b) Charging of a lower rate of interest than the finance company’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 finance company 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>	<p>The Board ensures that the Company does not engage in transactions with related parties that are deemed as more favourable treatment as contained in the said RPT Policy.</p> <p>Furthermore the Company is in the process of developing a system to ensure that the Company would not engage in transactions in a manner that would grant such party more favorable treatment than that is accorded to other similar constituents of the Company.</p>	
10.		Disclosures		
10.	(1)	(a)	<p>The Board shall ensure that: annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.</p>	<p>The Board ensures that the annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.</p>
		(b)	<p>The Board shall ensure that: such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>The Board ensures that the said financial statements are published in an abridged form in Sinhala, Tamil and English.</p>

Rule Reference			Rule Description	Compliance
10.	(2)		Disclosures made in the Annual Report:	
10.	(2)	(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.	This Annual Report contains herein 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 on pages 188 to 267.
		(b)	A report by the Board on the finance company'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.	This Annual Report contains herein a report by the Board on the company'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 on page 174.
		(c)	The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31, 2010.	The external auditors have submitted to the Company their certification on the effectiveness of the internal control mechanism.
		(d)	Details of directors, including names, transactions with the finance company.	This Annual Report contains herein the details of directors on pages 26 to 28 and the transactions had with the Company on pages 240 to 241.
		(e)	Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.	Directors' remuneration has been disclosed in this Annual Report on page 160.
		(f)	Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds is included in this Annual Report on page 245.
		(g)	The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	The aggregate values of remuneration paid by the Company to its key management personnel and the aggregate values of the transactions of the Company with its key management personnel during the financial year have been disclosed in this Annual Report on pages 240 to 241.
		(h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Annual Report of the Board of Directors on the Affairs of the Company on page 173 of this Annual Report sets out the Company has not engaged in any activity contravening any laws and regulations.

Corporate Governance *contd.*

Rule Reference	Rule Description	Compliance
	(i) A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	No such situation has arisen so far
	(j) The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011.	The external auditors have submitted to the Company a factual finding report on the Corporate Governance Direction issued by the Director, Department of Non Bank Supervision of the Central Bank of Sri Lanka.

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 127, 128 and 129 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 130 of Section I. The number of meetings held and attendance of each director at these meetings is presented on page 160 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 127 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 29 to 33 of this Annual Report.
Adoption of an effective CEO and Senior Management succession plan	A.1.2	-	Refer 2.(1)(j) on page 128 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 127 of Section I and Audit Committee Report on pages 176 to 177 and Integrated Risk Management Committee Report on pages 178 to 179 of this Annual Report.
Compliance with laws, regulations and ethical standards	A.1.2	-	Refer 2.(1)(l) on page 129 of Section I. The Company's Code of Business Conduct and Ethics is presented on page 161 of this Annual Report.
Consideration of stakeholder interests in corporate decision making	A.1.2	-	Refer 2.(1)(d) on page 127 of Section I.
Adoption of appropriate Accounting policies and fostering compliance with financial regulations	A.1.2	-	Refer 10.(1) on page 142 of Section I.
Fulfilling the other board Functions relevant to the organisation	A.1.2	-	Refer 2.(1)(i) on page 128 of Section I.

Corporate Governance *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
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 page 129 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 130 to 131 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.
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 160 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 160, 177 and 178 of this Annual Report.
Chairman and CEO	A.2 A.2.1	-	Refer 2.(2), 7.(2) & 7.(3) on pages 129, 134 and 135 of Section I. The profiles of the Chairman and CEO are set out on pages 27 and 31 respectively of this Annual Report.
Chairman's Role	A.3	-	Refer 7.(4) on page 135 of Section I.
Key responsibilities of Chairman	A.3.1	-	Refer 7.(5), 7.(6), 7.(7), 7.(8) & 2.(1)(k) on pages 129 and 135 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 and experience in banking and financial institutions in Sri Lanka. The Directors' financial acumen and knowledge is more fully described under the Directors' Profiles on pages 26 to 28 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 Composition			
Board Composition	A.5	7.10.1 (a)	The composition of the Board by category including their names is set out on page 171 of this Annual Report.
Balance of Executive and Non-Executive Directors	A.5.1	7.10.1 (a)	Refer 4.(3) on page 132 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 132 of Section I.
Submission of annual declaration of independence	A.5.4	-	All Non-Executive Directors have submitted a signed and dated declaration on an annual basis of his/ her independency or non-independency.
Requirement to appoint Senior Independent Director	A.5.6, A.5.7	-	Refer 7.(2) on page 134 of Section I.
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 130 of Section I.

Corporate Governance *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
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 statement of financial position. 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)	<p>Notice on the appointment of the new Chairman 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 Chairman including the nature of his experience, the name of companies in which the Director holds directorships etc. are disclosed on page 27 in the Directors profile of this Annual Report.</p> <p>A brief resume of newly appointed Chairman was also submitted to the CSE for dissemination to the public.</p>
Appraisal of Board Performance and Functions			
Board Appraisal	A.9, A.9.1, A.9.2, A.9.3	-	Refer 2.(8) on page 130 of Section I.
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 26 to 28 of this Annual Report.</p> <p>Related party transactions are presented on pages 240 to 245 of this Annual Report.</p> <p>Attendance of Directors at Board meetings is presented on page 160 of this Annual Report.</p> <p>Attendance of Directors at Committee meetings is presented on pages 160, 177 and 178 of this Annual Report.</p>

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
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	-	Remuneration of Directors is decided by the Board of Directors. The Company does not have any Executive Share option in place.
Disclosure of Remuneration			
Disclosure of remuneration	B.3, B.3.1	7.10.5 (c)	The Directors' fees and remuneration are disclosed on page 160 of this Annual Report.

Corporate Governance *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 period.
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 Chairman to answer queries	C.1.3	-	If requested by the Chairman, the Chairman of the Audit Committee and Integrated 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 and the Articles of Association of the Company.
Procedures governing voting at AGM	C.1.5	-	A summary of procedure relating to voting at General Meetings is generally set out in the Notices 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.

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
Accountability and Audit			
Financial Reporting	D.1	-	<p>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;</p> <ul style="list-style-type: none"> ▶ Chairman's Message on pages 14 to 17 of this Annual Report. ▶ CEO's Review pages on pages 20 to 25 of this Annual Report. ▶ Management Discussion and Analysis on pages 42 to 90 of this Annual Report. ▶ Financial Review on pages 91 to 98 of this Annual Report.
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 Business Act No. 42 of 2011 and are prepared and presented in conformity with Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS).</p> <p>The Board's responsibility in respect of financial reporting is stated in the Directors' Responsibility for Financial Reporting on page 180 of this Annual Report.</p>

Corporate Governance *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												
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 167 to 173 of this Annual Report.</p> <table border="1" data-bbox="1017 772 1567 1224"> <thead> <tr> <th data-bbox="1017 772 1454 825">Declaration</th> <th data-bbox="1459 772 1567 825">Page</th> </tr> </thead> <tbody> <tr> <td data-bbox="1017 831 1454 936">The company has not engaged in activities that contravene laws and regulations</td> <td data-bbox="1459 831 1567 936">173</td> </tr> <tr> <td data-bbox="1017 942 1454 1016">Directors' interest in contracts with the Company</td> <td data-bbox="1459 942 1567 1016">172</td> </tr> <tr> <td data-bbox="1017 1022 1454 1064">Equitable treatment to shareholders</td> <td data-bbox="1459 1022 1567 1064">169</td> </tr> <tr> <td data-bbox="1017 1071 1454 1113">Going concern of the business</td> <td data-bbox="1459 1071 1567 1113">173</td> </tr> <tr> <td data-bbox="1017 1119 1454 1224">Review of internal controls and reasonable assurance on their effectiveness</td> <td data-bbox="1459 1119 1567 1224">168</td> </tr> </tbody> </table>	Declaration	Page	The company has not engaged in activities that contravene laws and regulations	173	Directors' interest in contracts with the Company	172	Equitable treatment to shareholders	169	Going concern of the business	173	Review of internal controls and reasonable assurance on their effectiveness	168
Declaration	Page														
The company has not engaged in activities that contravene laws and regulations	173														
Directors' interest in contracts with the Company	172														
Equitable treatment to shareholders	169														
Going concern of the business	173														
Review of internal controls and reasonable assurance on their effectiveness	168														
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 is disclosed in the Statement on Directors' Responsibility for Financial Reporting on page 180 of this Annual Report.</p> <p>Auditors' responsibility over Financial Statements is set out in the Independent Auditors' Report on page 181 of this Annual Report.</p>												

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" data-bbox="1013 709 1565 1621"> <thead> <tr> <th data-bbox="1013 709 1246 760">Description</th> <th data-bbox="1246 709 1565 760">Reference</th> </tr> </thead> <tbody> <tr> <td data-bbox="1013 760 1246 873">Industry structure and developments</td> <td data-bbox="1246 760 1565 873">Management Discussion and Analysis Review on pages 47 to 50.</td> </tr> <tr> <td data-bbox="1013 873 1246 982">Opportunities and threats</td> <td data-bbox="1246 873 1565 982">Management Discussion and Analysis on pages 58 to 62.</td> </tr> <tr> <td data-bbox="1013 982 1246 1222">Risks and concerns</td> <td data-bbox="1246 982 1565 1222">Integrated Risk Management Report on pages 106 to 123. Management Discussion and Analysis on pages 57 and 58.</td> </tr> <tr> <td data-bbox="1013 1222 1246 1335">Internal control systems and their adequacy</td> <td data-bbox="1246 1222 1565 1335">Board Audit Committee Report on pages 176 to 177.</td> </tr> <tr> <td data-bbox="1013 1335 1246 1512">Social and environmental protection activities carried out by the Company</td> <td data-bbox="1246 1335 1565 1512">Corporate Social Responsibility Report</td> </tr> <tr> <td data-bbox="1013 1512 1246 1621">Branch distribution network</td> <td data-bbox="1246 1512 1565 1621">Management Discussion and Analysis on pages 68 to 69.</td> </tr> </tbody> </table>	Description	Reference	Industry structure and developments	Management Discussion and Analysis Review on pages 47 to 50.	Opportunities and threats	Management Discussion and Analysis on pages 58 to 62.	Risks and concerns	Integrated Risk Management Report on pages 106 to 123. Management Discussion and Analysis on pages 57 and 58.	Internal control systems and their adequacy	Board Audit Committee Report on pages 176 to 177.	Social and environmental protection activities carried out by the Company	Corporate Social Responsibility Report	Branch distribution network	Management Discussion and Analysis on pages 68 to 69.
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Corporate Governance *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 (contd.)	D.1.4	-	<table border="1"> <thead> <tr> <th data-bbox="1020 638 1246 680">Description</th> <th data-bbox="1255 638 1564 680">Reference</th> </tr> </thead> <tbody> <tr> <td data-bbox="1020 690 1246 764">Financial performance</td> <td data-bbox="1255 690 1564 764">Financial Review on pages 91 to 98.</td> </tr> <tr> <td data-bbox="1020 774 1246 911">Material developments in human resource/ industrial relations</td> <td data-bbox="1255 774 1564 911">Human Capital Management on pages 102 to 105.</td> </tr> <tr> <td data-bbox="1020 921 1246 995">Prospects for the future</td> <td data-bbox="1255 921 1564 1077">Management Discussion and Analysis on pages 87 to 90, Chairman's Message on page 17, CEO's Review on page 24.</td> </tr> </tbody> </table>		Description	Reference	Financial performance	Financial Review on pages 91 to 98.	Material developments in human resource/ industrial relations	Human Capital Management on pages 102 to 105.	Prospects for the future	Management Discussion and Analysis on pages 87 to 90, Chairman's Message on page 17, CEO's Review on page 24.
Description	Reference											
Financial performance	Financial Review on pages 91 to 98.											
Material developments in human resource/ industrial relations	Human Capital Management on pages 102 to 105.											
Prospects for the future	Management Discussion and Analysis on pages 87 to 90, Chairman's Message on page 17, CEO's Review on page 24.											
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 173 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 127 and 143 of Section I.									
Review of effectiveness of Group's system of internal control	D.2.1	-	In order to ensure an effective system of internal controls 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.									

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
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 Assistant General 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 136 to 139 of Section I.
Composition of Audit Committee	D.3.1	7.10.6 (a)	Refer 8.(2)(a) & 8.(2)(b) on page 136 of Section I.
Independency and objectivity of the auditors	D.3.2	-	Refer 2.(1)(m) on page 129 of Section I.
Written Terms of Reference	D.3.3	7.10.6 (b)	This is presented in the Audit Committee Report on page 176 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 independency of auditors is disclosed in the Audit Committee Report on pages 176 to 177 of this Annual Report.
Code of Business Ethics			
Disclosure of Code of Business Conduct and Ethics	D.4	-	<p>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 page 161 of this Annual Report.</p> <p>There was no material violation of Code of Business Conduct and Ethics during the year under review.</p>

Corporate Governance *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
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 Companies (Corporate Governance) Direction, No. 3 of 2008 and Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.
Corporate Governance Report	D.5.1	-	This report from pages 124 to 163 serves this requirement.
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 126 of this Annual Report, is regularly reviewed at the Board level where the major shareholder is represented.

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										
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" data-bbox="1015 869 1567 1104"> <thead> <tr> <th>Description</th> <th>Reference page</th> </tr> </thead> <tbody> <tr> <td>Chairman's Message</td> <td>14 to 17</td> </tr> <tr> <td>CEO's Review</td> <td>20 to 25</td> </tr> <tr> <td>Management Discussion and Analysis</td> <td>42 to 90</td> </tr> <tr> <td>Annual Financial Statements</td> <td>181 to 267</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	14 to 17	CEO's Review	20 to 25	Management Discussion and Analysis	42 to 90	Annual Financial Statements	181 to 267
Description	Reference page												
Chairman's Message	14 to 17												
CEO's Review	20 to 25												
Management Discussion and Analysis	42 to 90												
Annual Financial Statements	181 to 267												
Encourage individual Shareholders to participate in General Meetings	F.2	-	<p>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.</p>										

Corporate Governance *contd.***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	171																		
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	167 to 168																		
		Note 1.3 in Notes to the Financial Statements	188																		
		Management Discussion and Analysis	52 to 87																		
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 10 of Shareholder Information (Non-voting shares do not exist in the Company)	274																		
7.6 (iv)	The public holding percentage	Item 9 of Shareholder Information	274																		
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	172																		
		Item 11 of Shareholder Information	275																		
7.6 (vi)	Information pertaining to material foreseeable risk factors	Integrated Risk Management	106 to 123																		
		Management Discussion and Analysis	57 to 58																		
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	277																		
7.6 (ix)	Number of shares representing the stated capital.	Note 34 to the Financial Statements on 'Stated Capital'	234																		
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:	Item 8.2 of Shareholder Information	273																		
		<table border="1"> <thead> <tr> <th>No. of Holders</th> <th>Holdings</th> <th>Total Holdings %</th> </tr> </thead> <tbody> <tr> <td></td> <td>1 - 1000 shares</td> <td></td> </tr> <tr> <td></td> <td>1,001 - 10,000 shares</td> <td></td> </tr> <tr> <td></td> <td>10,001 - 100,000 shares</td> <td></td> </tr> <tr> <td></td> <td>100,001 - 1,000,000 shares</td> <td></td> </tr> <tr> <td></td> <td>Over 1,000,000 shares</td> <td></td> </tr> </tbody> </table>		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	
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	Over 1,000,000 shares																				

Rule No.	Disclosure Requirement	Section/ Reference	Page/s
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)	Item 3 and 7 of Shareholder Information	271
	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 13 of Shareholder Information	276
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 26 to the Financial Statements on 'Property, Plant & Equipment'	228 to 229
7.6 (xiii)	Details of funds raised through a debenture issue.	Note 30.2.2 to the Financial Statements on 'Listed Debenture'	232
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 Report	147 to 155
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.	-

Corporate Governance *contd.*
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*	11	10	N/A	N/A	N/A	N/A
Mr. Gamini Sedara Senarath**	3	3	N/A	N/A	N/A	N/A
Mr. W. Swarna Sri Bandara	15	15	4	4	N/A	N/A
Dr. D. J. D. Jayakody	15	15	4	4	5	5
Mr. N. Vasantha Kumar	15	11	4	3	5	4
Mr. P. A. I. S. Perera	15	12	N/A	N/A	5	5
Ms. M. G. Jinadasa***	15	14	N/A	N/A	5	3

* Former Chairman - Deceased on 29th January 2013.

** Appointed as the new Chairman with effect from 28th February 2013.

*** Subsequently resigned on 18th April 2013.

Disclosure of Remuneration

Directors' Fees and Remuneration	For the year ended 31st March 2013 (Rs.)
Directors' Fees & Remuneration	1,505,329

Compliance with Tax regulations

Description	Number of Returns	Amount Paid (Rs.)
Stamp Duty	4	158,957,979
VAT on Financial Services	2	129,629,288
Value Added Tax	4	26,382,269
Tax Paid on Dividend Payments	4	192,465,854
Income Tax	1	714,754,389
Economic Service Charge	1	30,000,000
Withholding Tax on Interest	12	535,809,743
Nation Building Tax	4	2,789,277
Construction Industry Guarantee Fund Levy	12	611,317
Total		1,791,400,116

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).

Corporate Governance *contd.*

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.

Roles and Responsibilities for IT Governance

	Strategic Alignment	Value Delivery	IT Resource Management	Performance Management
Directors	<ul style="list-style-type: none"> ▶ Ensure Management has put in place an effective strategic planning process. ▶ Ratify the aligned business and IT strategy. ▶ Ensure the IT organisational structure complements the business model and direction. 	<ul style="list-style-type: none"> ▶ Ascertain that Management has put processes and practices in place that ensure IT delivers provable value to business. ▶ Ensure that IT investments represent a balance of risk and benefit and that budgets are acceptable. ▶ Confirm that the IT business architecture is designed to drive maximum business value from IT. ▶ Oversee the delivery of value by IT to the enterprise. ▶ Take into account return and competitive aspects of IT investments. 	<ul style="list-style-type: none"> ▶ Monitor how Management determines what IT resources are needed to achieve strategic goals. ▶ Ensure a proper balance of IT investments for sustaining and growing the enterprise. ▶ Provide high-level direction for sourcing and use of IT resources. ▶ Oversee the aggregate funding of IT at enterprise level. 	<ul style="list-style-type: none"> ▶ Assess Management's performance on IT strategies in operation. ▶ Work with the Executives to define and monitor high level IT performance. ▶ Verify strategy compliance that is achievement of strategic IT objectives. ▶ Review the measurement of IT performance and the contribution of IT to the business.

	Strategic Alignment	Value Delivery	IT Resource Management	Performance Management
CEO	<ul style="list-style-type: none"> ▶ Align and integrate IT strategy with business goals. ▶ Align IT operations with business operations. ▶ Cascade strategy and goals down into the organisation. ▶ Mediate between imperatives of the business and technology. 	<ul style="list-style-type: none"> ▶ Direct the optimisation of IT costs. ▶ Establish Co-responsibility between the business and IT for IT investments. ▶ Ensure that the IT budget and investment plan are realistic and integrate into the overall financial plan. ▶ Ensure that financial reporting has accurate accounting of IT. 	<ul style="list-style-type: none"> ▶ Ensure that the organisation is in the best position to capitalise on its information and knowledge. ▶ Establish business priorities and allocate resources to enable effective IT performance. ▶ Set up organisational structures and responsibilities that facilitate IT strategy implementation. ▶ Define and support the Head of IT's role, ensuring that he/she is a key business player and part of Executive decision-making. 	<ul style="list-style-type: none"> ▶ Obtain assurance of the performance, control and risks of IT and independent confirmation of major IT decisions. ▶ Work with the Head of IT on developing an IT balanced scorecard ensuring that it is properly linked to business goals.
Head of IT	<ul style="list-style-type: none"> ▶ Drive IT strategy development and execute it, ensuring that measurable value is delivered on time and budget, currently and in the future. ▶ Implement IT standards and policies. ▶ Educate Executives on dependence on IT, IT related costs, technology issues and insights, and IT capabilities. 	<ul style="list-style-type: none"> ▶ Clarify and demonstrate the value of IT. ▶ Proactively seek ways to increase IT value contribution. ▶ Link IT budgets to strategic aims and objectives. ▶ Manage business and executive expectations relative to IT. ▶ Establish strong IT Project management disciplines. 	<ul style="list-style-type: none"> ▶ Provide IT infrastructure that facilitates creation and sharing of business information at optimal cost. ▶ Ensure the availability of suitable IT resources, skills and infrastructure to meet strategic objectives. ▶ Ensure that roles critical for driving maximum value from IT are appropriately defined and staffed. ▶ Standardise architectures and technology. 	<ul style="list-style-type: none"> ▶ Ensure the day-to-day Management and verification of IT processes and controls. ▶ Implement an ICT balanced scorecard with few but precise performance measures directly and demonstrably linked to the strategy.
IT Executives	<ul style="list-style-type: none"> ▶ Understand the enterprise's IT organisation, infrastructure and capabilities. ▶ Drive the definition of business requirements and own them. ▶ Act as sponsor for major IT projects. 	<ul style="list-style-type: none"> ▶ Approve and control service levels. ▶ Act as customer for available IT services. ▶ Identify and acquire new IT services. ▶ Assess and publish operational benefits of owned IT investments. 	<ul style="list-style-type: none"> ▶ Allocate business resources required to ensure effective IT governance over projects and operations. 	<ul style="list-style-type: none"> ▶ Monitor service levels. ▶ Provide priorities for addressing IT performance problems and corrective actions.

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Financial Calender

2012/13	
Authorisation for issue of financial statements for the year ended 31st March 2012 and recommendation of the final ordinary dividend of Rs. 0.50 per share	26th April 2012
Publication of Interim Financial Statements for the quarter ended 31st March 2012	27th April 2012
Publication of Annual Report for the financial year 2011/12	7th June 2012
16th Annual General Meeting of the Company	29th June 2012
Payment of the final dividend of Rs. 0.50 per share for the financial year ended 31st March 2012	11th July 2012
Publication of Interim financial statements for the quarter ended 30th June 2012	2nd August 2012
Publication of Interim financial statements for the quarter ended 30th September 2012	30th October 2012
Receiving the license to conduct finance business under the Finance Business Act No. 42 of 2011	12th November 2012
Commencement of business as a licensed finance company	05th December 2012
Payment of interim dividend of Rs. 0.75 per share for the financial year ended 31st March 2013	21st December 2012
Publication of Interim Financial Statements for the quarter ended 31st December 2012	31st January 2013
Issue of 30 million listed, senior, unsecured, redeemable, rated, four year and five year debentures with an option to issue further 30 million in case of over subscription	19th March 2013
Allotment of debentures	27th March 2013
2013/14	
Amalgamation with People's Finance PLC	02nd April 2013
Listing of debentures on the debt securities main board of the Colombo Stock Exchange	04th April 2013
Issue of 19,862,322 shares, pursuant to the amalgamation of the Company with People's Finance PLC	05th April 2013
Listing of the 19,862,322 shares on the main board of the Colombo Stock Exchange	10th April 2013
Publication of Interim Financial Statements for the quarter ended 31st March 2013	22nd May 2013
Authorisation for issue of audited financial statements for 2012/13	8th June 2013
Publication of Annual Report for the financial year ended 31st March 2013	26th June 2013
17th Annual General Meeting of the Company	18th July 2013
Payment of final dividend of Rs. 0.50 per share for the financial year ended 31st March 2013 subject to the approval of the shareholders at the Annual General Meeting	30th July 2013
Publication of Interim Financial Statements	
1st Quarter Interim Results (Unaudited) for the period ending 30th June 2013 to be released on or before	15th August 2013
2nd Quarter Interim Results (Unaudited) for the period ending 30th September 2013 to be released on or before	15th November 2013
3rd Quarter Interim Results (Unaudited) for the period ending 31st December 2013 to be released on or before	15th February 2014

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

Annual Report of the Board of Directors on the affairs of the Company as required by section 168 of the Companies Act No 07 of 2007.

General

The Directors of People's Leasing & Finance PLC ("the Company") have the pleasure in presenting this report to the shareholders, together with the audited Financial Statements and the audited consolidated Financial Statements for the year ended 31st March 2013 of the Company and the Group and the Auditors' Report on those financial statements, conforming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and directions issued thereunder.

The Company is 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, making history of being the second largest Initial Public Offering in Sri Lanka.

Pursuant to the Company receiving the Finance Company's licence on 12th November 2012 by the Monetary Board of the Central Bank of Sri Lanka, the name of the Company was changed from 'People's Leasing Company PLC' to 'People's Leasing & Finance PLC'.

The Registered office of the Company and the principle place of business is situated at No.1161, Maradana Road, Colombo 08.

The Company's parent undertaking is People's Bank.

Fitch Ratings Lanka upgraded the Company's National Long-Term rating to AA-(lka) from 'A+(lka)' reaffirming the stable outlook of the Company. At present, the Company enjoys two international ratings; one equal to the Sovereign from Standard & Poor's ('B+/B') and the other one notch below the Sovereign from Fitch Rating International ('B+'). (Section 7.6 (xi) of CSE Listing Rule)

This report provides the information as required by the Companies Act No 07 of 2007, Finance Business Act No 42 of 2011 and Directions issued thereunder, the code of best practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) and Listing Rules of the Colombo Stock Exchange. This report was approved by the Board of Directors on 8th June 2013.

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

Pursuant to obtaining the finance companies license in November 2012, in addition to the principal activities of the Company hitherto carried namely, providing finance leases, hire-purchase assets financing, term loans, the issue of debt instruments and margin trading, the Company commenced mobilization of public deposits and savings during the financial year under review.

Changes to the Group Structure

The shareholding of the Company in its subsidiary, People's Finance PLC, was increased during the review period and stood at 91.12% as at 31st March 2013.

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 (91.12%)	Providing finance leases, hire purchase assets financing, Islamic financing, term loans, share trading and mobilization of public deposits and savings.
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 and property development activities.
People's Leasing Havelock Properties Limited (100%)	Construction and operation of office complex.
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.

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

Name of the subsidiary (Percentage of Holding)	Principal activities and nature of operations
People's Insurance Limited (100%)	Providing general insurance.
City Finance Corporation Limited (28.51%)	Providing finance leases, hire purchase assets financing, term loans, mobilization of public deposits, real estate development and related services.

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

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 14 to 17, the CEO's Review on pages 20 to 25, the Management Discussion and Analysis on pages 42 to 90 and Financial Review on pages 91 to 98 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.

Branch Network

Total branch network of the Company is 56 as at 31st March 2013. The branch expansion policy continued during the year and the Company opened 5 mini branches.

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 the Chairman, a Director and the Chief Executive Officer of the Company, are appearing on pages 182 to 267 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 2013 and the Auditor's Report issued thereon is given on page 181 of this Annual Report.

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

The Company has adopted the revised Sri Lanka Accounting Standards (LKAS/ SLFRS) during the year and has restated the prior years in compliance with the transitional changes stated in the Sri Lanka Financial Reporting Standards 01 on "First time adoption of Sri Lanka Accounting Standards" (SLFRS 01).

Significant new accounting policies adopted in preparation of the financial statements of the Group and the Company are given on the pages 188 to 213. These financial statements comply with the requirements of Lanka Accounting Standards 01 on "Presentation of Financial

Statements" (LKAS 01) and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

Accounting Period

The financial accounting period reflects the information from 1st April 2012 to 31st March 2013.

System of Internal Controls

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial operations and compliance controls required to carry its operation in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Board Audit Committee Report forms an integral part of the Annual Report of the Board of Directors and is given on page 177 of the Annual Report. The Directors have assigned the internal audit function to the Assistant General Manager -Internal Audit (Group), who reviews and reports on the effectiveness of financial, operational and compliance controls. An integrated risk management initiative has been implemented since 2006.

Corporate Governance

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

organisation – such as the Board, Managers, Shareholders and other Stakeholders to ensure that the highest principles of Corporate Governance is maintained across the Board.

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is compliant with the recommendations and proposals of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Direction No.3 of 2008.

The directors declare that

- ▶ The Company has not engaged in any activity which contravenes laws and regulations
- ▶ The Company has made all endeavours to ensure the equitable treatment of shareholders
- ▶ The business is a going concern
- ▶ Effectiveness and successful adherence of internal controls and risk management is practiced by the Company.

The measures taken in this regard are set out in the Corporate Governance Report on pages 124 to 163 of this Annual Report.

An Audit Committee and Integrated Risk Management Committee functions as board sub committees with directors who possess the requisite qualification and experience. The composition of the said committees is set out in pages 176 to 179 of this Annual Report.

Human Resources

The Company has continued to invest in human capital development and implement effective human resource management policies to develop an effective and efficient workforce to optimize their contribution towards the achievement of corporate goals and objectives and to ensure the future success of the Company and the workforce. Some of the measures adopted in this regard are mentioned on pages 102 to 105 of this Annual Report.

Stakeholder Management/ Corporate Social Responsibility

The Company has taken several measures to manage the stakeholders covering the aspects of economy, environment, community, employees and products. The projects that have been carried out by the Company in this context are presented 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.

Vision, Mission and Corporate Conduct

The Company's vision and mission are provided on page 01 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.

Board Sub Committees

Audit Committee

All the members of the Audit Committee are Non-Executive Directors. The CEO, Senior Management Committee members, internal and external auditors attend the meetings by invitation. The Report of the Board Audit Committee is given on pages 176 to 177 of this Annual Report.

Integrated Risk Management Committee

The Board of Directors has established a comprehensive risk management system in the Company to identify, evaluate and manage the risks associated with the operations of the Company. The system is reviewed on a regular basis by the Board to facilitate the changes in the business environment. A detailed overview of the process is set out in the Integrated Risk Management Committee Report on pages 178 to 179 of this Annual Report.

Interest Income

The total interest income of the Company for the year ended 31st March 2013 was Rs. 14,626.55 million (Rs. 12,001.89 million in 2012). The consolidated interest income for the year ended 31st March 2013 was Rs. 17,485.28 million (Rs. 13,882.39 million in 2012). A more descriptive analysis of the revenue is given in note 4 to the financial statement on page 214.

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

The Group and the Company recorded a net profit of Rs. 3,110.33 million and Rs. 2,842.78 million for the financial year respectively. This represents net profit growth of the Group and the Company by 7.74 percent and 10.41 percent respectively compared to the last year. The Company's performance and details of appropriation of profit relating to the Company are tabulated as follows.

Company	2012/13 Rs. Mn	2011/12 Rs. Mn
Profit after taxation	2,842.78	2,574.84
Profit brought forward from previous year	3,360.18	6,756.00
Profit available for appropriation	6,202.96	9,330.84
Appropriations	-	-
Redemption of preference shares	200.00	150.00
Share issue cost	-	220.67
Capitalisation of reserves	-	4,088.00
Dividend paid for previous/current year	1,950.00	855.00
Transfer to reserves	430.38	656.99
Total appropriation	2,580.38	5,970.66
Un-appropriated profit carried forward	3,622.58	3,360.18

Dividend

An interim dividend of Rs. 0.75 per share was paid on 21st December 2012 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 2013.

The Board of directors fulfilled that the Company would meet the requirement of the solvency test in term of the Section 56 (3) of the Companies Act No. 07 of 2007 immediately after the payment of interim dividend and would ensure the compliance with the Solvency Test after the payment of the aforesaid final dividend. Accordingly the Board of Directors provided the Statement of Solvency to the Auditors and obtained a certificate of solvency from the auditors in respect of each dividend payment conforming to the above statutory provision.

Provision for Taxation

The income tax rate applicable on the profits earned and rate of VAT on financial services during the year is 28% and 12% respectively. Accordingly the current year income tax expense of the Company is Rs. 1,163.36 million and a more descriptive note on income tax charged and differed tax assets/ liability of the Company and its subsidiaries are disclosed in notes 13 and 28 to the Financial Statements respectively.

Property, Plant and Equipment

The total capital expenditure incurred on property plant and equipment (including capital work in progress) and intangible assets of the Company in the year ended 31st March 2013 amounted to Rs. 604.23 million and Rs. 35.30 million respectively (Rs. 638.89 million and

Rs.36.74 million in 2012). The details of property, plant and equipment are presented in note 26 (pages 228 to 229) to the Financial Statements.

The Directors confirm that there is no other significant change in the Company's or its subsidiaries' fixed assets and market value of land which substantially differs from book value.

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

Extents, locations, valuations and the number of buildings of the Entity's land holding and investment properties are detailed on page 277 of this Annual Report.

Investments

Details of investments held by the Company are disclosed in note 21 to 24 on pages 224 to 226 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.

The stated capital and reserves stood at Rs. 12,258.00 million and Rs. 5,414.38 million respectively as at 31st March 2013 (Rs. 12,058.00 million and Rs. 4,751.20 million as at 31st March 2012). During the financial year Rs. 430.38 million was transferred from retained earnings to the reserves.

Details of movement of reserves and stated capital are provided in the Statement of Changes in Equity on pages 185 to 186 of the Financial Statements.

Debt Capital

People's Leasing & Finance PLC has issued 60,000,000 Senior, Unsecured, Redeemable, Rated, 4 year and 5 years Debentures, which were listed on the main board of the CSE. The par value of these debentures is Rs. 100/- and these debentures are redeemable in 2017 and 2018.

The details of the above are given in note 30 to the Financial Statements.

Minimum Capital Requirement

The Company ensures that it maintains the statutory requirement on minimum capital, to mitigate the liquidity risk and safeguard the depositors, thus ensuring the sustainability of the Company and the industry as a whole. The information on Minimum Capital Requirement is given on page 10 of this Annual Report.

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

The ten year summary on pages 284 to 285 and shareholder information and information on trading are provided under the title Shareholder Information on pages 270 to 277 of this Annual Report and is presented with the purpose of providing more price sensitive information to the shareholders 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 values recorded during the year and value as at end of the financial year

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

People's Bank held 75.77% of the ordinary voting shares as at 31st March 2013. The list of top 20 shareholders, number of shares held by them, percentage of their respective holding and Public holding percentage are given under the title 'Shareholder Information' on page no 274.

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 2013, the Directorate of People's Leasing & Finance PLC consisted of six Directors with wide financial commercial knowledge and experience. The qualifications and experience of the Directors is provided on pages 27 to 28 of this Annual Report. The following Directors held office as at the end of the financial year.

Name of the Director	Executive/ Non Executive Status	Independence/ Non Independence Status
Gamini S. Senarath - Chairman (Appointed w.e.f. Feb 2013)	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
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. Gamini S. Senarath is also the Chairman of People's Finance PLC, People's Leasing Property Development Limited, People's Leasing Fleet Management Limited, People's Microfinance Limited and People's Leasing Havelock Properties Limited.

Resignations and Appointments

With the demise of Mr. W. Karunajeewa, the former Chairman of the Company on 29th January 2013 Mr. Gamini S. Senarath was appointed to the Board of People's Leasing & Finance PLC as a non-executive non independent Chairman on 28th February 2013. Furthermore, Ms. M.G. Jinadasa tendered her resignation from the office of independent non-executive director of the Company with effect from 18th April 2013 .

Annual Report of the Board of Directors on the Affairs of the Company contd.**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 transactions of the Company. Details of the transactions disclosed therein are given on pages 240 to 241 under related party transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there is no financial, business, family or other material/relevant relationship (s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

Directors' 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.

	2012/13		2011/12	
	Company Rs.	Group Rs.	Company Rs.	Group Rs.
Directors' Fees & Emoluments	1,505,329	2,620,329	1,616,802	2,831,802

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 2013 and 31st March 2012 are given below.

Name of Director	No. of Shares As at 31st March 2013	No. of Shares As at 31st March 2012
Gamini S. Senarath	Nil	Nil
D. J. D. Jayakody	50,000	50,000
N. V. Kumar	1,000,000	1,000,000
H. G. W. S. S. Bandara	Nil	Nil
P. A. I. S. Perera	20,000	20,000
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 2013	No. of Shares As at 31st March 2012
D. P. Kumarage (CEO)	5,000,000	5,000,000

Director's Meetings

The details of Directors' meetings are presented in the corporate governance report on pages 124 to 163 of this Annual Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, significant accounting policies and notes for the year ended 31st March 2013 and statement of financial position as at that date have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Regulations made under Finance Business Act. No. 42 of 2011.

The "Statement of Director's Responsibility for Financial Reporting" provided on page 180 forms an integral part of this report.

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

The Company made donations amounting Rs. 44.36 million (Rs. 19.24 million in 2012) during the year.

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

There are no related party transaction 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 which are adopted in the presentation of the Financial Statements and accordingly given in note 43 on pages 242 to 245 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 39 to the Financial Statements on page 237.

Events after the Reporting Date

Details of events after the reporting date are reflected in note 47 Page 253 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. 4.22 million (In 2012 Rs. 1.32 million) by the Company for audit and related services during the year under review. A sum of Rs. 13.70 million (In 2012 Rs. 2.53 million) 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 18th of July 2013 at 2.30 p.m.

Notice of Meeting

Notice of the meeting relating to the 17th Annual General Meeting is provided on page 288 of this Annual Report.

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



P. A. I. S. Perera
Director



Gamini S. Senarath
Chairman



Rohan Pathirage
Company Secretary

8th June 2013
Colombo

Directors' Statement on Internal Control Over Financial Reporting**Responsibility**

In line with the Finance Companies Direction No. 03 of 2008 section 10(2)(b), the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at People's Leasing & Finance PLC. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

As the current year was the first year of adopting new Sri Lanka Accounting Standards comprising LKAS and SLFRS, processes to comply with new requirements of recognition, measurement, classification and disclosures including related party transactions and contingencies and commitments are being introduced and as at Statement of Financial Position date were not fully completed.

Confirmation

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

External Auditors Certification

The External Auditors have submitted a certification on the process adapted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.

By order of the Board



P. A. I. S. Perera
Director



Gamini S. Senarath
Chairman



Dr. D. J. D. Jayakody
Chairman – Audit Committee

8th June 2013
Colombo

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

The Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statement of the Company and its subsidiaries (the Group) as at 31st March 2013 are prepared and presented in conformity with the following requirements;

- ▶ Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- ▶ Companies Act No.07 of 2007
- ▶ Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- ▶ Directions issued to Finance Companies by the Central Bank of Sri Lanka (CBSL) under the Finance Business Act No. 42 of 2011
- ▶ Listing Rules of the Colombo Stock Exchange, and
- ▶ Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka. The Company on a quarterly basis presents financial results to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

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

Significant accounting policies have been changed to conform with the new Sri Lanka Accounting Standard issued by the Institute of Chartered Accountant of Sri Lanka, which became effective from 1st January 2012. Transitions to the new reporting framework from the previous framework and the related adjustment have been presented on pages 205 to 213 of this Annual Report.

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

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

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Internal Audit department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting. Further the Board assessed the effectiveness of the Company's internal controls over financial reporting during the year ended 31st March 2013, as required by the Finance Companies (Corporate Governance) Direction No. 3 of 2008, result of which is given on page 174 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 176 to 177 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 181 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 no 39 of the Financial Statements of this Annual Report,
- ▶ all taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group as at reporting date have been paid, or where relevant provided for.



S. Bandaranayake
Chief Financial Officer



D.P. Kumarage
Chief Executive Officer

8th June 2013
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

The Chairman of the Committee, Dr. D. J. D. Jayakody is a Non-Executive Director, who is a fellow member of Institute of Public Finance and Development Accounts and holds 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 also a member of the Institute of Internal Auditors. He has senior management experience in auditing, accounting, finance, human resources, training, quality and productivity.

Mr. N. Vasantha Kumar is a Non-Executive Director serves in the Committee and the current CEO/General Manager of People's Bank. He holds a masters degree in Business Administration and counts nearly 32 years experience in finance related activities.

Mr. P. A. I. S. Perera who serves in the Committee, is also an Independent Non-Executive Director. He 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 is also an Independent Non-Executive Director, 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.

Mr. Udesh Gunawardena, Assistant General 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 directions issued by the Central Bank of Sri Lanka.

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

Membership

Members of the Committee are appointed by the Board. The Committee is made up of at least 03 members. All members of the Committee are non-executive directors.

The Board appoints the Committee Chairman who shall be a non-executive director, who possesses qualifications and experience in accountancy and/or audit.

The duties and responsibilities of the Audit Committee;

The Committee has been mandated to carry out the duties set out below;

Financial reporting

The Committee monitors the integrity of the financial information/financial statements of the company, including its annual and half-yearly reports, interim

management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments, any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

The Committee verifies the Company's compliance with financial reporting requirements, information requirements of the Companies Act, and other relevant financial reporting related regulations and requirements.

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 controls, risk management systems and going concern

The Committee keeps under review the company's internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards and assess the Company's ability to continue as a going concern in the foreseeable future;

The Committee reviews and approves the statements to be included in the annual report concerning the internal controls system.

Internal Audit

The Committee reviews the adequacy of the scope, functions and resources of the internal audit department, and satisfied itself that the department has the necessary authority to carry out its work and monitor & review the effectiveness of the company's internal audit function in the context of the company's overall risk management system. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;

The Committee reviews, assesses and approves the internal audit plan and the internal audit programme.

The Committee also reviews and monitors management's responsiveness to the significant audit findings and recommendations of the internal auditor.

External Audit

The Committee monitors independence, objectivity and effectiveness of the audit processes of external audit in accordance with applicable standards of best practice. The Committee with the approval of the Board of Directors developed and implemented a policy for engagement of external auditors to provide non-audit services to safeguard the auditors' independence and objectivity.

The Committee met with the external auditors, including once at the planning stage before the commencement of audit. Also the Committee met with the external auditors in the absence of the key management personnel. Accordingly, the Committee met the external auditors Messrs Ernst & Young twice during the year under review.

Also the Committee reviewed the management letter and management's response to the external auditor's findings and recommendations.

Meetings

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

Name of the Directors	Number of committee Meetings Attended
Dr. D J D Jayakody - Chairman	5
Mr. N Vasantha Kumar	4
Mr. P A I S Perera	5
Ms. M G Jinadasa	3

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 meetings are recorded with adequate details and reported to the Board of Directors.

Good Governance

The Committee promotes the good governance among the internal audit staff by reviewing and approving the internal audit policy charter and among all staff by introducing the whistleblower policy.

Adoption of IFRS

The Committee monitors the adoption progress of IFRSs and would continue to monitor the progress of implementation of new standards and keep the Board of Directors informed at regular intervals.

Whistleblowing and fraud

The company's whistleblower policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee. Information routed through the whistleblower channel is verified carefully and appropriate actions are taken by the Committee.

The policy has been published in all three languages in the company intranet.

Re-Appointment of the External Auditors

The Audit Committee recommended to the Board that Messrs Ernst & Young; Chartered Accountants be re-appointed as External Auditors of People's Leasing & Finance PLC for the financial year ending 31st March 2014, subject to approval by the shareholders at the next AGM.



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



Udesch Gunawardena
Secretary – Board Audit Committee

8th June 2013
Colombo

Integrated Risk Management Committee Report

At People's Leasing, the Board is primarily responsible for integrated risk management initiatives and delegated its authority to the Integrated Risk Management Committee (IRMC) being the Board appointed Committee to assess the risk profile of the Company.

The Committee was set up to have an overview and input into People's Leasing's efforts relating to the Integrated Risk Management. The Committee proceedings were based on the Terms of Reference of Integrated Risk Management Committee adopted by the Board of Directors for the functioning of the Committee.

A detailed approach to the Company's key Integrated Risk Management process has been dealt with in pages from 106 to 123 of this report.

Composition of the Integrated Risk Management Committee

The Integrated Risk Management Committee consists of six members including three non-executive, non-independent directors. Integrated Risk Management Committee (IRMC) as at the end of the financial year 2012/13 comprised of the following members:

Dr. D. J. D. Jayakody - Committee Chairman (Non Independent/Non-Executive Director)
Mr. N. Vasantha Kumar - Committee Member (Non Independent/Non-Executive Director)
Mr. Wajira S. Bandara - Committee Member (Non Independent/Non-Executive Director)
Mr. D. P. Kumarage - Chief Executive Officer/GM
Mr. Sanjeewa Bandaranayake - DGM (Finance & Administration)
Mr. K. M. M. Jabir - DGM (Operations)*

**Resigned with effect from 27th March 2013.*

Andy Ratnayake - Senior Manager Risk Management and Control functioned as the Secretary of the Integrated Risk Management Committee.

Committee Meetings

Committee held four meetings during the year under review. The risk assessment of the Committee is reported to the Board of Directors seeking the Board's views, concurrence and/or specific directions.

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

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

Terms of Reference (TOR) of Integrated Risk Management Committee

The TOR clearly sets out the Purpose, Policy and Framework, Authority/Delegations, Composition, Meeting Frequency and Quorum, Agenda and Minutes, Responsibilities and Reporting Procedures of the Committee. The terms of reference of Integrated Risk Management Committee was revised and approved by the Board of Directors in August 2012.

Activities of the Committee

The Committee focused on the following activities during the year under review.

- ▶ Overseeing the procedures of Integrated Risk Management responsibilities pertaining to risk Management strategies, policies and processes.
- ▶ Assessing all broad risk categories such as credit, market, liquidity, operational, strategic and regulatory risks to the Company through appropriate risk indicators and management information.
- ▶ Reviewing the risk indicators of the risk dash board reports designed to monitor the level of specific risks at any given time, with a view of determining the adequacy of such indicators.
- ▶ Reviewing the risk dash board reports of PLC and other subsidiaries (People's Finance PLC, People's Insurance Limited, and People's Micro Finance Limited) and take prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the prudent thresholds.

- ▶ Reviewing the adequacy and effectiveness of Management level Committees such as Integrated Risk Management Operating Committee (IRMOC), Credit Risk Management Committee (CRMC) and Assets and Liability Management Committee (ALCO).
- ▶ Ensuring risk decisions are taken within the framework of the authority and responsibility assigned to the Committee.
- ▶ Approving of risk mitigating new initiatives to survive and grow or improve efficiency during the financial crisis environment.
- ▶ Reviewing of the ALCO report submitted by the Secretary to ALCO for the information of the Committee.
- ▶ Reviewing the compliance report submitted by the Compliance Officer to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of Company operations.

The Risk Management & Control Department co-ordinated with subsidiary companies and briefed the Committee with the relevant information through various risk indicators.

The Committee has reviewed the process for identification, evaluation and management of all significant risk indicators throughout the Company.

Also, set up the Credit Risk Management Committee (CRMC) comprising of key risk owners of operations, making another layer to strengthen the review process of risk governance structure.

During the period under review, the IRMC provided the necessary direction in the execution of the business strategy emphasising upside and downside risks which can affect the Company.



Dr. D. J. D. Jayakody
Chairman
Integrated Risk Management Committee



A. Ratnayake
Secretary
Integrated Risk Management Committee

8th June 2013
Colombo

Directors' Responsibility for Financial Reporting

The responsibility of the Directors, in relation to the Financial Statements of the Company and its subsidiaries in accordance with the provisions of the Companies Act No 7 of 2007 is set out in this statement. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Report of the Independent Auditors given on page 181 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 reporting date and of the profit or loss for the year and place the same before the Annual General Meeting.

The Financial Statements comprise the Statement of Financial Position as at 31st March 2013, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement 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 2013; 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 the section 150(1) (b) and 152(1) (b) of the Companies Act. In addition, the Financial Statements of the Group and the Company have been signed by two Directors on 8th June 2013 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirement. In compliance with section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of Financial Statements, in accordance with the Companies Act and further enabling the Financial Statements to be readily and properly audited.

The Financial Statements for the year 2012/13 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the new Sri Lanka Accounting Standards (SLFRS/ LKAS) which came to effect from January 01st 2012, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereto, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it has been under regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st March 2013 is given on page 174 of the Annual Report titled, "Directors Statement on Internal Control". The Board of Directors has also ensured compliance with the Finance Companies (Corporate Governance) Direction No 3 of 2008 and a report on the level of compliance is detailed out in pages 127 to 144 of this Annual Report.

Furthermore, the External Auditor's certification of 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 authorised the distribution of the interim dividend paid in December 2012 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 Rule 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 reporting date have been paid or, where relevant provided for.

By order of the Board



Rohan Pathirage
Company Secretary

8th June 2013
Colombo

Independent Auditors' Report



ERNST & YOUNG

Chartered Accountants

201 De Saram Place
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Sri Lanka

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eysl@lk.ey.com

TO THE SHAREHOLDERS OF PEOPLE'S LEASING & FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of People's Leasing & Finance PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries, which comprise the statements of financial position as at 31 March 2013, and the income statements and statements of comprehensive income, statements of changes in equity and cash flow statements 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 31 March 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

10th June 2013
Colombo

Income Statement

Year ended 31st March	Note	Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Interest income		14,626,551,335	12,001,891,853	17,485,275,915	13,882,393,937
Less: Interest expenses		8,457,785,195	6,301,863,583	10,308,260,077	7,411,298,559
Net interest income	4	6,168,766,140	5,700,028,270	7,177,015,838	6,471,095,378
Net earned premiums	5	-	-	2,448,241,131	1,477,971,086
Net fee and commission income	6	740,643,654	617,972,456	517,216,575	484,458,248
Net trading income/(expenses)	7	10,142,141	590,426	30,345,596	(17,965,032)
Other operating income	8	469,060,598	291,798,733	333,006,571	308,646,838
Total operating income		7,388,612,533	6,610,389,885	10,505,825,711	8,724,206,518
Less: Impairment charges for loans and receivables	9	522,746,986	307,979,807	698,546,892	348,694,399
Net operating income		6,865,865,547	6,302,410,078	9,807,278,819	8,375,512,119
Less:					
Personnel expenses	10	917,278,595	772,274,788	1,122,661,814	917,086,513
Depreciation of property, plant and equipment		146,940,716	128,979,863	243,394,386	208,712,785
Amortisation and impairment of intangible assets		12,094,284	10,691,142	17,531,890	12,112,167
Benefits, claims and underwriting expenditure	11	-	-	1,938,827,917	1,207,363,378
Other operating expenses	12	1,526,737,936	1,241,824,298	1,657,745,227	1,347,634,574
Total operating expenses		2,603,051,531	2,153,770,091	4,980,161,234	3,692,909,417
Operating profit before value added tax (VAT)		4,262,814,016	4,148,639,987	4,827,117,585	4,682,602,702
Less: Value added tax (VAT) on financial services		256,668,458	368,051,361	287,607,953	403,003,402
Operating profit after value added tax (VAT)		4,006,145,558	3,780,588,626	4,539,509,632	4,279,599,300
Less: Income tax expense	13	1,163,362,629	1,205,751,815	1,429,174,884	1,392,690,748
Profit for the year		2,842,782,929	2,574,836,811	3,110,334,748	2,886,908,552
Profit attributable to:					
Equity holders of the parent		2,842,782,929	2,574,836,811	3,077,070,789	2,852,340,612
Non-controlling interest		-	-	33,263,959	34,567,940
		2,842,782,929	2,574,836,811	3,110,334,748	2,886,908,552
Earnings per share					
Basic earnings per ordinary share	14	1.82	1.98	1.97	2.19
Dividend per share	15	1.25	1.00	1.25	1.00

The above Income Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 188 to 267.

Statement of Comprehensive Income

Year ended 31st March	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Profit for the year	2,842,782,929	2,574,836,811	3,110,334,748	2,886,908,552
Other comprehensive income/(expenses)				
Gains/(losses) on re-measuring available-for-sale financial assets	(29,608,005)	(67,521,943)	(24,347,380)	(70,904,535)
Less: Tax expense/(income) relating to components of other comprehensive income	-	-	1,472,975	(1,002,669)
Other comprehensive income for the year, net of taxes	(29,608,005)	(67,521,943)	(25,820,355)	(69,901,866)
Total comprehensive income for the year	2,813,174,924	2,507,314,868	3,084,514,393	2,817,006,686
Attributable to:				
Equity holders of the parent	2,813,174,924	2,507,314,868	3,051,250,434	2,782,438,746
Non-controlling interest	-	-	33,263,959	34,567,940
	2,813,174,924	2,507,314,868	3,084,514,393	2,817,006,686

 Statement of Financial Position

As at 31st March	Note	Company			Group		
		2013 Rs.	2012 Rs.	1st April 2011 Rs.	2013 Rs.	2012 Rs.	1st April 2011 Rs.
Assets							
Cash in hand		209,573,206	68,863,195	47,390,732	519,724,085	451,048,417	98,515,506
Securities purchase under resale agreement		797,192,066	448,361,591	69,259,093	1,934,309,720	1,246,294,703	621,052,894
Balances with banks & financial institutions	17	2,394,567,982	1,213,236,620	1,412,525,686	3,743,516,459	1,892,169,898	1,498,851,414
Financial investments – held-for-trading	18	56,667,250	29,197,690	-	237,603,467	111,752,947	64,055,310
Loans and receivables	19	75,722,681,640	71,288,742,448	50,878,692,912	88,298,471,245	83,935,185,352	57,096,773,524
Reinsurance and insurance receivable	20	-	-	-	159,162,123	171,038,806	37,098,263
Financial investments – available-for-sale	21	184,179,892	213,787,897	222,509,900	1,173,867,485	1,126,864,130	672,241,064
Financial investments – held-to-maturity	22	-	-	-	539,765,951	649,982,449	344,833,302
Investments in subsidiaries	23	3,182,687,562	3,118,184,304	1,805,250,254	-	-	-
Investments in associate	24	-	-	-	-	-	-
Goodwill and intangible assets	25	35,302,616	36,740,726	18,960,729	358,281,781	350,479,876	332,809,482
Property, plant and equipment	26	604,232,224	638,895,580	315,533,631	2,641,132,617	2,829,083,498	1,631,889,439
Investment property	27	56,000,000	56,000,000	56,000,000	-	-	-
Deferred tax assets	28	-	-	-	-	842,914	29,141,313
Other assets	29	643,202,381	1,546,176,326	2,176,455,085	1,538,626,335	2,397,995,960	2,631,422,148
Total assets		83,886,286,809	78,658,186,377	57,002,578,022	101,144,461,268	95,162,738,950	65,058,683,649
Liabilities							
Financial liabilities	30	65,060,408,247	60,985,688,521	47,434,216,021	79,297,914,974	75,170,576,071	54,807,131,098
Insurance liabilities and reinsurance payable	31	-	-	-	2,216,941,297	1,796,553,762	631,758,581
Current tax liabilities	32	-	239,471,170	726,400,946	85,759,294	251,070,759	728,235,210
Deferred tax liabilities	28	1,105,289,879	534,541,333	412,078,549	1,209,777,280	609,648,585	413,637,658
Other liabilities	33	48,212,572	89,283,966	72,331,388	81,692,247	117,995,220	91,106,775
Total liabilities		66,213,910,698	61,848,984,990	48,645,026,904	82,892,085,092	77,945,844,397	56,671,869,322
Equity							
Capital	34	12,258,000,800	12,058,000,800	800,000,080	12,258,000,800	12,058,000,800	800,000,080
Statutory reserve fund	35	707,281,158	565,142,012	354,776,240	860,280,276	659,361,626	379,912,608
Retained earnings	36	3,622,576,283	3,360,177,586	6,755,997,457	3,843,532,690	3,443,771,661	6,660,556,321
Other reserves	37	1,084,517,870	825,880,989	446,777,341	1,132,436,192	848,226,204	446,578,974
Total shareholders' equity		17,672,376,111	16,809,201,387	8,357,551,118	18,094,249,958	17,009,360,291	8,287,047,983
Non-controlling interest	38	-	-	-	158,126,218	207,534,262	99,766,344
Total equity		17,672,376,111	16,809,201,387	8,357,551,118	18,252,376,176	17,216,894,553	8,386,814,327
Total liabilities and equity		83,886,286,809	78,658,186,377	57,002,578,022	101,144,461,268	95,162,738,950	65,058,683,649
Contingent liabilities and commitments	39	2,021,285,694	830,996,311	1,167,970,326	3,405,207,764	1,783,148,076	1,858,522,833
Net asset value per share (Rs.)		11.33	10.78	7.14	11.60	10.90	7.08

I certify that 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 Statement of Financial Position should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 188 to 267.

8th June 2013

Colombo

Statement of Changes in Equity

Company -
For the year ended 31st March 2013

	Capital Rs.	Statutory Reserve Fund Rs.	Other Reserves			Available for Sale Reserves Rs.	Retained Earnings Rs.	Total Equity Rs.
			General Reserves Rs.	Equalisation Fund Rs.	Tax Fund Rs.			
Balance as at 1st April 2011	800,000,080	354,776,240	300,000,000	100,000,000	70,637,565	(23,860,224)	6,755,997,457	8,357,551,118
Total comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	-	-	2,574,836,811	2,574,836,811
Other comprehensive income (net of tax)	-	-	-	-	-	(67,521,943)	-	(67,521,943)
Transactions with equity holders, recognised directly in equity								
Share issue	7,020,000,720	-	-	-	-	-	-	7,020,000,720
Transfer from preference shares on redemption	150,000,000	-	-	-	-	-	(150,000,000)	-
Capitalisation of reserves	4,088,000,000	-	-	-	-	-	(4,088,000,000)	-
Share issue expenses	-	-	-	-	-	-	(220,665,239)	(220,665,239)
Transfers to reserves during the year	-	210,365,772	-	-	446,625,591	-	(656,991,363)	-
Dividend paid	-	-	-	-	-	-	(855,000,080)	(855,000,080)
Balance as at 31st March 2012	12,058,000,800	565,142,012	300,000,000	100,000,000	517,263,156	(91,382,167)	3,360,177,586	16,809,201,387
Balance as at 1st April 2012	12,058,000,800	565,142,012	300,000,000	100,000,000	517,263,156	(91,382,167)	3,360,177,586	16,809,201,387
Total comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	-	-	2,842,782,929	2,842,782,929
Other comprehensive income (net of tax)	-	-	-	-	-	(29,608,005)	-	(29,608,005)
Transactions with equity holders, recognised directly in equity								
Transfer from preference shares on redemption	200,000,000	-	-	-	-	-	(200,000,000)	-
Transfers to reserves during the year	-	142,139,146	-	-	288,244,886	-	(430,384,032)	-
Dividend paid	-	-	-	-	-	-	(1,950,000,200)	(1,950,000,200)
Balance as at 31st March 2013	12,258,000,800	707,281,158	300,000,000	100,000,000	805,508,042	(120,990,172)	3,622,576,283	17,672,376,111

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 188 to 267.

Statement of Changes in Equity *contd.*

Group - For the year ended 31st March 2013	Capital Rs.	Statutory Reserve Fund Rs.	Other Reserves			Available for Sale Reserves Rs.	Retained Earnings Rs.	Total Rs.	Non- Controlling Interest Rs.	Total Equity Rs.
			General Reserves Rs.	Equalisation Fun Rs.	Investment Fund Rs.					
Balance as at 1st April 2011	800,000,080	379,912,608	300,000,000	100,000,000	70,637,565	(24,058,591)	6,660,556,321	8,287,047,983	99,766,344	8,386,814,327
Total comprehensive income for the year										
Profit/(loss) for the year	-	-	-	-	-	-	2,852,340,612	2,852,340,612	34,567,940	2,886,908,552
Other comprehensive income (net of tax)	-	-	-	-	-	(70,904,535)	-	(70,904,535)	-	(70,904,535)
Transactions with equity holders, recognised directly in equity										
Share issue	7,020,000,720	-	-	-	-	-	-	7,020,000,720	-	7,020,000,720
Transfer from preference shares on redemption	150,000,000	-	-	-	-	-	(150,000,000)	-	-	-
Capitalisation of reserves	4,088,000,000	-	-	-	-	-	(4,088,000,000)	-	-	-
Share issue expenses	-	-	-	-	-	-	(224,124,409)	(224,124,409)	-	(224,124,409)
Disposal and changes in holding	-	-	-	-	-	-	-	-	82,988,787	82,988,787
Transfers to reserves during the year	-	279,449,018	-	-	472,551,765	-	(752,000,783)	-	-	-
Dividend paid	-	-	-	-	-	-	(855,000,080)	(855,000,080)	(9,788,809)	(864,788,889)
Balance as at 31st March 2012	12,058,000,800	659,361,626	300,000,000	100,000,000	543,189,330	(94,963,126)	3,443,771,661	17,009,360,291	207,534,262	17,216,894,553
Balance as at 1st April 2012	12,058,000,800	659,361,626	300,000,000	100,000,000	543,189,330	(94,963,126)	3,443,771,661	17,009,360,291	207,534,262	17,216,894,553
Total comprehensive income for the year										
Profit/(loss) for the year	-	-	-	-	-	-	3,077,070,789	3,077,070,789	33,263,959	3,110,334,748
Other comprehensive income (net of tax)	-	-	-	-	-	-	(24,347,380)	(24,347,380)	-	(24,347,380)
Transactions with equity holders, recognised directly in equity										
Transfer from preference shares on redemption	200,000,000	-	-	-	-	-	(200,000,000)	-	-	-
Disposal and changes in holding	-	-	-	-	-	-	(17,833,542)	(17,833,542)	(46,720,138)	(64,553,680)
Transfers to reserves during the year	-	200,918,650	-	-	308,557,368	-	(509,476,018)	-	-	-
Dividend paid	-	-	-	-	-	-	(1,950,000,200)	(1,950,000,200)	(35,951,865)	(1,985,952,065)
Balance as at 31st March 2013	12,258,000,800	860,280,276	300,000,000	100,000,000	851,746,698	(119,310,506)	3,843,532,690	18,094,249,958	158,126,218	18,252,376,176

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 188 to 267.

Cash Flow Statement

Year ended 31st March	Note	Company		Group	
		2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Cash flows from operating activities					
Profit before tax		4,006,145,558	3,780,588,626	4,539,509,632	4,279,599,300
Adjustment for:					
Non-cash items included in profit before tax	40	696,515,469	385,690,025	896,311,052	528,654,436
Change in operating assets	41	(3,859,723,891)	(19,836,523,978)	(3,901,919,551)	(26,736,989,637)
Change in operating liabilities	42	(706,814,267)	12,825,970,500	(401,619,620)	20,673,199,839
Dividend income from investments	8	(362,639,225)	(76,920,787)	(68,609,418)	(10,410,760)
Gratuity paid	33.1	(4,945,275)	(1,919,375)	(5,022,514)	(2,028,029)
Tax paid		(744,754,389)	(2,032,565,657)	(744,354,590)	(2,136,460,836)
Net cash generated/(used in) from operating activities		(976,216,020)	(4,955,680,646)	314,294,992	(3,404,435,687)
Cash flows from investing activities					
Purchase of property, plant and equipment	26	(148,435,926)	(474,734,593)	(287,043,229)	(1,468,489,151)
Proceeds from sale of property, plant and equipment		28,013,618	39,558,160	288,214,786	47,062,904
Net purchase of intangible assets	25	(10,656,173)	(28,471,139)	(25,333,795)	(29,782,561)
Net cash flow from acquisition of investment in subsidiaries and associate		(64,503,258)	(1,362,934,050)	-	-
Dividends received from investments	8	362,639,225	76,920,787	68,609,418	10,410,760
Investment in Financial assets held-for-trading		(17,964,588)	(28,993,350)	(96,619,131)	(66,049,753)
Net change in deposits with banks and financial institutions		(245,214,147)	271,354,365	(993,001,386)	(317,807,759)
Net investment in Sri Lanka government securities		-	-	33,605,138	(768,494,216)
Net cash (used in)/from investing activities		(96,121,249)	(1,507,299,820)	(1,011,568,199)	(2,593,149,776)
Cash flows from financing activities					
Proceeds from right issue		-	-	-	65,285,725
Net proceeds from the issue of ordinary share capital		-	7,020,000,720	-	7,020,000,720
Proceeds from conversion of warrants in to ordinary shares		-	-	-	17,730,061
Share issue expenses		-	(220,665,239)	-	(224,124,409)
Net proceeds from debentures		5,944,569,435	236,791,298	5,844,569,435	236,791,298
Dividend paid to shareholders		(1,948,173,380)	(855,000,080)	(1,984,125,245)	(864,788,889)
Redemption of preference shares		(200,000,000)	(150,000,000)	(200,000,000)	(150,000,000)
Net cash from financing activities		3,796,396,055	6,031,126,699	3,660,444,190	6,100,894,506
Net increase/(decrease) in cash & cash equivalents					
Cash and cash equivalents at the beginning of the year		(735,392,737)	(303,538,970)	379,247,696	275,938,653
Exchange difference in respect of cash & cash equivalent		2,724,058,786	(431,853,767)	2,963,170,982	103,309,043
Cash and cash equivalents at the end of the year		1,988,666,049	(735,392,737)	3,342,418,678	379,247,696
Cash in hand		209,573,206	68,863,195	519,724,085	451,048,417
Securities purchase under resale agreements		797,192,056	448,361,591	1,934,309,720	1,246,294,703
Current accounts with commercial banks	17	1,716,103,413	781,735,722	1,804,387,512	950,788,728
Savings accounts with other banks	17	40,485,486	38,735,962	44,784,127	40,037,736
Overdraft	30	(774,688,112)	(2,073,089,207)	(960,786,766)	(2,308,921,888)
		1,988,666,049	(735,392,737)	3,342,418,678	379,247,696

The above Cash Flow Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 188 to 267.

Accounting Policies**1. Corporate information****1.1. General**

People's Leasing & Finance PLC (the 'Company'), is a Public Limited Liability Company incorporated on 22nd August 1995 and domiciled in Sri Lanka. The Company has a primary listing on the Colombo Stock Exchange on 24th November 2011. Its registered office and the principal place of the business is at No. 1161, Maradana Road, Colombo 08.

The Company's parent entity is People's Bank which is a Government owned entity.

1.2. Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended 31st March 2013 comprised People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its associate company.

The consolidated financial Statements for the year ended 31st March 2013 were authorised for issue on 8th June 2013 in accordance with the resolution of the Board of Directors on 8th June 2013.

1.3. Principal Activities and Nature of Operations

People's Leasing & Finance PLC (Formerly known as People's Leasing Company PLC)

The principal activities of the Company are providing finance leases, hire-purchase asset financing, term loans, margin trading, issuing of debt instruments and mobilization of deposits.

Subsidiaries**People's Leasing Fleet Management Limited**

The principal lines of business comprise of fleet management, vehicle valuation and operations of a service station.

People's Leasing Property Development Limited

The principal line of business is carrying out a mixed development project and property development activities.

People's Finance PLC (Formerly known as People's Leasing Finance PLC, amalgamated with People's Leasing & Finance PLC w.e.f. 2nd April 2013)

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 (Formerly known as Industrial Finance Limited)**

The principal lines of business are mobilization of deposits, providing finance leases, hire-purchase assets financing, term loans, real estate developments and related services.

Shareholdings in Subsidiaries and Associate	Holding Percentage
People's Leasing Fleet Management Limited	100.00%
People's Leasing Property Development Limited	100.00%
People's Insurance Limited	100.00%
People's Leasing Havelock Properties Limited	100.00%
People's Microfinance Limited	100.00%
People's Finance PLC	91.12%
City Finance Corporation Ltd	28.51%

2. Accounting Policies

2.1 Basis of preparation

For all periods up to and including the year ended 31st March 2012, the Company and the Group prepared the financial statements in accordance with the Sri Lanka Accounting Standards which were effective prior to 1st January 2012. These financial statements for the year ended 31st March 2013 represents first time adoption of Sri Lanka Accounting Standards comprising SLFRS/LKAS effective from 1st April 2012. Accordingly, the Group has prepared financial statements which comply with SLFRS/ LKAS applicable for periods ending on or after 1st April 2012, together with the comparative period data as at and for the year ended 31st March 2012, as described in the Accounting Policies. In preparing these financial statements, the Group's opening statement of Financial Position was prepared as at 1st April 2011, the Group's date of transition to SLFRS.

The financial statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position, all of which are measured at fair value.

- ▶ Investment properties which are measured at fair value
- ▶ Financial investments available for sale.
- ▶ Financial investments held for trading.

2.1.1 Functional and presentation currency

The consolidated financial statements are presented in Sri Lanka Rupees (Rs.), except when otherwise stated.

2.1.2 Statement of compliance

The Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity, together with the Significant Accounting Policies

and Notes, ('Financial Statements'), i.e.: Consolidated financial statements and Separate financial statements of the Company, as at 31 March 2013 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards & Lanka Accounting Standards (hereafter referred as SLFRS), laid down by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these financial statements are in compliance of the Companies Act No. 07 of 2007.

The presentation of these financial statements are also in compliance with the requirements of the Finance Leasing Act No. 56 of 2000 & Finance Business Act No. 42 of 2011 and amendments thereto.

2.1.3 Presentation of financial statements

The Group presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 45 (Current/Non current analysis).

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Consolidated Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.1.4 Materiality & Aggregation

In compliance with LKAS 01 on Presentation of financial statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.2 Basis of consolidation

The consolidated financial statements comprise of financial statements of the Company, its subsidiaries and its associate company for the year ended 31st March 2013. The financial statements of the Company's subsidiaries and associate are prepared for the same reporting year using consistent accounting policies.

2.2.1 Subsidiaries

Subsidiaries are entities that are controlled by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Accounting Policies *contd.*

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Non controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non controlling interests are presented separately in the Consolidated Income Statement and within equity in the Consolidated Statement of Financial Position, but separate from parent shareholders' equity. Any losses applicable to the non controlling interests are allocated against the interests of the non controlling interest even if this results in a deficit balance. Acquisitions of non controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity. Investment details of the Subsidiaries within the Group are provided in note 23 to the financial statements.

2.2.2 Associate

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investment in Associate is accounted for using the Equity method and is recognised initially at cost.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test. The Company's investments include goodwill identified

on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the Associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the Associate. If the Associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate.

The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an Associate and accounts for the investment. Investment details of the Associate within the Group are provided in note 24 to the financial statements.

2.3 Comparative Information

These are the Group's first consolidated financial statements prepared in accordance with SLFRS/LKAS and SLFRS 1; First-time Adoption of Sri Lanka Accounting Standards has been applied. The accounting policies have been consistently applied by the Company and the Group with those of

the previous financial year in accordance with LKAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

An explanation of how the transition to SLFRS has affected the reported financial position and financial performance of the Group is provided in note 3 A.

2.4 Significant accounting judgments, estimates and assumptions

In the process of applying Group accounting policies, management is required to make judgments, which may have significant effect on the amounts recognised in the financial statements. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the Reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Receivables on lease, hire purchase and Islamic finance

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Impairment charges for loans and receivables

The Group reviews its individually significant loans and advances including rental receivable at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances including rental receivable that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, characteristic of assets, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and receivables is disclosed in more detail in note 3.6.1 and note 19 and further described in note 19.2.

Impairment of available for sale investments

The Group reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances.

The Group also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgments. In making these judgments, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment loss on available for sale investments are disclosed in more detail in note 3.6.2 and note 21.2.

2.4.1 Judgments

Taxation

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guideline on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Group recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies (note 28). Tax losses can be used indefinitely.

2.4.2 Estimates and assumptions

Defined Benefit Plans

The cost of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date. Further, details are given in note 3.21.1 and note 33 to these Financial Statements.

Useful lives of property, plant & equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment of the management is exercised in the estimation of these values, rates and methods.

Accounting Policies *contd.*

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 into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the 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.

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the Statement of Financial Position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter- Ferguson methods and frequency/severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident periods and significant business lines, but can also be further analysed by geographical area and claim types. Large claims may be separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing SLFRS Statement of Financial Position as at 01st April 2011 for the purpose of transition to SLFRS, unless otherwise indicated.

3.1 Foreign currency translation

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), 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 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 and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. In this regard, the Group's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to 'Other operating income' in the Income Statement, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. These differences are taken directly to equity until the disposal of the net investment, at which time, they are recognised in the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.2 Financial instruments – initial recognition and subsequent measurement

3.2.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes 'regular way trades'; purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3.2.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3.2.3 Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

3.2.4 Available for sale financial investments

Available for sale investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'Other operating income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the Effective Interest Rate (EIR).

Dividends earned whilst holding available for sale financial investments are recognised in the income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Income Statement in

'Impairment losses on financial investments' and removed from the 'Available for sale reserve'.

3.2.5 Held to maturity financial investments

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement line 'Credit loss expense'.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

3.2.6 Financial assets classified as loans and receivables

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss,

Accounting Policies *contd.*

- ▶ Those that the Group, upon initial recognition, designates as available for sale,
- ▶ Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration,

After initial measurement, 'Loans and receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'Impairment charges for loans and receivables'.

The Group may enter into certain lending commitments where the loan, on drawdown, is expected to be classified LKAS 39 as held for trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (for example, due to a counterparty credit event).

3.2.7 'Day 1' difference for staff loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as day 1 difference and amortized as staff cost over the loan period by using the EIR. The staff loans were subsequently measured at amortized costs.

3.2.8 Financial liabilities

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

An analysis of the Group's issued debt is disclosed in note 30.

3.3 Derecognition of financial assets and financial liabilities**3.3.1 Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
- ▶ The group has transferred substantially all the risks and rewards of the asset; Or
- ▶ The group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

3.3.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.4 Securities purchased under reverse repurchase agreements

Securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash collateral on securities borrowed and reverse repurchase agreements', reflecting

the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

3.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 44.

3.6 Impairment of financial assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3.6.1 Loans and receivables

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual and collective basis. Impairment losses are recorded as charges to the Income Statement. The carrying amount of impaired loans on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed loans and receivables

For all loans that are considered individually significant, the Company assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include:

- ▶ known cash flow difficulties experienced by the borrower;
- ▶ past due contractual payments of either principal or interest;
- ▶ breach of covenants or conditions;
- ▶ the probability that the borrower will enter bankruptcy or other financial realisation; and
- ▶ a significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- ▶ Company's aggregate exposure to the customer;
- ▶ the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- ▶ the amount and timing of expected receipts and recoveries;
- ▶ the extent of other creditors' commitments ranking ahead of, or pari-passu with, the Company and the likelihood of other creditors continuing to support the Company;
- ▶ the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;

- ▶ the realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- ▶ the likely deduction of any costs involved in recovery of amounts outstanding;
- ▶ the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- ▶ the likely dividend available on liquidation or bankruptcy;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed loans and advances

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Incurred but not yet identified impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Company has incurred as a result of events

Accounting Policies *contd.*

occurring before the reporting date, which the Company and the Group are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account;

- ▶ historical loss experience in portfolios of similar credit risk; and
- ▶ Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover the inherent loss.

These additional macro and portfolio risk factors may include:

- ▶ recent lending portfolio growth and product mix,
- ▶ unemployment rates, Gross Domestic Production (GDP) growth, inflation,
- ▶ Exchange rates, interest rates,
- ▶ Changes in laws and regulations,

Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Income Statement.

3.6.2 Available-for-sale financial investments

For available for sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt

instruments classified as available for sale, the Company assesses individually whether there is objective evidence of impairment.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from equity and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in the fair value after impairment are recognised in Other comprehensive income.

3.6.3 Held-to-maturity financial assets

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognised in profit or loss. Interest on impaired assets continues to be recognised through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.7 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

3.8 Leasing

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense

in the Income Statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Group as a lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.9 Insurance

3.9.1 Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

3.9.2 Reinsurance

The Group cedes insurance risk in the normal course of business of People's Insurance Limited. Reinsurance assets represent balances due from reinsurance

companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.9.3 Reinsurance receivables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events

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or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

3.9.4 Insurance receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

3.9.5 Deferred expenses deferred acquisition costs

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) for non-life insurance is amortised over the period on the basis unearned premium reserve (UPR) is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC are derecognised when the related contracts are either expired or cancelled.

Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

3.9.6 Insurance contract liabilities

Non-life insurance contract liabilities

Non-life insurance contract liabilities are recognised when contracts are entered and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment

return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of income by setting up a provision for liability adequacy.

3.9.7 De-recognition of insurance payable

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

3.10 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.10.1 Interest income and expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.10.2 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories;

- ▶ **Fee income earned from services that are provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period.

- ▶ **Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

3.10.3 Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

3.10.4 Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities 'held for trading'.

3.10.5 Income from government securities and securities purchased under resale agreements

Discounts/ premium on treasury bills & treasury bonds are amortized over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased under resale agreements is recognised in the Income Statement on an accrual basis over the period of the agreement.

3.10.6 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.

3.10.7 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'.

3.10.8 Interest on overdue rentals

Interests from overdue rentals have been accounted for on a cash received basis.

3.10.9 Recovery of bad and doubtful debts written off

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

3.10.10 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.

3.10.11 Other income

Other income is recognised on an accrual basis.

3.10.12 Insurance - Revenue recognition

(i) Gross written premium

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

(ii) Reinsurance premium

Non-life gross reinsurance premium written comprises the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incept. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance

Accounting Policies *contd.*

premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

(iii) Unearned premium reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 365 basis.

3.10.13 Insurance - Benefits, claims and expenses recognition**(i) Gross benefits and claims**

Gross benefits and claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

(ii) Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.11 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash in hand, non-restricted current accounts with banks and amounts with an original maturity of three months or less.

3.12 Property, plant and equipment

Property, plant and equipment (including equipment under operating leases where the group is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	50 Years
Improvement of leasehold property	4 Years
Motor vehicles	8 Years
Computer hardware	5 Years
Office equipment	5-10 Years
Plant & machinery	5-10 Years
Furniture's and fittings	5 Years

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

3.13 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 Lanka Accounting Standard 27 (LKAS 27) on 'Consolidated and Separate Financial Statements'.

3.14 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.

3.15 Inventories

Unsold vehicles at the reporting date are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

Other inventory materials at reporting date are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

3.16 Events after the reporting period

No events of material significance that require adjustments to the financial statements, other than those disclosed in note 47 to the financial statements, has occurred subsequent to the date of the Statement of Financial Position.

3.17 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 Statement of Financial Position but are disclosed unless its occurrence is remote.

3.18 Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from

the acquisition date, allocated to each of the group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the income statement.

3.19 Intangible assets

The group's other intangible assets include the value of computer software and customer core deposits acquired in business combinations.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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 useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Computer software	5 Years
Customer list	5 Years

3.20 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Accounting Policies *contd.*

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement.

Impairment losses relating to goodwill are not reversed in future periods.

3.21 Retirement benefit obligations

3.21.1 Defined benefit plan – gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Lanka Accounting Standard (LKAS) 19 on Employee Benefits.

The item is stated under Other Liabilities in the Statement of Financial Position.

Recognition of actuarial gains and losses

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded 10% of the defined benefit obligations at the date and recognised over the expected average working lives of employees participating in the plan of the defined benefit obligation at that date in accordance with the corridor method.

Funding Arrangements

The gratuity liability is not externally funded.

3.21.2 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.

3.21.3 Defined contribution plans – Employees' Trust Fund

The Group contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

3.22 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.23 Taxes

3.23.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified below.

People's Leasing & Finance 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

Income tax on profit from operations is calculated at the rate of 28%.

(The Company was liable to Income tax for the year of assessment 2011/2012 at the concessionary 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 was less than Rs. 300 million.)

People's Leasing Property Development Limited

Pursuant to the agreement dated 3rd December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16th December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

3.23.2 Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- ▶ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and

taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Income Statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.23.3 Value Added Tax (VAT) on Financial Services

The base for Value Added Tax computation is arrived by aggregating the accounting profit before income tax and emoluments of employees, which is adjusted for the depreciation computed on prescribed rates.

During the year, the Group's total financial value addition was subject to a 12% (12% in 2011) Value Added Tax on Financial Services as per Section 25(a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

Accounting Policies *contd.***3.24 Investment Fund Account**

According to the guidelines issued by the Central Bank of Sri Lanka on the operations of the Investment Fund Account (IFA), any entity engaged in the business of banking or financial services, is required to establish and operate an IFA with effect from 1st January 2011. As and when taxes are paid after 1st January 2011 the Company should transfer the following funds to IFA and build a permanent fund in the Company.

- ▶ 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.
- ▶ 5% of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payment of tax.

The funds that are being transferred to the IFA are treated as appropriations of profit after tax and maintained as a separate item under general reserves of the Company.

The utilisation of funds is made in terms of the instructions given in the aforesaid guidelines.

3.25 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3.26 Equity reserves

The reserves recorded in equity (Other comprehensive income) on the group's statement of financial position include;

- ▶ 'Available for sale' reserve, which comprises changes in fair value of available for sale investments.
- ▶ 'General Reserve' represents the amounts set aside by the Directors for general application.
- ▶ 'Tax equalization fund' comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.
- ▶ 'Statutory reserve fund'
People's Leasing & Finance PLC – 'Statutory Reserve Fund' which is a capital reserve was created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by the Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund.

People's Finance PLC – 'Statutory Reserve Fund' which is a capital reserve was created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 20% of the net profit for the period is transferred to the Statutory Reserve Fund.

3.27 Segment reporting

The Group's segmental reporting is based on the following operating segments: Business Segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to inter company counterparts for similar services. Such services are eliminated on consolidation.

3.28 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Consolidated Financial Statements are set out below along with details of SLFRS which will have a future effect on the Accounting Policies adopted by the Group.

- ▶ SLFRS 9 - Financial Instruments: Classification and Measurement
SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.
- ▶ SLFRS 13 - Fair Value Measurement
SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

SLFRS 9 and SLFRS 13 will be effective for financial periods beginning on or after 01st January 2015 and 2014 respectively.

In addition to the above, following standards have also been issued and will be effective for financial periods beginning on or after 01st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The Group will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

3. A. First time adoption of SLFRS

The Group adopted Sri Lanka Accounting Standards comprising LKAS and SLFRS effective 1st April 2011. Prior to the adoption of SLFRS, the Group prepared its consolidated financial statements in accordance with previous Sri Lanka Accounting Standards. The Group prepared its opening SLFRS consolidated financial statements as at 1st April 2011, the date of transition to SLFRS which forms the starting point for the group's financial reporting under SLFRS.

These consolidated financial statements have been prepared in accordance with the Accounting Policies described in note 3.

In preparing these consolidated financial statements, the Group has applied the requirements of SLFRS1 - First-time adoption of Sri Lanka Accounting Standards, including retrospective application of SLFRS effective for the Group on adoption, unless otherwise indicated. The resulting adjustments are described below.

Accounting Policies *contd.*

Reconciliation of Equity as at 1st April 2011 (beginning of the day balances)

As at 31st March	Note	Company - 2011				
		SLAS Rs.	Reclassification Rs.	Remeasurement Rs.	SLFRS/LKAS Rs.	
Assets						
Cash and short term funds		865,056,210	(817,665,478)	-	47,390,732	Cash in hand
		-	69,259,093	-	69,259,093	Securities purchase under resale agreement
Deposits with banks & financial institutions		664,119,301	748,406,385	-	1,412,525,686	Balances with banks and financial institutions
Inventories		236,523,011	(236,523,011)	-	-	
Loans and other advances		2,942,796,483	(2,942,796,483)	-	-	
Rental Receivable on lease hire purchase & Islamic finance		46,442,179,818	(46,442,179,818)	-	-	
	A, B, C	-	49,687,923,505	1,190,769,407	50,878,692,912	Loans and receivables
Investment securities	D	246,370,124	246,370,124	(23,860,224)	222,509,900	Financial investments - available-for-sale
Investments in subsidiaries		1,805,250,254	-	-	1,805,250,254	Investments in subsidiaries
Goodwill and intangible assets		18,960,729	-	-	18,960,729	Goodwill and intangible assets
Property, plant and equipment	E	300,291,278	-	15,242,353	315,533,631	Property, plant and equipment
Investment properties		56,000,000	-	-	56,000,000	Investment properties
Other assets	C	2,271,698,749	(66,424,193)	(28,819,471)	2,176,455,085	Other assets
Total assets		55,849,245,957	-	1,153,332,065	57,002,578,022	Total assets
Liabilities						
Bank overdraft		1,168,595,180	(1,168,595,180)	-	-	
Other liabilities evidence by paper		24,778,788,200	(24,778,788,200)	-	-	
Borrowings		13,982,715,115	(13,982,715,115)	-	-	
	F	-	47,645,657,500	(211,441,479)	47,434,216,021	Financial liabilities
Current tax liabilities	H	667,787,914	-	58,613,032	726,400,946	Current tax liabilities
Deferred tax liabilities	I	71,502,459	-	340,576,090	412,078,549	Deferred tax liabilities
Other liabilities		6,737,890,393	(6,665,559,005)	-	72,331,388	Other liabilities
Total liabilities		47,407,279,261	1,050,000,000	187,747,643	48,645,026,904	Total liabilities
Equity						
Stated capital		1,850,000,080	(1,050,000,000)	-	800,000,080	Capital
Statutory reserve fund		354,776,240	-	-	354,776,240	Statutory reserve fund
Retained earnings		5,766,552,811	-	989,444,646	6,755,997,457	Retained earnings
General reserve		300,000,000	(300,000,000)	-	-	
Tax equalisation fund		100,000,000	(100,000,000)	-	-	
Investment fund reserve		70,637,565	(70,637,565)	-	-	
	D	-	470,637,565	(23,860,224)	446,777,341	Other reserves
Total shareholders' equity		8,441,966,696	(1,050,000,000)	965,584,422	8,357,551,118	Total shareholders' equity
Minority interest		-	-	-	-	Non-controlling interests
Total equity		8,441,966,696	(1,050,000,000)	965,584,422	8,357,551,118	Total equity
Total liabilities and equity		55,849,245,957	-	1,153,332,065	57,002,578,022	Total equity and liabilities

Reconciliation of Equity as at 31st March 2012

As at 31st March	Note	Company - 2012				SLFRS/LKAS Rs.	
		SLAS Rs.	Reclassification Rs.	Remeasurement Rs.	SLFRS/LKAS Rs.		
Assets							
Cash and short term funds		1,337,696,470	(1,268,833,275)	-	68,863,195	Cash in hand	
		-	448,361,591	-	448,361,591	Securities purchase under resale agreement	
Deposits with banks & financial institutes		392,764,936	820,471,684	-	1,213,236,620	Balances with banks & financial institutes	
Inventories		111,878,931	(111,878,931)	-	-		
Dealing securities		29,197,690	-	-	29,197,690	Financial investments - held-for-trading	
Loans and other advances		4,169,978,409	(4,169,978,409)	-	-		
Rental receivable on lease hire purchase & Islamic finance		67,386,693,167	(67,386,693,167)	-	-		
	A, B, C	-	72,119,481,451	(830,739,003)	71,288,742,448	Loans and receivables	
Investment securities	D	305,170,064	-	(91,382,167)	213,787,897	Financial investments - available-for-sale	
Investments in subsidiaries		3,118,184,304	-	-	3,118,184,304	Investments in subsidiaries	
Goodwill and intangible assets		36,740,726	-	-	36,740,726	Goodwill and intangible assets	
Property, plant and equipment	E	620,576,775	-	18,318,805	638,895,580	Property, plant and equipment	
Investment properties		56,000,000	-	-	56,000,000	Investment properties	
Other assets	C	2,063,321,571	(450,930,944)	(66,214,301)	1,546,176,326	Other assets	
Total assets		79,628,203,044	-	(970,016,667)	78,658,186,377		
Liabilities							
Bank overdraft		2,073,089,207	(2,073,089,207)	-	-		
Other liabilities evidence by paper		28,513,797,665	(28,513,797,665)	-	-		
Borrowings		24,701,663,169	(24,701,663,169)	-	-		
	F	-	61,223,851,195	(238,163,674)	60,985,688,521	Financial liabilities	
Current tax liabilities	H	224,613,999	-	14,857,171	239,471,170	Current tax liabilities	
Deferred tax liabilities	I	720,085,336	-	(185,544,003)	534,541,333	Deferred tax liabilities	
Other liabilities		5,124,586,119	(5,035,302,154)	-	89,283,966	Other liabilities	
Total liabilities		61,357,835,495	900,000,000	(408,850,505)	61,848,984,990	Total liabilities	
Equity							
Stated capital		12,958,000,800	(900,000,000)	-	12,058,000,800	Capital	
Statutory reserve fund		565,142,012	-	-	565,142,012	Statutory reserve fund	
Retained earnings		3,829,961,581	-	(469,783,995)	3,360,177,586	Retained earnings	
General reserve		300,000,000	(300,000,000)	-	-		
Tax equalisation fund		100,000,000	(100,000,000)	-	-		
Investment fund reserve		517,263,156	(517,263,156)	-	-		
	D	-	917,263,156	(91,382,167)	825,880,989	Other reserves	
Total shareholders' equity		18,270,367,549	(900,000,000)	(561,166,162)	16,809,201,387	Total shareholders' equity	
Non-controlling interests		-	-	-	-	Non-controlling interests	
Total equity		18,270,367,549	(900,000,000)	(561,166,162)	16,809,201,387	Total equity	
Total liabilities and equity		79,628,203,044	-	(970,016,667)	78,658,186,377	Total liabilities and equity	

Accounting Policies *contd.*

Income Statement

Year ended 31st March	Note	Company - 2012				
		SLAS Rs.	Reclassification Rs.	Remeasurement Rs.	SLFRS/LKAS Rs.	
Interest and similar income	J	12,277,089,023	37,982,193	(313,179,363)	12,001,891,852	Interest income
Interest and similar expenses	K	6,170,316,713	176,024,835	(44,477,965)	6,301,863,583	Interest expenses
Net interest income		6,106,772,310	(138,042,642)	(268,701,398)	5,700,028,270	Net interest income
Net trading income from sale of vehicles		63,033,104	(63,033,104)	-	-	
Fees and commission income		635,715,121	(17,742,665)	-	617,972,457	Net fee and commission income
Net income from Islamic finance		30,040,691	(30,040,691)	-	-	
		-	590,426	-	590,426	Net trading income/(expenses)
Other operating income		229,356,055	80,185,343	-	291,798,733	Other operating income
Total operating income		7,064,917,281	(168,083,333)	(286,444,063)	6,610,389,885	Total operating income
Provision charge/(reversal) for credit losses		(1,433,974,540)	-	1,741,954,347	307,979,807	Impairment charges for loans receivables
Net operating income		8,498,891,821	(168,083,333)	(2,028,398,410)	6,302,410,078	Net operating income
Personnel expenses	L	763,325,484	-	8,949,304	772,274,788	Personnel expenses
Depreciation	M	132,056,314	-	(3,076,451)	128,979,863	Depreciation of property plant and equipment
Amortisation of intangible assets		10,691,142	-	-	10,691,142	Amortisation and impairment of intangible assets
Other operating expenses		1,241,824,298	-	-	1,241,824,298	Operating expenses
		2,147,897,239	-	5,872,852	2,153,770,091	Total operating expenses
Operating profit/(loss) before value added tax (VAT)		6,350,994,582	(168,083,333)	(2,034,271,262)	4,148,639,987	Operating profit/(loss) before value added tax (VAT)
Value added tax (VAT) on financial services		368,051,361	-	-	368,051,361	Value added tax (VAT) on financial services
Operating profit/(loss) after value added tax (VAT)		5,982,943,221	(168,083,333)	(2,034,271,262)	3,780,588,626	Operating profit/(loss) after value added tax (VAT)
Tax expense	N	1,775,627,769	-	(569,875,954)	1,205,751,815	Income tax expense
Profit/(loss) for the year		4,207,315,452	(168,083,333)	(1,464,395,308)	2,574,836,811	Profit/(loss) for the year
Profit attributable to:						Profit attributable to:
Equity holders of the parent		4,207,315,452	(168,083,333)	(1,464,395,308)	2,574,836,811	Equity holders of the parent
Non-controlling interests		-	-	-	-	Non-controlling interests
		4,207,315,452	(168,083,333)	(1,464,395,308)	2,574,836,811	

Reconciliation of Equity as at 1st April 2011 (beginning of the day balances)

As at 1st April	Note	Group - 2011				
		SLAS Rs.	Reclassification Rs.	Remeasurement Rs.	SLFRS/LKAS Rs.	
Cash and short term funds		1,535,338,454	(1,436,822,948)	-	98,515,506	Cash in hand
		-	621,052,884	-	621,052,884	Securities purchase under resale agreement
Deposits with banks & financial institutes		683,081,350	815,770,064	-	1,498,851,414	Balances with banks and financial institutions
Investment in government securities		794,564,466	(794,564,466)	-	-	
Inventories		237,976,801	(237,976,801)	-	-	
Dealing securities		64,055,310	-	-	64,055,310	Financial assets investments - held-for-trading
Loans and other advances		3,344,732,174	(3,344,732,174)	-	-	
Rental receivable on lease hire purchase & Islamic finance		52,283,967,382	(52,283,967,382)	-	-	
	A, B, C	-	55,846,333,871	1,250,439,653	57,096,773,524	Loans and receivables
		-	37,098,263	-	37,098,263	Reinsurance and insurance receivable
Investment securities		246,370,124	(246,370,124)	-	-	
	D	-	696,101,288	(23,860,224)	672,241,064	Financial investments - available-for-sale
		-	344,833,302	-	344,833,302	Financial investments - held-to-maturity
Long term receivable		30,254,471	(30,254,471)	-	-	
Goodwill and intangible assets		332,809,482	-	-	332,809,482	Goodwill and intangible assets
Property, plant and equipment	E	1,625,494,372	-	6,395,068	1,631,889,439	Property, plant and equipment
Deferred tax assets		27,913,031	-	1,228,281	29,141,313	Deferred tax assets
Other assets	C	2,647,946,118	13,498,694	(30,022,664)	2,631,422,148	Other assets
Total assets		63,854,503,534	-	1,204,180,115	65,058,683,649	Total assets
Liabilities						Liabilities
Deposits from customers		4,647,160,223	(4,647,160,223)	-	-	
Bank overdraft		1,358,945,475	(1,358,945,475)	-	-	
Other liabilities evidence by paper		26,121,934,052	(26,121,934,052)	-	-	
Borrowings		14,581,756,319	(14,581,756,319)	-	-	
	F	-	54,964,101,284	(156,970,186)	54,807,131,098	Financial liabilities
		-	631,758,581	-	631,758,581	Insurance liabilities and reinsurance payable
Current tax liabilities	H	663,582,388	-	64,652,822	728,235,210	Current tax liabilities
Deferred tax liabilities	I	71,502,459	-	342,135,199	413,637,658	Deferred tax liabilities
Other liabilities		7,927,170,570	(7,836,063,795)	-	91,106,775	Other liabilities
Total liabilities		55,372,051,486	1,050,000,000	249,817,835	56,671,869,322	Total liabilities
Equity						Equity
Stated capital		1,850,000,080	(1,050,000,000)	-	800,000,080	Capital
Statutory reserve fund		376,148,812	-	3,763,796	379,912,608	Statutory reserve fund
Retained earnings		5,685,899,246	-	974,657,075	6,660,556,321	Retained earnings
General reserve		300,000,000	(300,000,000)	-	-	
Tax equalisation fund		100,000,000	(100,000,000)	-	-	
Investment fund reserve		70,637,565	(70,637,565)	-	-	
	D	-	470,637,565	(24,058,591)	446,578,974	Other reserves
Total shareholders' equity		8,382,685,704	(1,050,000,000)	954,362,280	8,287,047,983	Total shareholders' equity
Non-controlling interests		99,766,344	-	-	99,766,344	Non-controlling interests
Total equity		8,482,452,048	(1,050,000,000)	954,362,280	8,386,814,327	Total equity
Total equity and liabilities		63,854,503,534	-	1,204,180,115	65,058,683,649	Total liabilities and equity

Accounting Policies *contd.*

Reconciliation of Equity as at 31st March 2012

As at 31st March	Note	Group - 2012				
		SLAS Rs.	Reclassification Rs.	Remeasurement Rs.	SLFRS/LKAS Rs.	
Cash and short term funds		2,693,009,154	(2,241,960,737)	-	451,048,417	Cash in hand
		-	1,246,294,703	-	1,246,294,703	Securities purchase under resale agreement
Deposits with banks & financial institutes		896,503,863	995,666,035	-	1,892,169,898	Balances with banks & financial institutes
Investment in government securities		1,563,058,682	(1,563,058,682)	-	-	
Inventories		114,735,979	(114,735,979)	-	-	
Dealing securities		111,752,947	-	-	111,752,947	Financial investments - held-for-trading
Loans and advances		5,580,356,364	(5,580,356,364)	-	-	
Rental receivable on lease hire purchase & Islamic finance		78,914,560,208	(78,914,560,208)	-	-	
	A, B, C	-	84,701,916,570	(766,731,218)	83,935,185,352	Loans and receivables
		-	171,038,806	-	171,038,806	Reinsurance and insurance receivable
	D	-	1,218,246,297	(91,382,167)	1,126,864,130	Financial investments - available-for-sale
Investment securities		305,170,064	(305,170,064)	-	-	
		-	649,982,449	-	649,982,449	Financial assets - held-to-maturity
Goodwill and intangible assets		350,640,955	-	(161,079)	350,479,876	Goodwill and intangible assets
Property, plant and equipment	E	2,810,659,727	-	18,423,771	2,829,083,498	Property, plant and equipment
Deferred tax assets		1,038,243	-	(195,329)	842,914	Deferred tax assets
Other assets	C	2,731,373,687	(263,302,827)	(70,074,901)	2,397,995,960	Other assets
Total assets		96,072,859,873	-	(910,120,923)	95,162,738,950	Total assets
Liabilities						Liabilities
Deposits from customers		8,683,800,638	(8,683,800,638)	-	-	
Bank overdraft		2,308,921,888	(2,308,921,888)	-	-	
Other liabilities evidence by paper		30,694,105,714	(30,694,105,714)	-	-	
Borrowings		26,910,975,801	(26,910,975,801)	-	-	
	F	-	75,424,364,179	(253,788,108)	75,170,576,071	Financial liabilities
	G	-	1,670,165,978	126,387,784	1,796,553,762	Insurance liabilities and reinsurance payable
Current tax liabilities	H	278,424,089	-	(27,353,330)	251,070,759	Current tax liabilities
Deferred tax liabilities	I	766,210,037	-	(156,561,452)	609,648,585	Deferred tax liabilities
Other liabilities		7,714,721,336	(7,596,726,116)	-	117,995,220	Other liabilities
Total liabilities		77,357,159,504	900,000,000	(311,315,106)	77,945,844,397	Total liabilities
Equity						Equity
Stated capital		12,958,000,800	(900,000,000)	-	12,058,000,800	Capital
Statutory reserve fund		654,321,244	-	5,040,382	659,361,626	Statutory reserve fund
Retained earnings		3,947,748,486	-	(503,976,825)	3,443,771,662	Retained earnings
General reserve		300,000,000	(300,000,000)	-	-	
Tax equalisation fund		100,000,000	(100,000,000)	-	-	
Investment fund reserve		543,189,330	(543,189,330)	-	-	
	D	-	943,189,330	(94,963,126)	848,226,204	Other reserves
Total shareholders' equity		18,503,259,860	(900,000,000)	(593,899,569)	17,009,360,291	Total shareholders' equity
Non-controlling interests		212,440,510	-	(4,906,249)	207,534,261	Non-controlling interests
Total equity		18,715,700,370	(900,000,000)	(598,805,817)	17,216,894,552	Total equity
Total liabilities and equity		96,072,859,874	-	(910,120,923)	95,162,738,350	Total liabilities and equity

Income Statement

Year ended 31st March	Note	Group - 2012				
		SLAS Rs.	Reclassification Rs.	Remeasurement Rs.	SLFRS/LKAS Rs.	
Interest and similar income	J	13,620,232,307	681,082,243	(418,920,613)	13,882,393,937	Interest income
Interest and similar expenses	K	7,040,685,946	421,001,881	(50,389,268)	7,411,298,559	Interest expenses
Net interest income		6,579,546,362	260,080,362	(368,531,346)	6,471,095,378	Net interest income
Net trading income from sale of vehicles		63,033,104	(63,033,104)	-	-	
		-	1,477,971,086	-	1,477,971,086	Net earned premiums
Fees and commission income		529,980,129	(45,521,881)	-	484,458,248	Fee and commission income
Net interest income from Islamic finance		368,888,772	(368,888,772)	-	-	
		-	(17,965,032)	-	(17,965,032)	Net trading income/(expenses)
Other operating income		313,559,067	(4,912,229)	-	308,646,838	Other operating income (net)
Total operating income		7,855,007,434	1,237,730,429	(368,531,346)	8,724,206,518	Total operating income
Provision charge/(reversal) for credit losses		(1,371,027,015)	-	1,719,721,414	348,694,399	Impairment charges for loans and receivables
Net operating income		9,226,034,448	1,237,730,429	(2,088,252,759)	8,375,512,119	Net operating income
Personnel expenses	L	922,488,374	-	(5,401,861)	917,086,513	Personnel expenses
Depreciation	M	222,049,285	-	(13,336,500)	208,712,785	Depreciation of property plant and equipment
Amortisation of intangible assets		12,112,167	-	-	12,112,167	Amortisation and impairment of intangible assets
		-	1,207,363,379	-	1,207,363,379	Benefits, claims and Underwriting expenditure
Other operating expenses		1,149,184,190	198,450,384	-	1,347,634,574	Other expenses
		2,305,834,017	1,405,813,762	(18,738,361)	3,692,909,417	
Operating profit/(loss) before value added tax (VAT)		6,920,200,432	(168,083,333)	(2,069,514,398)	4,682,602,702	Operating profit/(loss) before value added tax (VAT)
Value added tax (VAT) on financial services		403,048,950	-	(45,548)	403,003,402	Value added tax (VAT) on financial services
Operating profit/(loss) after value added tax (VAT)		6,517,151,481	(168,083,333)	(2,069,468,849)	4,279,599,300	Operating profit/(loss) after value added tax (VAT)
Tax expense	N	1,974,729,369	-	(582,038,621)	1,392,690,748	Tax expense
Profit/(loss) for the year		4,542,422,113	(168,083,333)	(1,487,430,229)	2,886,908,552	Profit/(loss) for the year
Profit attributable to:						Profit attributable to:
Equity holders of the parent		4,502,947,924	(168,083,333)	(1,482,523,980)	2,852,340,612	Equity holders of the parent
Non-controlling interests		39,474,188	-	(4,906,248)	34,567,940	Non-controlling interests
		4,542,422,113	(168,083,333)	(1,487,430,229)	2,886,908,552	

Accounting Policies *contd.*

A	EIR Adjustment on loans and receivables	<p>Under previous SLAS, the Group measured its Leases, Loans, & Hire purchase contracts using Sum of Digits method. Under SLFRS the Group has to recognise the such products using Effective Interest Rate (EIR) Method. The difference due to such adjustment amounted to Rs. 893.7 Mn (Company Rs. 851.3 Mn) has been adjusted to the loans and receivable balance as at 1st April 2011.</p> <p>As at 31st March 2012 the Group measured its Leases, Loans, & Hire purchase contracts using Sum of Digits method. Under SLFRS the Group has to recognise the such products using Effective Interest Rate (EIR) Method. The difference due to such adjustment amounted to Rs. 935.9 Mn (Company Rs.954.2 Mn) has been adjusted to the loans and receivable balance.</p>
B	Adjustment on loan impairment	<p>The previously recognised loan loss provision amounting to Rs. 2,472.3 Mn (Company Rs. 2,336.4 Mn) and Interest in suspense of Rs. Mn 170.2 Mn (Company - Rs. 130 Mn) were reversed and impairment provision of Rs. 478.8 Mn (Company Rs. 405.7 Mn) were recognised as at 1st April 2011, the date of transition after making necessary adjustments to retained earnings.</p> <p>As at 31st March 2012 the impairment provision was Rs. 775.3 Mn (Company Rs. 633.5 Mn) was recognized against the loan loss provision of Rs. 559.1 Mn (Company Rs. 462.8 Mn) which was previously recognised in SLAS based accounts. The movement between the impairment balances of two years was recognised in the Income Statement as an impairment charge.</p>
C	Staff Loans measured at fair value	<p>Under previous SLAS staff loans were recorded at cost less repayments net of loan loss provision, Under SLFRS, the Company has to measure the staff loans granted below the market interest rate at their fair value, calculated based on the market interest rate of similar products. The fair value of such loans as at 1st April 2011 was Rs. 154.7Mn (Company Rs. 148 Mn) and their previous SLAS carrying amount was Rs. 174.3 Mn (Company Rs. 166.6 Mn) The difference between the fair value and SLAS carrying amount has deducted from Loans and Receivables.</p> <p>The fair value of such loans as at 31st March 2012 was Rs. 277.5 Mn (Company Rs. 253.4 Mn) and their previous SLAS carrying amount was Rs. 324.5 Mn (Company Rs. 300.6 Mn) The difference between the fair value and SLAS carrying amount has deducted from Loans and Receivables.</p>
D	Financial investments - available-or- sale	<p>Under previous SLAS, the Company recognised its investment Securities which are not holding for trading activities at their cost. Under SLFRS, the Company has designated such investments as available-for-sale investments and measured at fair value. Such investments includes equity investments.</p> <p>At the date of transition to SLFRS, The difference of Rs. 23.9 Mn (Company Rs. 23.9 Mn) between the fair value of the instruments and previous SLAS carrying amount has been recognized as a separate component of equity, in the available-for-sale reserve.</p> <p>As at 31st March 2012, The difference between the instruments fair value and SLAS carrying amount of Rs. 91.3 Mn (Company Rs. 91.3 Mn) has been recognized as a separate component of equity, in the available-for-sale reserve.</p>
E	Useful life of property plant & equipments	<p>Due to measurement of useful lifetime of motor vehicles net book value of PPE increased by Rs. 6.4 Mn (Company Rs. 15.2 Mn) as at 1st April 2011.</p> <p>As at 31st March 2012 net book value of PPE increased by Rs.18.4 Mn (Company Rs. 18.3 Mn)</p>

F	EIR adjustment on financial liabilities	<p>On adoption of SLFRS, Subsequent measurement of all other financial liabilities are required to be recognised at amortised cost using EIR method. The difference due to such adjustment amounted to Rs. 157 Mn (Company - Rs. 211.4 Mn) has been adjusted to the Financial Liabilities balance.</p> <p>As at 31st March 2012, The difference between the instruments amortised cost and SLAS carrying amount of Rs. 253.8 Mn (Company - Rs. 238.2 Mn) has been adjusted to the Financial Liabilities balance.</p>
G	Insurance liabilities	<p>Under SLAS, the Insurance Company (PIL) has set-off deferred acquisition costs with insurance liabilities and as per SLFRS 4, deferred acquisition costs have been reclassified as an asset in the statement of financial position. The reclassified deferred acquisition cost as at 31st December 2011 was Rs. 126.4 Mn.</p>
H	Current tax liabilities	<p>Based on the SLFRS transition impact, an additional liability of Rs. 64.7 Mn (Company - Rs. 58.6 Mn) was recognised at the time of transition. In 2012, liability of Rs. 27.4 Mn was reversed by the group while the Company recognised an additional liability of Rs. 14.9 Mn against the provisions made based on previous SLAS financial Statements.</p>
I	Deferred taxation	<p>Liability The deferred tax liability previously identified under SLAS accounts were reversed and relevant liabilities were recognised where necessary. The net impact was Rs. 342.1 Mn (Company Rs. 340.6 Mn) as at the date of transition and it was charged to the Retained earnings.</p> <p>As at 31st March 2012 the net movement was Rs. 156.6 Mn (Company Rs.185.5 Mn) and adjusted to income tax expense and deferred tax liabilities.</p> <p>Assets The deferred tax assets previously identified under SLAS accounts were reversed and relevant assets were recognised where necessary. The net impact was Rs. 1.2 Mn (Company - Nil) as at the date of transition and it was charged to the Retained earnings.</p> <p>As at 31st March 2012 the net movement was Rs. 0.2 Mn (Company - Nil) and adjusted to income tax expense and deferred tax asset.</p>
J	Interest income	<p>Net decrease in income amounting to Rs. 418.9 Mn (Company - Rs. 313.2 Mn) was made after netting off the staff loan fair value adjustment, EIR adjustment on Loans, Leases and Hire Purchases and Islamic Finance.</p>
K	Interest expense	<p>Net increase in income amounting to Rs. 50.4 Mn (Company - Rs. 44.5 Mn) was made after the EIR adjustment on Financial Liabilities.</p>
L	Employee benefits	<p>A charge on staff loan fair value adjustment, amortization of pre-paid staff cost of Rs. 8.9 Mn (Company - Rs. 5.4 Mn) was adjusted to Employee benefits.</p>
M	Depreciation of property plant and equipment	<p>Decreased in depreciation amounting Rs. 13.3 Mn (Company - Rs. 3.1 Mn) due to measurement of useful lifetime of motor vehicles.</p>
N	Income tax expenses	<p>Based on the SLFRS transition impact current tax reversal of Rs. 85.8 Mn (Company - Rs. 43.8 Mn) was recorded in the Income Statement in 2012.</p> <p>Based on the SLFRS transition impact a deferred tax reversal of Rs. 496.3 Mn (Company - Rs. 526.1 Mn) was recorded in the Income Statement in 2012.</p>

 Notes to the Financial Statements

For the year ended 31st March	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
4. Net Interest Income				
Interest income				
Finance lease & hire-purchase	12,257,008,185	10,399,988,482	13,533,096,641	11,356,420,455
Loans and other advances	930,638,480	567,955,940	1,161,952,464	582,495,594
Interest on overdue rentals	1,359,058,934	949,243,518	1,515,681,394	1,041,208,388
Interest income from bank deposits & government securities	70,464,845	48,389,225	463,939,653	292,207,480
Profit from Islamic finance	9,380,891	36,314,688	810,605,763	610,062,020
Total interest income	14,626,551,335	12,001,891,853	17,485,275,915	13,882,393,937
Interest expenses				
Interest on overdraft	147,199,376	118,651,943	148,293,284	118,651,943
Interest on short term borrowings	4,215,245,093	2,821,295,593	4,215,277,898	2,882,723,672
Interest on assets backed securities	1,692,896,214	1,578,129,670	1,692,966,801	1,578,132,927
Interest on long term borrowings	1,789,226,991	1,350,144,872	2,136,702,684	1,357,824,378
Interest on debentures	260,968,313	257,616,670	260,968,313	257,616,670
Interest on deposits	213,945,529	-	1,476,158,527	795,347,088
Profit distribution on Mudarabah	887,012	7,941,502	240,475,903	252,918,548
Interest on redeemable preference shares	137,416,667	168,083,333	137,416,667	168,083,333
Total interest expenses	8,457,785,195	6,301,863,583	10,308,260,077	7,411,298,559
Net interest income	6,168,766,140	5,700,028,270	7,177,015,838	6,471,095,378
5. Net Earned Premiums				
Gross written premium	-	-	2,944,487,069	2,414,788,213
Less: Premium ceded to reinsurers	-	-	306,657,434	242,802,340
	-	-	2,637,829,635	2,171,985,873
Less: Change in reserve for unearned premiums	-	-	189,588,504	694,014,787
Net earned premiums	-	-	2,448,241,131	1,477,971,086
6. Net Fee and Commission Income				
Service charges	390,544,564	404,875,608	166,840,364	264,633,336
Other fees recovered	350,099,090	213,096,848	350,376,211	219,824,912
Total	740,643,654	617,972,456	517,216,575	484,458,248
7. Net Trading Income/(Expenses)				
Foreign exchange from others customers	-	-	459,375	-
Equities	10,142,141	590,426	29,886,221	(17,965,032)
Total	10,142,141	590,426	30,345,596	(17,965,032)

For the year ended 31st March	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
8. Other Operating Income				
Gain on sale of property, plant and equipment	16,856,558	17,349,731	92,252,028	17,507,506
Hiring income	37,950	119,150	48,792,114	36,942,436
Operating leases	34,157,269	48,658,154	38,914,412	57,677,672
Bad debts recovered	48,079,707	29,447,190	48,079,707	29,447,190
Dividend income	362,639,225	76,920,787	68,609,418	10,410,760
Profit on sale of shares	-	4,670,814	-	4,670,814
Net trading income from sale of vehicles	3,201,195	63,033,104	3,201,195	63,033,104
Other income	26,932,414	51,784,154	71,628,827	90,575,053
Less:				
Loss on sale of property, plant and equipment	22,843,720	184,351	38,471,130	1,617,697
Total	469,060,598	291,798,733	333,006,571	308,646,838
9. Impairment Charges for Loans and Receivables				
Loans and receivables (note 19.2)	250,472,339	57,125,441	282,634,723	80,257,970
Investments in associate (note 24)	-	50,000,000	-	50,000,000
Other losses	272,274,647	200,854,366	415,912,169	218,436,429
Total	522,746,986	307,979,807	698,564,892	348,694,399
10. Personnel Expenses				
Remuneration	836,305,465	705,683,195	1,020,429,122	835,494,883
Employee benefit - Defined contribution plans	63,802,146	55,525,899	81,925,178	68,530,017
Employee benefit - Defined benefit plan	17,170,984	11,065,694	20,307,514	13,061,613
Total	917,278,595	772,274,788	1,122,661,814	917,086,513
11. Benefits, Claims and Underwriting Expenditure				
Net benefits and claims	-	-	1,694,947,052	1,061,960,840
Underwriting and net acquisition costs	-	-	243,880,865	145,402,538
Total	-	-	1,938,827,917	1,207,363,378

Notes to the Financial Statements *contd.*

For the year ended 31st March	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
12. Other Operating Expenses				
Directors' emoluments	1,505,329	1,616,802	2,620,329	2,831,802
Auditors' remunerations	2,567,000	1,320,000	4,675,604	3,379,054
Non-audit fees to auditors	10,062,600	2,535,650	13,701,862	3,277,863
Professional fees	6,887,780	3,660,611	7,844,839	4,540,200
Advertising	49,287,187	36,798,134	49,287,187	36,798,134
Legal fees	594,407	4,310,164	594,407	4,310,164
Office administration and establishment expenses	1,455,833,633	1,191,582,937	1,579,020,999	1,292,497,357
Total	1,526,737,936	1,241,824,298	1,657,745,227	1,347,634,574

13. Tax Expenses**13.1 Income tax expense**

Income Statement				
Current income tax charge	592,614,083	1,083,289,031	829,676,250	1,167,378,753
Deferred taxation charge for the year (note 23)	570,748,546	122,462,784	599,498,634	225,311,995
Income tax expense recognised in Income Statement	1,163,362,629	1,205,751,815	1,429,174,884	1,392,690,748

Statement of Comprehensive Income

Current income tax charge	-	-	-	-
Deferred taxation charge/(reversal) for the year (note 23)	-	-	1,472,975	(1,002,669)
Income tax charge/(reversal) recognised in Other Comprehensive Income	-	-	1,472,975	(1,002,669)

13.2 Reconciliation of accounting profit & taxable income

Profit as per Income Statement	4,006,145,558	3,780,588,626	4,539,509,632	4,279,599,300
Add: Disallowable expenses	781,197,843	962,946,281	941,250,093	1,205,486,988
Add: Lease capital recoverable	10,878,846,629	10,000,577,190	12,968,054,142	11,593,225,767
Less: Allowable expenses	13,029,613,917	10,819,340,958	14,958,742,685	12,718,963,641
Less: Exempted /allowable income	381,861,833	81,591,601	392,503,405	143,142,934
Statutory income	2,254,714,280	3,843,179,538	3,097,567,777	4,216,205,480
Less: Tax loss set off	-	-	1,806,260	34,215,580
Assessable income	2,254,714,280	3,843,179,538	3,095,761,517	4,181,989,900
Taxable income	2,254,714,280	3,843,179,538	3,095,761,517	4,181,989,900
At the effective income tax rate	631,319,998	1,076,090,271	866,813,225	1,170,957,172
(Over)/ under provision - previous years	(38,705,915)	7,198,760	(37,136,975)	(3,578,419)
Deferred taxation charged for the year	570,748,546	122,462,784	599,498,634	225,311,995
Total	1,163,362,629	1,205,751,815	1,429,174,884	1,392,690,748

The applicable income tax rates of People's Leasing & Finance PLC, its subsidiaries were given in the note 3.23.1

For the year ended 31st March	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
13.3 Deferred tax expense - charge/(reversal)				
Income Statement				
Deferred tax assets				
Defined benefit plans	(3,212,520)	(2,848,425)	(3,749,700)	(3,374,833)
Brought forward tax losses	-	-	27,739,162	69,020,974
	(3,212,520)	(2,848,425)	23,989,462	65,646,141
Deferred tax liabilities				
Capital allowances for tax purpose on lease receivables	554,249,073	104,621,993	556,206,113	132,073,754
Capital allowances for tax purpose on PPE	19,711,993	20,689,216	19,303,059	27,592,100
	573,961,066	125,311,209	575,509,172	159,665,854
Net expense	570,748,546	122,462,784	599,498,634	225,311,995
Statement of Comprehensive Income				
Deferred tax assets				
Fair value losses recognized in other comprehensive income	-	-	1,002,669	(1,002,669)
Deferred tax liabilities				
Fair value gains recognized in other comprehensive income	-	-	470,306	-
	-	-	1,472,975	(1,002,669)

14. Earnings Per Share

14.1 Earnings per share - Basic (Rs.)

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, as per LKAS 33 - Earnings per share

For the year ended 31st March	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Net profit attributable to ordinary equity holders	2,842,782,929	2,574,836,811	3,077,070,789	2,852,340,612
Weighted average number of ordinary shares	1,560,000,160	1,300,000,133	1,560,000,160	1,300,000,133
Basic earnings per ordinary share	1.82	1.98	1.97	2.19

Notes to the Financial Statements *contd.*

15. Dividend Paid & Proposed

For the year ended 31st March	Company		Group	
	2013	2012	2013	2012
	Interim Rs. 0.50 paid in December 2011		Interim Rs. 0.50 paid in December 2011	
	Rs.	Rs.	Rs.	Rs.
Ordinary shares				
Out of dividend received	174,961,027	-	174,961,027	-
Out of normal profits	1,598,298,319	702,323,307	1,598,298,319	702,323,307
Withholding tax deducted at source	176,740,854	77,676,773	176,740,854	77,676,773
Cash dividend paid	1,950,000,200	780,000,080	1,950,000,200	780,000,080

A final dividend of Rs. 0.50 per share was paid for the year 2011/12 in July 2012. An interim dividend of Rs. 0.75 per share was paid in December 2012 to the ordinary shareholders of the Company for the year 2012/13 (interim dividend 2011/12 -Rs. 0.50). A final dividend of Rs. 0.50 per share has been proposed by the Board of Directors for the year 2012/13 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with LKAS 10.

16. Analysis of Financial Instruments by Measurement Basis

16.1 Company - As at 31st March 2013

	HFT Rs.	L & R Rs.	AFS Rs.	Total Rs.
ASSETS				
Cash in hand	-	209,573,206	-	209,573,206
Securities purchase under resale agreement	-	797,192,056	-	797,192,056
Balances with banks and financial institutions	-	2,394,567,982	-	2,394,567,982
Financial investments - held-for-trading	56,667,250	-	-	56,667,250
Loans and receivables	-	75,722,681,640	-	75,722,681,640
Financial investments - available-for-sale	-	-	184,179,892	184,179,892
Total financial assets	56,667,250	79,124,014,884	184,179,892	79,364,862,026
		Fair value through P&L Rs.	Other financial liabilities at amortised cost Rs.	Total Rs.
LIABILITIES				
Financial liabilities	-	-	65,060,408,247	65,060,408,247
Total financial liabilities	-	-	65,060,408,247	65,060,408,247

16.2 Company - As at 31st March 2012

	HFT Rs.	L & R Rs.	AFS Rs.	Total Rs.
ASSETS				
Cash in hand	-	68,863,195	-	68,863,195
Securities purchase under resale agreement	-	448,361,591	-	448,361,591
Balances with banks and financial institutions	-	1,213,236,620	-	1,213,236,620
Financial investments - held-for-trading	29,197,690	-	-	29,197,690
Loans and receivables	-	71,288,742,448	-	71,288,742,448
Financial investments - available-for-sale	-	-	213,787,897	213,787,897
Total financial assets	29,197,690	73,019,203,854	213,787,897	73,262,189,441
	Fair value through P&L Rs.	Other financial liabilities at amortised cost Rs.		Total Rs.
LIABILITIES				
Financial liabilities	-	60,985,688,521	-	60,985,688,521
Total financial liabilities	-	60,985,688,521	-	60,985,688,521

16.3 Group - As at 31st March 2013

	HFT Rs.	HTM Rs.	L & R Rs.	AFS Rs.	Total Rs.
ASSETS					
Cash in hand	-	-	519,724,085	-	519,724,085
Securities purchase under resale agreement	-	-	1,934,309,720	-	1,934,309,720
Balances with banks and financial institutions	-	-	3,743,516,459	-	3,743,516,459
Loans and receivables	-	-	88,298,471,245	-	88,298,471,245
Reinsurance and insurance receivable	-	-	159,162,123	-	159,162,123
Financial investments - held-for-trading	237,603,467	-	-	-	237,603,467
Financial investments - available-for-sale	-	-	-	1,173,867,485	1,173,867,485
Financial investments - held-to-maturity	-	539,765,951	-	-	539,765,951
Total financial assets	237,603,467	539,765,951	94,655,183,632	1,173,867,485	96,606,420,535
	Fair value through P&L Rs.	Other financial liabilities at amortised cost Rs.			Total Rs.
LIABILITIES					
Financial liabilities	-	-	79,297,914,974	-	79,297,914,974
Insurance liabilities and reinsurance payable	-	-	2,216,941,297	-	2,216,941,297
Total financial liabilities	-	-	81,514,856,271	-	81,514,856,271

Notes to the Financial Statements *contd.*16. Analysis of Financial Instruments by Measurement Basis *contd.*

16.4 Group - As at 31st March 2012

	HFT Rs.	HTM Rs.	L & R Rs.	AFS Rs.	Others Rs.	Total Rs.
Cash in hand	-	-	451,048,417	-	-	451,048,417
Securities purchase under resale agreement	-	-	1,246,294,703	-	-	1,246,294,703
Balances with banks and financial institutions	-	-	1,892,169,898	-	-	1,892,169,898
Loans and receivables	-	-	83,935,185,352	-	-	83,935,185,352
Reinsurance and insurance receivable	-	-	171,038,806	-	-	171,038,806
Financial investments - held-for-trading	111,752,947	-	-	-	-	111,752,947
Financial investments - available-for-sale	-	-	-	1,126,864,130	-	1,126,864,130
Financial investments - held-to-maturity	-	649,982,449	-	-	-	649,982,449
Total financial assets	111,752,947	649,982,449	87,695,737,176	1,126,864,130	-	89,584,336,702

	Fair value through P&L Rs.	Other financial liabilities at amortised cost Rs.	Total Rs.
LIABILITIES			
Financial liabilities	-	75,170,576,071	75,170,576,071
Insurance liabilities and reinsurance payable	-	1,796,553,762	1,796,553,762
Total financial liabilities	-	76,967,129,833	76,967,129,833

17. Balances with Banks and Financial Institutions

As at 31st March	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
Current account with commercial banks	1,716,103,413	781,735,722	711,237,405	1,804,387,512	950,788,728	878,098,414
Savings account with other banks	40,485,486	38,735,962	37,168,980	44,784,127	40,037,736	37,217,325
Fixed deposits	500,767,123	-	-	1,755,613,440	508,578,498	24,855,776
Deposit in foreign currency	137,211,960	392,764,936	558,679,899	138,731,380	392,764,936	558,679,899
Mudaraba investments	-	-	105,439,402	-	-	-
Total	2,394,567,982	1,213,236,620	1,412,525,686	3,743,516,459	1,892,169,898	1,498,851,414

18. Financial Investments Held-for-Trading

Held for trading						
Equity securities (note 18.1)	56,667,250	29,197,690	-	237,603,467	111,752,947	64,055,310
Total	56,667,250	29,197,690	-	237,603,467	111,752,947	64,055,310

18.1 Equity securities

Quoted Shares	31st March 2013			31st March 2012			31st March 2011		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Company									
Bank, Finance & Insurance									
Nations Trust Bank PLC	120,100	6,758,773	7,326,100	80,100	4,535,842	4,557,690	-	-	-
Commercial Bank of Ceylon PLC - Voting	203,550	20,582,970	23,001,150	200,000	20,222,342	20,000,000	-	-	-
Commercial Bank of Ceylon PLC - Non voting	100,000	7,482,880	9,690,000	58,000	4,235,166	4,640,000	-	-	-
	423,650	34,824,623	40,017,250	338,100	28,993,350	29,197,690	-	-	-
Manufacturing									
Distilleries Company of Sri Lanka PLC	100,000	12,133,315	16,650,000	-	-	-	-	-	-
		46,957,938	56,667,250		28,993,350	29,197,690	-	-	-
Mark to market gain		9,709,312			204,340			-	
		56,667,250			29,197,690			-	
Group									
Bank, Finance & Insurance									
Nations Trust Bank PLC	912,971	55,704,934	54,191,231	539,400	37,247,205	30,695,360	309,900	23,873,558	23,645,370
Commercial Bank of Ceylon PLC - Voting	413,247	41,020,596	44,929,161	324,104	30,136,310	29,707,012	15,000	2,454,706	3,987,000
Commercial Bank of Ceylon PLC - Non voting	301,915	23,388,142	28,566,739	90,348	6,885,691	7,874,800	-	-	-
Hatton National Bank PLC - Non voting	224,271	24,366,108	25,427,019	76,400	7,904,696	6,468,350	-	-	-
People's Finance PLC	29,800	1,130,016	1,028,100	18,900	888,524	674,730	-	-	-
Seylan Bank PLC - Voting	91,033	6,056,378	5,496,511	58,333	3,974,182	3,912,978	25,000	1,504,583	1,880,000
Seylan Bank PLC - Non voting	368,643	11,298,532	13,026,826	168,333	5,928,810	4,971,657	25,000	960,640	982,500
		162,964,706	172,665,587		92,965,418	84,304,887		28,793,487	30,494,870
Diversified Holdings									
Aitken Spence PLC	82,800	16,286,605	9,902,880	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	14,820,000	60,000	13,605,487	12,360,000	45,000	13,605,487	12,852,000
Hemas Holdings PLC	25,000	1,108,695	675,000	25,000	1,108,695	657,500	25,000	1,108,695	1,150,000
		31,000,787	25,397,880		31,000,787	22,349,060		31,000,787	27,440,440
Manufacturing									
Tokyo Cement Company (Lanka) PLC	100,000	4,649,785	1,750,000	100,000	4,649,785	2,700,000	100,000	4,649,785	4,400,000
Distilleries Company of Sri Lanka PLC	200,000	24,133,315	33,250,000	-	-	-	-	-	-
		28,783,100	35,000,000		4,649,785	2,700,000		4,649,785	4,400,000
Other									
Horana Plantation PLC	20,000	768,000	490,000	5,000	389,312	189,000	-	-	-
Vallibel One PLC	100,000	2,196,350	1,600,000	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
John Keells Hotels PLC	100,000	2,000,873	1,320,000	-	-	-	-	-	-
Mackwoods Energy PLC	100,000	1,400,000	1,130,000	-	-	-	-	-	-
		6,365,223	4,540,000		3,878,695	2,399,000		2,000,873	1,720,000
Total		229,113,816	237,603,467		132,494,685	111,752,947		66,444,932	64,055,310
Mark to market gain		8,489,651			(20,741,738)			(2,389,622)	
		237,603,467			111,752,947			64,055,310	

Notes to the Financial Statements *contd.*

19. Loans and Receivables

As at 31st March	Company			Group		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Loans and receivables (note 19.1)	76,435,957,166	71,751,545,635	51,284,370,658	89,140,194,039	84,494,273,423	57,575,603,625
Less						
Individual impairment charges (note 19.2)	50,296,996	61,147,855	50,095,797	67,956,340	94,644,028	83,591,970
Collective impairment charges (note 19.2)	662,978,530	401,655,332	355,581,949	773,766,454	464,444,043	395,238,131
Net loans and receivables	75,722,681,640	71,288,742,448	50,878,692,912	88,298,471,245	83,935,185,352	57,096,773,524

19.1 Analysis

19.1.1 By product

Lease/Ijhara receivables	40,583,416,965	36,208,080,195	22,361,203,523	46,900,785,464	42,660,991,493	25,000,480,209
Hire-Purchase/ BBA receivables	27,439,499,909	30,968,699,009	25,662,101,852	31,963,197,873	36,025,109,920	28,912,742,024
Term Loan	7,815,998,673	4,096,793,831	3,062,317,119	9,936,484,380	5,486,754,131	3,495,054,011
Staff loans	248,695,402	253,426,883	148,007,634	282,344,987	277,516,913	154,715,428
Related party receivables (note 19.1.1.1)	341,446,871	214,689,926	50,740,530	50,481,989	34,045,175	12,611,953
Margin trading receivables	6,899,346	9,855,791	-	6,899,346	9,855,791	-
Gross total	76,435,957,166	71,751,545,635	51,284,370,658	89,140,194,039	84,494,273,423	57,575,603,625

19.1.1.1 Related party receivables

As at 31st March						
People's Finance PLC	-	3,133,380	1,095,215	-	-	-
People's Leasing Property Development Limited	340,517,795	211,077,128	37,866,829	-	-	-
People's Leasing Fleet Management Limited	297,663	-	-	-	-	-
People's Leasing Havelock Properties Limited	-	-	10,679,559	-	-	-
People's Microfinance Limited	1,400	96,325	1,098,927	-	-	-
People's Insurance Limited	630,013	383,093	-	-	-	-
People's Bank	-	-	-	50,481,989	34,045,175	12,611,953
Total	341,446,871	214,689,926	50,740,530	50,481,989	34,045,175	12,611,953

19.1.2 By currency

Sri Lankan Rupee	76,435,957,166	71,751,545,635	51,284,370,658	89,140,194,039	84,494,273,423	57,575,603,625
Gross total	76,435,957,166	71,751,545,635	51,284,370,658	89,140,194,039	84,494,273,423	57,575,603,625

19.1.3 By industry

Agriculture and fishing	2,134,986,515	2,323,553,954	1,692,651,236	2,555,809,481	2,838,935,030	1,843,813,499
Manufacturing	18,932,374	-	-	148,013,172	149,004,089	112,893,229
Tourism	379,218,189	450,114,443	328,222,959	402,751,992	482,624,995	348,843,576
Transport	15,758,619,719	15,471,807,316	12,459,066,399	16,828,852,637	16,575,326,462	13,088,251,942
Construction	4,074,609,602	3,416,126,780	2,127,424,603	3,907,800,119	3,609,922,121	2,209,964,707
Traders	18,920,299,940	18,315,917,086	13,108,771,959	23,392,803,804	22,930,646,640	14,833,142,198
Services	32,163,905,059	29,534,965,673	20,224,587,262	35,563,629,581	33,557,761,127	21,772,327,756
Industry	1,111,580,449	685,823,910	580,337,144	1,159,096,376	695,010,835	580,337,144
Financial Services	97,782,973	-	-	-	-	-
Others	1,776,022,346	1,553,236,473	763,309,097	5,181,436,877	3,655,042,124	2,786,029,574
Gross total	76,435,957,166	71,751,545,635	51,284,370,659	89,140,194,039	84,494,273,423	57,575,603,625

19.2 Movement in Individual and collective impairment charges during the year

Impairment allowance for loans and advances to customers

A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:

	Lease Rs.	Hire Purchase Rs.	Ijhara Rs.	Term Loans Rs.	Re-finance loans Rs.	BBA Rs.	Trading Muraba Rs.	Total Rs.
Company								
At 1st April 2011	121,357,715	164,842,976	4,169,297	88,425,449	3,196,604	8,380,093	15,305,612	405,677,746
Charge/(Reversal) for the year	89,528,382	88,524,097	(2,432,632)	23,158,809	(2,417,268)	(4,228,660)	(421,802)	191,710,926
Less amounts written off	55,906,632	72,729,665	-	5,949,188	-	-	-	134,586,485
At 31st March 2012	154,979,465	180,637,408	1,736,665	105,635,070	779,336	4,151,433	14,883,810	462,803,187
Individual impairment	10,850,859	-	-	36,853,842	-	-	13,443,154	61,147,855
Collective impairment	144,128,606	180,637,408	1,736,665	68,781,228	779,336	4,151,433	1,440,656	401,655,332
	154,979,465	180,637,408	1,736,665	105,635,070	779,336	4,151,433	14,883,810	462,803,187
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	10,850,859	-	-	36,853,842	-	-	13,443,154	61,147,855
At 1st April 2012	154,979,465	180,637,408	1,736,665	105,635,070	779,336	4,151,433	14,883,810	462,803,187
Charge/(Reversal) for the year	149,972,108	142,537,661	(671,835)	55,894,161	153,268	(934,681)	80,766	347,031,448
Less amounts written off	24,212,439	39,153,344	-	33,193,326	-	-	-	96,559,109
At 31st March 2013	280,739,134	284,021,725	1,064,830	128,335,905	932,604	3,216,752	14,964,576	713,275,526
Individual impairment	-	-	-	36,853,842	-	-	13,443,154	50,296,996
Collective impairment	280,739,134	284,021,725	1,064,830	91,482,063	932,604	3,216,752	1,521,422	662,978,530
	280,739,134	284,021,725	1,064,830	128,335,905	932,604	3,216,752	14,964,576	713,275,526
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	-	-	-	36,853,842	-	-	13,443,154	50,296,996
Group								
At 1st April 2011	158,508,223	173,422,052	5,076,198	114,440,693	3,196,604	8,845,721	15,340,610	478,830,101
Charge/(Reversal) for the year	100,530,200	96,295,009	(1,922,132)	25,964,223	(2,417,268)	(3,346,974)	(259,603)	214,843,455
Less amounts written off	55,906,632	72,729,665	-	5,949,188	-	-	-	134,586,485
At 31st March 2012	203,131,791	196,987,396	3,154,066	134,455,728	779,336	5,498,747	15,081,007	559,088,071
Individual impairment	29,225,453	-	-	51,975,421	-	-	13,443,154	94,644,028
Collective impairment	173,906,338	196,987,396	3,154,066	82,480,307	779,336	5,498,747	1,637,853	464,444,043
	203,131,791	196,987,396	3,154,066	134,455,728	779,336	5,498,747	15,081,007	559,088,071
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	29,225,453	-	-	51,975,421	-	-	13,443,154	94,644,028
At 1st April 2012	203,131,791	196,987,396	3,154,066	134,455,728	779,336	5,498,747	15,081,007	559,088,071
Charge/(Reversal) for the year	155,174,380	152,656,611	2,033,291	56,502,226	153,268	10,786,118	1,887,938	379,193,832
Less amounts written off	24,212,439	39,153,344	-	33,193,326	-	-	-	96,559,109
At 31st March 2013	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
Individual impairment	-	-	-	47,349,693	-	7,163,493	13,443,154	67,956,340
Collective impairment	334,093,732	310,490,663	5,187,357	110,414,935	932,604	9,121,372	3,525,791	773,766,454
	334,093,732	310,490,663	5,187,357	157,764,628	932,604	16,284,865	16,968,945	841,722,794
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	-	-	-	47,349,693	-	7,163,493	13,443,154	67,956,340

Notes to the Financial Statements *contd.*

As at 31st March	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
20. Reinsurance and Insurance Receivable						
Reinsurance receivables	-	-	-	148,407,599	169,994,608	2,237,869
Insurance receivables	-	-	-	10,754,524	1,044,198	34,860,394
Total	-	-	-	159,162,123	171,038,806	37,098,263

21. Financial Investments-Available-for-Sale

Equity securities (note 21.1)	305,170,064	305,170,064	246,370,124	305,170,064	305,170,064	246,370,124
Less: Impairment charges (note 21.2)	120,990,172	91,382,167	23,860,224	120,990,172	91,382,167	23,860,224
	184,179,892	213,787,897	222,509,900	184,179,892	213,787,897	222,509,900

Investment in government securities

Treasury bills	-	-	-	989,687,593	913,076,233	449,731,164
Net available-for-sale investments	184,179,892	213,787,897	222,509,900	1,173,867,485	1,126,864,130	672,241,064

21.1 Financial investments-available-for-sale

Company and Group	No. of Shares	2013 Cost of Investment Rs.	Market value Rs.	No. of Shares	2012 Cost of Investment Rs.	Market value Rs.	No. of Shares	2011 Cost of Investment Rs.	Market value Rs.
Quoted Investments									
Sanasa Development Bank PLC	1,000,000	100,000,000	65,100,000	1,000,000	100,000,000	100,000,000	1,000,000	100,000,000	100,000,000
People's Merchant Finance PLC	8,819,992	205,160,064	119,069,892	8,819,992	205,160,064	113,777,897	4,899,996	146,360,124	122,499,900
	9,819,992	305,160,064	184,169,892	9,819,992	305,160,064	213,777,897	5,899,996	246,360,124	222,499,900
Unquoted Investments									
Credit Information Bureau of Sri Lanka	100	10,000	10,000	100	10,000	10,000	100	10,000	10,000
	9,820,092	305,170,064	184,179,892	9,820,092	305,170,064	213,787,897	5,900,096	246,370,124	222,509,900

As at 31st March	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
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21.2 Movements in impairment charges during the year

Opening balance at 1st April	91,382,167	23,860,224	-	91,382,167	23,860,224	-
Other movements	29,608,005	67,521,943	23,860,224	29,608,005	67,521,943	23,860,224
Closing balance as at 31st March	120,990,172	91,382,167	23,860,224	120,990,172	91,382,167	23,860,224

	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
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22. Financial Investments – Held-to-Maturity

Held to Maturity

Treasury bills	-	-	-	516,301,936	626,771,528	308,324,000
Treasury bonds	-	-	-	23,464,015	23,210,921	36,509,302
Total	-	-	-	539,765,951	649,982,449	344,833,302

23. Investments in Subsidiaries

Quoted equity shares (note 23.1)	1,707,687,562	1,643,184,304	965,250,254	-	-	-
Unquoted equity shares (note 23.2)	1,475,000,000	1,475,000,000	840,000,000	-	-	-
Less: Impairment charges	-	-	-	-	-	-
Total	3,182,687,562	3,118,184,304	1,805,250,254	-	-	-

Details of subsidiaries

As at 31st March	Holding %	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
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23.1 Quoted equity shares

People's Finance PLC	91.12	1,707,687,562	1,643,184,304	965,250,254	-	-	-
Sub total		1,707,687,562	1,643,184,304	965,250,254	-	-	-

23.2 Unquoted equity shares

People's Leasing Fleet Management Limited	100.00	75,000,000	75,000,000	75,000,000	-	-	-
People's Leasing Property Development Limited	100.00	550,000,000	550,000,000	200,000,000	-	-	-
People's Leasing Havelock Properties Limited	100.00	200,000,000	200,000,000	200,000,000	-	-	-
People's Microfinance Limited	100.00	50,000,000	50,000,000	15,000,000	-	-	-
People's Insurance Limited	100.00	600,000,000	600,000,000	350,000,000	-	-	-
Sub total		1,475,000,000	1,475,000,000	840,000,000	-	-	-
Total		3,182,687,562	3,118,184,304	1,805,250,254	-	-	-

Notes to the Financial Statements *contd.*

	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
24. Investments in Associates						
Associates						
Unquoted equity share (note 24.2)	50,000,000	50,000,000	-	50,000,000	50,000,000	-
Less: Impairment charges (note 24.1)	(50,000,000)	(50,000,000)	-	(50,000,000)	(50,000,000)	-
Total	-	-	-	-	-	-

24.1 Movements in impairment charges during the year

Associates						
Opening balance at 1st April	50,000,000	-	-	50,000,000	-	-
Charge/(write back) to income statement	-	50,000,000	-	-	50,000,000	-
Closing balance at 31st March	50,000,000	50,000,000	-	50,000,000	50,000,000	-

24.2 Details of associates

As at 31st March	Holding %	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
Unquoted equity share							
City Finance Corporation Ltd (50,000,000 ordinary shares)	28.51	50,000,000	50,000,000	-	50,000,000	50,000,000	-
Total		50,000,000	50,000,000	-	50,000,000	50,000,000	-

25. Goodwill and Intangible Assets

	Company		Group			Total Rs.
	Computer software Rs.	Total Rs.	Computer software Rs.	Customer list Rs.	Goodwill Rs.	
2012/2013 (Current year)						
Cost/fair value						
Opening balance at 1st April 2012	86,183,489	86,183,489	89,119,479	6,033,738	308,545,249	403,698,466
Additions	10,656,173	10,656,173	25,333,795	-	-	25,333,795
Disposals	-	-	-	-	-	-
Closing balance at 31st March 2013	96,839,662	96,839,662	114,453,274	6,033,738	308,545,249	429,032,261
Less: Accumulated depreciation						
Opening balance at 1st April 2012	49,442,763	49,442,763	49,799,453	3,419,137	-	53,218,590
Charge for the year	12,094,283	12,094,283	16,325,134	1,206,756	-	17,531,890
Disposals	-	-	-	-	-	-
Closing balance at 31st March 2013	61,537,046	61,537,046	66,124,587	4,625,893	-	70,750,480
Less: Impairment charges	-	-	-	-	-	-
Net book value at 31st March 2013	35,302,616	35,302,616	48,328,687	1,407,845	308,545,249	358,281,781
2011/2012 (Previous year)						
Cost/fair value						
Opening balance at 1st April 2011	57,712,350	57,712,350	59,336,918	6,033,738	308,545,249	373,915,905
Additions	28,471,139	28,471,139	29,782,561	-	-	29,782,561
Disposals	-	-	-	-	-	-
Closing balance at 31st March 2012	86,183,489	86,183,489	89,119,479	6,033,738	308,545,249	403,698,466
Less: Accumulated depreciation						
Opening balance at 1st April 2011	38,751,621	38,751,621	38,894,042	2,212,381	-	41,106,423
Charge for the year	10,691,142	10,691,142	10,905,411	1,206,756	-	12,112,167
Disposals	-	-	-	-	-	-
Closing balance at 31st March 2012	49,442,763	49,442,763	49,799,453	3,419,137	-	53,218,590
Less: Impairment charges	-	-	-	-	-	-
Net book value at 31st March 2012	36,740,726	36,740,726	39,320,026	2,614,601	308,545,249	350,479,876

Notes to the Financial Statements *contd.*

26. Property, Plant and Equipment

26.1 Company

	Land & Buildings Rs.	Improvement of Leasehold Properties Rs.	Motor Vehicles Rs.	Computer Hardware Rs.	Office Equipments Rs.	Furniture and Fittings Rs.	Total Rs.
2012/2013 (Current year)							
Cost/fair value							
Opening balance at 1st April 2012	151,529,427	62,433,785	215,462,571	278,780,374	196,126,071	189,500,924	1,093,833,152
Additions	364,030	991,078	592,297	33,279,820	74,665,711	38,542,990	148,435,926
Disposals	6,310,100	4,602,946	43,801,327	-	45,221,529	3,575,108	103,511,010
Closing balance at 31st March 2013	145,583,357	58,821,917	172,253,541	312,060,194	225,570,253	224,468,806	1,138,758,068
Less: Accumulated depreciation							
Opening balance at 1st April 2012	75,721	39,731,367	120,205,562	141,791,016	91,694,298	61,439,608	454,937,572
Charge for the year	302,885	7,325,008	27,361,653	43,508,457	31,296,122	37,146,591	146,940,716
Disposals	-	4,602,946	38,954,368	-	21,496,723	2,298,407	67,352,444
Closing balance at 31st March 2013	378,606	42,453,429	108,612,847	185,299,473	101,493,697	96,287,792	534,525,844
Less: Impairment charges	-	-	-	-	-	-	-
Net book value at 31st March 2013	145,204,751	16,368,488	63,640,694	126,760,721	124,076,556	128,181,014	604,232,224
2011/2012 (Previous year)							
Cost/fair value							
Opening balance at 01st April 2011	35,566,277	36,764,798	263,177,259	181,195,810	120,847,550	73,095,930	710,647,624
Additions	115,963,150	25,668,987	40,129,177	97,665,181	75,393,521	119,914,577	474,734,593
Disposals	-	-	87,843,865	80,617	115,000	3,509,583	91,549,065
Closing balance at 31st March 2012	151,529,427	62,433,785	215,462,571	278,780,374	196,126,071	189,500,924	1,093,833,152
Less: Accumulated depreciation							
Opening balance at 1st April 2011	-	33,607,866	141,332,321	109,569,086	70,974,165	39,630,555	395,113,993
Charge for the year	75,721	6,123,501	44,525,419	32,302,547	20,723,965	25,228,710	128,979,863
Disposals	-	-	65,652,178	80,617	3,832	3,419,657	69,156,284
Closing balance at 31st March 2012	75,721	39,731,367	120,205,562	141,791,016	91,694,298	61,439,608	454,937,572
Less: Impairment charges	-	-	-	-	-	-	-
Net book value at 31st March 2012	151,453,706	22,702,418	95,257,009	136,989,358	104,431,773	128,061,316	638,895,580

26.2 Group

	Land & Buildings Rs.	Improvement of Leasehold Properties Rs.	Motor Vehicles Rs.	Computer Hardware Rs.	Office Equipments Rs.	Furniture & Fitting Rs.	Work in Progress Rs.	Total Rs.
2012/2013 (Current year)								
Cost/fair value								
Opening balance at 1st April 2012	1,612,281,131	62,433,783	413,533,965	378,836,738	415,643,398	249,863,294	304,720,106	3,437,312,415
Additions	263,058,890	991,078	81,398,231	53,122,592	102,114,609	62,966,082	84,372,550	648,024,032
Disposals	174,628,375	4,602,946	81,893,483	21,226,916	45,261,531	25,064,156	360,980,803	713,658,210
Closing balance at 31st March 2013	1,700,711,646	58,821,915	413,038,713	410,732,414	472,496,476	287,765,220	28,111,853	3,371,678,237
Less: Accumulated depreciation								
Opening balance at 1st April 2012	14,997,840	39,731,367	169,015,608	185,115,237	113,225,937	86,142,932	-	608,228,921
Charge for the year	21,875,261	7,325,008	45,045,080	62,235,983	57,313,165	49,599,889	-	243,394,386
Disposals	-	4,602,946	58,570,120	20,784,816	21,536,723	15,583,082	-	121,077,687
Closing balance at 31st March 2013	36,873,101	42,453,429	155,490,568	226,566,404	149,002,379	120,159,739	-	730,545,620
Less: Impairment charges	-	-	-	-	-	-	-	-
Net book value at 31st March 2013	1,663,838,545	16,368,486	257,548,145	184,166,010	323,494,097	167,605,481	28,111,853	2,641,132,617
2011/2012 (Previous year)								
Cost/fair value								
Opening balance at 01st April 2011	491,050,647	36,764,796	411,074,421	242,845,102	139,320,478	108,258,034	648,080,785	2,077,394,263
Additions	1,121,230,484	25,668,987	103,081,067	136,072,253	279,219,313	145,114,843	824,542,147	2,634,929,094
Disposals	-	-	100,621,523	80,617	2,896,393	3,509,580	1,167,902,826	1,275,010,939
Closing balance at 31st March 2012	1,612,281,131	62,433,783	413,533,965	378,836,738	415,643,398	249,863,297	304,720,106	3,437,312,418
Less: Accumulated depreciation								
Opening balance at 1st April 2011	788,000	33,607,866	144,048,681	136,714,379	74,965,465	55,380,433	-	445,504,824
Charge for the year	14,209,840	6,123,501	66,342,701	48,481,475	39,373,112	34,182,156	-	208,712,785
Disposals	-	-	41,375,774	80,617	1,112,641	3,419,657	-	45,988,689
Closing balance at 31st March 2012	14,997,840	39,731,367	169,015,608	185,115,237	113,225,936	86,142,932	-	608,228,920
Less: Impairment charges	-	-	-	-	-	-	-	-
Net book value at 31st March 2012	1,597,283,291	22,702,416	244,518,357	193,721,501	302,417,462	163,720,365	304,720,106	2,829,083,498

Notes to the Financial Statements *contd.*

As at 31st March	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
27. Investment Property						
At the beginning of the year	56,000,000	56,000,000	43,651,580	-	-	-
Net gain from fair value adjustments	-	-	12,348,420	-	-	-
At the end of the year	56,000,000	56,000,000	56,000,000	-	-	-
28. Deferred Tax Assets and Liabilities						
ASSETS						
Deferred Tax Assets						
Carry forward tax losses	-	-	-	-	-	98,122,340
Fair value losses recognise in other comprehensive income	-	-	-	-	1,002,669	-
Defined benefit plan liability	-	-	-	-	222,058	1,435,035
	-	-	-	-	1,224,727	99,557,375
Deferred Tax Liability						
Accelerated depreciation allowance for tax purpose (Rentals receivable)	-	-	-	-	-	63,271,199
Accelerated depreciation allowance for tax purpose (Property, plant & equipment)	-	-	-	-	381,813	7,144,863
	-	-	-	-	381,813	70,416,062
Net deferred tax assets	-	-	-	-	842,914	29,141,313
LIABILITY						
Deferred Tax Assets						
Carry forward tax losses	-	-	-	3,800,202	31,539,364	2,437,998
Defined benefit plan liability	13,576,299	10,363,779	7,515,354	16,121,670	12,149,911	7,562,101
	13,576,299	10,363,779	7,515,354	19,921,872	43,689,275	10,000,099
Deferred Tax Liability						
Accelerated depreciation allowance for tax purpose (Rentals receivable)	1,070,753,817	516,504,744	411,882,751	1,161,831,623	606,366,297	411,882,751
Accelerated depreciation allowance for tax purpose (Property, plant & equipment)	48,112,361	28,400,368	7,711,152	67,397,223	46,971,563	11,755,006
Fair value losses recognised in other comprehensive income	-	-	-	470,306	-	-
	1,118,866,178	544,905,112	419,593,903	1,229,699,152	653,337,860	423,637,757
Net deferred tax liabilities	1,105,289,879	534,541,333	412,078,549	1,209,777,280	609,648,585	413,637,658

Deferred tax assets/liabilities have been calculated at the rate of 28%.

As at 31st March	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
29. Other Assets						
Advance payments	148,975,703	99,431,034	99,120,408	608,491,147	272,639,528	259,660,040
VAT/VAT on financial services recoverable	114,388,066	921,542,232	635,992,283	242,182,054	1,252,935,385	665,997,981
Income tax receivables	74,403,384	-	-	74,403,384	-	-
Vehicles and real estates inventory	69,990,420	169,105,286	246,550,925	69,990,420	169,105,286	246,550,925
Consumables	7,622,726	7,773,645	4,972,086	9,669,558	9,317,010	6,425,877
Other receivables	227,822,082	348,324,129	1,189,819,383	533,889,772	693,998,751	1,452,787,325
Total	643,202,381	1,546,176,326	2,176,455,085	1,538,626,335	2,397,995,960	2,631,422,148
30. Financial Liabilities						
Overdraft	774,688,112	2,073,089,207	1,168,595,180	960,786,766	2,308,921,888	1,358,945,476
Short term loans	22,921,160,664	27,009,083,944	19,774,220,081	23,662,540,664	27,010,311,108	19,819,637,302
Debentures (note 30.2)	7,882,843,130	2,014,929,988	1,778,138,690	7,782,843,130	2,014,929,988	1,778,138,690
Long term loans	10,878,434,017	13,354,556,605	11,109,609,679	12,211,617,212	15,563,869,236	11,708,650,882
Asset backed securities	12,202,921,982	13,356,320,359	7,821,662,140	12,202,921,982	13,356,320,359	7,821,662,140
Deposits	6,830,482,112	-	-	18,709,869,092	11,307,887,149	6,192,012,209
Redeemable preference shares (note 30.1)	724,791,667	931,875,000	1,087,041,667	724,791,667	931,875,000	1,087,041,667
Creditors	2,845,086,563	2,244,376,086	4,694,641,544	3,042,544,461	2,676,461,343	5,041,042,732
Related party payables (note 30.3)	-	1,457,332	307,040	-	-	-
Total	65,060,408,247	60,985,688,521	47,434,216,021	79,297,914,974	75,170,576,071	54,807,131,098
30.1 Redeemable preference shares						
Redeemable preference shares	700,000,000	900,000,000	1,050,000,000	700,000,000	900,000,000	1,050,000,000
Interest payable	24,791,667	31,875,000	37,041,667	24,791,667	31,875,000	37,041,667
Total	724,791,667	931,875,000	1,087,041,667	724,791,667	931,875,000	1,087,041,667
30.2 Debentures						
Not listed debentures (note 30.2.1)	1,945,105,112	2,014,929,988	1,788,138,690	1,945,105,112	2,014,929,988	1,788,138,690
Listed debentures (note 30.2.2)	5,937,738,018	-	-	5,837,738,018	-	-
Total	7,882,843,130	2,014,929,988	1,788,138,690	7,782,843,130	2,014,929,988	1,788,138,690
30.2.1 Not listed debentures						
Redeemable debentures	1,945,105,112	2,014,929,988	1,788,138,690	1,945,105,112	2,014,929,988	1,788,138,690
Total	1,945,105,112	2,014,929,988	1,788,138,690	1,945,105,112	2,014,929,988	1,788,138,690

Notes to the Financial Statements *contd.***30. Financial Liabilities contd.****30.2.2 Listed debentures**

In 2013 the Company issued Rs. 6,000 million worth of Senior, unsecured, redeemable, AA(-) rated four year (2013/2017) and five year (2013/2018) debentures of Rs. 100/- each.

	Face value Rs.	Interest rate	Repayment term	Issued date	Maturity date	Company 2013 Rs.	Group 2013 Rs.
Senior, unsecured, redeemable, AA(-) rated							
Option 01	1,986,500,000	16.50%	Semi Annually	27-Mar-2013	26-Mar-2017	1,965,886,095	1,965,886,095
Option 02	1,583,500,000	16.75%	Semi Annually	27-Mar-2013	26-Mar-2018	1,567,068,025	1,567,068,025
Option 03	2,430,000,000	17.00%	Annually	27-Mar-2013	26-Mar-2018	2,404,783,898	2,404,783,898
	6,000,000,000					5,937,738,018	5,937,738,018
Total						5,937,738,018	5,937,738,018

30.3 Related party payable

	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
People's Leasing Fleet Management Limited	-	1,457,032	51,108	-	-	-
People's Insurance Limited	-	-	255,932	-	-	-
People's Leasing Havelock Properties Limited	-	300	-	-	-	-
	-	1,457,332	307,040	-	-	-

31. Insurance Liabilities and Reinsurance Payable

Insurance liabilities (note 31.1)	-	-	-	2,171,701,475	1,755,609,548	620,174,513
Reinsurance payable	-	-	-	45,239,822	40,944,214	11,584,068
Total	-	-	-	2,216,941,297	1,796,553,762	631,758,581

31.1 Insurance liabilities

Outstanding claims provision	-	-	-	753,323,659	526,820,236	90,751,348
Provision for unearned premiums (net)	-	-	-	1,413,026,454	1,223,437,950	529,423,165
Provision for liability adequacy	-	-	-	5,351,362	5,351,362	-
Total	-	-	-	2,171,701,475	1,755,609,548	620,174,513

32. Current Tax Liabilities

Tax payable	-	239,471,170	726,400,946	85,759,294	251,070,759	728,235,210
Total	-	239,471,170	726,400,946	85,759,294	251,070,759	728,235,210

	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
33. Other Liabilities						
VAT on financial services payable	-	53,297,103	45,490,844	25,119,954	75,629,313	59,446,213
Retirement benefit obligations (note 33.1)	48,212,572	35,986,863	26,840,544	56,572,293	42,365,907	31,660,562
Total	48,212,572	89,283,966	72,331,388	81,692,247	117,995,220	91,106,775

33.1 Retirement benefit obligations

Gratuity Liability						
Opening balance at 1st April	35,986,863	26,840,544	21,544,342	42,365,907	32,063,399	25,565,294
Amount charged for the year	17,170,984	11,065,694	6,334,227	19,228,900	12,330,537	7,797,973
Less: Payments during the year	4,945,275	1,919,375	1,038,025	5,022,514	2,028,029	1,702,705
Closing balance at 31st March	48,212,572	35,986,863	26,840,544	56,572,293	42,365,907	31,660,562

Company/Group

Assumptions	2013	2012	2011
Discount rate	12.00%	10.00% - 12.00%	9.50% - 12.00%
Salary increment	10.00%	8.00% - 10.00%	8.00%
Staff Turnover			
20 Years	8.00%	8.00%	8.00%
25 Years	7.50%	7.50%	7.50%
30 Years	7.00%	7.00%	7.00%
35 Years	5.00%	5.00%	5.00%
40 Years	1.50%	1.50%	1.50%
45 Years	0.90%	0.90%	0.90%
50 Years	0.01%	0.01%	0.01%

Mortality - GA - 1983

Retirement age 55 years

Notes to the Financial Statements *contd.*

	2013		2012		2011	
	Number	Rs.	Number	Rs.	Number	Rs.
34. Capital						
Capital	1,560,000,160	12,258,000,800	1,560,000,160	12,058,000,800	50,000,008	800,000,080
	1,560,000,160	12,258,000,800	1,560,000,160	12,058,000,800	50,000,008	800,000,080
34.1 Stated capital						
Fully paid ordinary shares	1,560,000,160	11,608,000,800	1,560,000,160	11,608,000,800	50,000,008	500,000,080
Transfer from preference shares on redemption	-	650,000,000	-	450,000,000	-	300,000,000
Capital	1,560,000,160	12,258,000,800	1,560,000,160	12,058,000,800	50,000,008	800,000,080
Fully paid cumulative redeemable preference shares	135,000,000	1,350,000,000	135,000,000	1,350,000,000	135,000,000	1,350,000,000
Transfer to ordinary shares on redemption	(65,000,000)	(650,000,000)	(45,000,000)	(450,000,000)	(30,000,000)	(300,000,000)
Preference shares	70,000,000	700,000,000	90,000,000	900,000,000	105,000,000	1,050,000,000
Stated capital		12,958,000,800		12,958,000,800		1,850,000,080

	Company			Group		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
35. Statutory Reserve Fund						
Opening balance at 1st April	565,142,012	354,776,240	225,785,756	659,361,626	379,912,608	229,549,552
Transfers during the period	142,139,146	210,365,772	128,990,484	200,918,650	279,449,018	150,363,056
Closing balance at 31st March	707,281,158	565,142,012	354,776,240	860,280,276	659,361,626	379,912,608

People's Leasing & Finance PLC

In accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by the Central Bank of Sri Lanka, 5% of the net profit for the year has been transferred to the Statutory Reserve Fund.

People's Finance PLC

In accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by the Central Bank of Sri Lanka, 20% of the net profit for the year has been transferred to the Statutory Reserve Fund.

	2013 Rs.	Company 2012 Rs.	2011 Rs.	2013 Rs.	Group 2012 Rs.	2011 Rs.
36. Retained Earnings						
Opening balance at 1st April	3,360,177,586	6,755,997,457	4,743,052,140	3,443,771,661	6,660,556,321	4,684,863,770
Profit for the year	2,842,782,929	2,574,836,811	2,579,809,680	3,077,070,789	2,852,340,612	2,590,216,640
Less:						
Transfers to other reserves	430,384,032	656,991,363	199,628,049	509,476,018	752,000,783	221,000,621
Dividend	1,950,000,200	855,000,080	267,236,314	1,950,000,200	855,000,080	289,949,953
Disposal of changes in holding	-	-	-	17,833,542	-	-
Redemption of preference shares	200,000,000	150,000,000	100,000,000	200,000,000	150,000,000	100,000,000
Share issue expenses	-	220,665,239	-	-	224,124,409	3,573,515
Capitalisation of reserves	-	4,088,000,000	-	-	4,088,000,000	-
Closing balance at 31st March	3,622,576,283	3,360,177,586	6,755,997,457	3,843,532,690	3,443,771,661	6,660,556,321

37. Other Reserves

a. Company - Current year (2012/2013)

	Opening balance at 01.04.2012 Rs.	Movement/ transfers Rs.	Closing balance at 31.03.2013 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserve	517,263,156	288,244,886	805,508,042
Available for sale reserve	(91,382,167)	(29,608,005)	(120,990,172)
Total	825,880,989	258,636,881	1,084,517,870

b. Company - Previous year (2011/2012)

	Opening balance at 01.04.2011 Rs.	Movement/ transfers Rs.	Closing balance at 31.03.2012 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserve	70,637,565	446,625,591	517,263,156
Available for sale reserve	(23,860,224)	(67,521,943)	(91,382,167)
Total	446,777,341	379,103,648	825,880,989

Notes to the Financial Statements *contd.***37. Other Reserves contd.**

c. Group - Current year (2012/2013)

	Opening balance at 01.04.2012 Rs.	Movement/ transfers Rs.	Closing balance at 31.03.2013 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserve	543,189,330	308,557,368	851,746,698
Available-for-sale reserve	(94,963,126)	(24,347,380)	(119,310,506)
Total	848,226,204	284,209,988	1,132,436,192

d. Group - Previous year (2011/2012)

	Opening balance at 01.04.2011 Rs.	Movement/ transfers Rs.	Closing balance at 31.03.2012 Rs.
General reserve	300,000,000	-	300,000,000
Tax equalization reserve fund	100,000,000	-	100,000,000
Investment fund reserve	70,637,565	472,551,765	543,189,330
Available-for-sale reserve	(24,058,591)	(70,904,535)	(94,963,126)
Total	446,578,974	401,647,230	848,226,204

General Reserve

General Reserve represents the amounts set aside by the Directors for general application.

Tax Equalization Reserve Fund

Tax equalization fund comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.

Investment Fund Reserve

The reserve is created in accordance with the Central Bank guidelines issued to create an Investment Fund Reserve. 8% of the profits liable for VAT on Financial Services and 5% of the profits before tax calculated for payment of income taxes are transferred to this reserve when the payment of VAT on Financial Services and the self assessment payment of Income Tax for the period become due.

38. Non - Controlling Interest

	Group	
	2013 Rs.	2012 Rs.
Opening balance as at 1st April	207,534,262	99,766,344
Profit applicable for the year	33,263,959	34,567,940
Disposal and changes in holding	(46,720,138)	82,988,787
Less: Dividend paid	35,951,865	9,788,809
Closing balance at 31st March	158,126,218	207,534,262

39. Contingent Liabilities and Commitments

	Company			Group		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Contingent liabilities (note 39.1)	1,794,154,540	352,378,937	302,470,326	1,803,104,540	56,286,766	302,470,326
Commitments (note 39.2)	227,131,154	478,617,374	865,500,000	1,602,103,224	1,726,861,310	1,556,052,507
Total	2,021,285,694	830,996,311	1,167,970,326	3,405,207,764	1,783,148,076	1,858,522,833

39.1 Contingent liabilities

In the normal course of business, the Group makes various irrecoverable commitments and incurs certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, They do contain operational risk and therefore form a part of the overall risk profile of the Group. However no material losses are anticipated as a result of these transactions.

	Company			Group		
	2013 Rs.	2012 Rs.	2011 Rs.	2013 Rs.	2012 Rs.	2011 Rs.
Accidents of leased out vehicles	61,028,683	31,577,000	102,206,858	61,028,683	31,577,000	102,206,858
Guarantees - Related parties	1,700,000,000	-	-	1,700,000,000	-	-
Guarantees - Others	-	-	-	8,950,000	9,550,000	-
Pending bill retirements	33,125,857	320,801,937	200,263,468	33,125,857	15,159,766	200,263,468
Total	1,794,154,540	352,378,937	302,470,326	1,803,104,540	56,286,766	302,470,326

Notes to the Financial Statements *contd.***39.2 Commitments**

The Group has Commitments for acquisition of property, plant and equipment and intangible assets incidental to the ordinary course of business as at 31st March as follows:

	2013	Company	2011	2013	Group	2011
	Rs.	2012	Rs.	Rs.	2012	Rs.
		Rs.			Rs.	
Capital Commitments						
Approved and contracted for	-	-	42,342,839	481,768,413	708,243,936	298,518,876
Approved but not contracted for	220,000,000	475,937,020	823,157,161	1,113,203,657	1,015,937,020	1,257,533,631
	220,000,000	475,937,020	865,500,000	1,594,972,070	1,724,180,956	1,556,052,507
Un-utilised facilities						
Margin trading	7,131,154	2,680,354	-	7,131,154	2,680,354	-
	7,131,154	2,680,354	-	7,131,154	2,680,354	-
Total	227,131,154	478,617,374	865,500,000	1,602,103,224	1,726,861,310	1,556,052,507

	Company	2013	2012	Group	2012
		Rs.	Rs.	Rs.	Rs.
40. Non-Cash items included in Profit Before Tax					
Depreciation of property, plant and equipment		146,940,716	128,979,863	243,394,386	208,712,785
Amortisation of intangible assets		12,094,284	10,691,142	17,531,890	12,112,167
Impairment losses on loans and advances		522,746,986	257,979,807	698,564,892	298,694,399
Charge for defined benefit plans		17,170,984	11,065,694	19,228,900	12,330,537
(Gain)/loss on foreign exchange		1,717,478	(599,861)	1,258,102	(599,861)
Profit on sale of shares		-	(4,670,814)	-	(4,670,814)
Gain/(loss) on sale of property, plant and equipment		5,987,162	(17,165,380)	(53,780,897)	(15,889,809)
Gain/(loss) on equities		(10,142,141)	(590,426)	(29,886,221)	17,965,032
Total		696,515,469	385,690,025	896,311,052	528,654,436

	Company		Group	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
41. Change in Operating Assets				
Net increase in loans and receivable	(4,684,411,531)	(20,467,174,977)	(4,645,920,616)	(26,918,669,798)
Net increase in reinsurance and insurance receivable	-	-	(125,850,520)	(47,697,637)
Change in other assets	824,687,640	630,650,999	869,851,585	229,377,798
Total	(3,859,723,891)	(19,836,523,978)	(3,901,919,551)	(26,736,989,637)
42. Change in Operating Liabilities				
Change in deposits, asset back securities, short & long term loans and other financial liabilities	(658,659,540)	12,814,184,589	(778,620,849)	19,486,682,880
Net increase in insurance liabilities and reinsurance payable	-	-	420,387,536	1,164,795,181
Change in other liabilities	(48,154,727)	11,785,911	(43,386,306)	21,721,778
Total	(706,814,267)	12,825,970,500	(401,619,620)	20,673,199,839

Notes to the Financial Statements *contd.***43. Related Party Disclosure****43.1 Parent and ultimate controlling party**

The immediate Parent of the Company is People's Bank which is a Government owned entity.

43.2 Transactions with Key Management Personnel (KMP) and their Family Members

As per the Lanka Accounting Standard (LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors and members of the Corporate Management of the Company have been classified as KMPs of the Company.

43.2.1 Transactions with Key Management Personnel and their Close Family Members**43.2.1.1 Compensation to Key Management Personnel**

	2013	2012
	Rs.	Rs.
a. Compensation to Board of Directors		
Short-term employment benefits	1,505,329	1,616,802
Total	1,505,329	1,616,802
b. Compensation to Corporate Management		
Short-term employment benefits	45,193,647	39,171,264
Post employment benefits	4,161,227	3,545,944
Total	49,354,874	42,717,208

In addition to the above, the Company has also provided non cash benefits such as Company maintained vehicles to KMPs in line with the approved employment terms of the Company.

43.2.1.2 Share transactions with Key Management Personnel

	2013	2012
No. of ordinary shares held	6,962,800	7,458,800
Dividend paid	7,945,327	3,146,760

43.2.2 Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and other Related Entities

	KMPs & CFMs	
	2013 Rs.	2012 Rs.
a. Items in Income Statement		
Interest expense	694,904	92,934
b. Items in Statement of Financial Position		
Liabilities		
Promissory notes	3,502,529	2,980,015
Fixed deposits	2,326,780	-
Total	5,829,309	2,980,015

43.3 Transactions with Related Entities

43.3.1 Transactions with Government of Sri Lanka and Government Related entities

The immediate Parent of the Company is People's Bank which is a Government owned entity. The Company enters into transactions, arrangements and agreements with Government of Sri Lanka and its related entities. The significant financial dealings during the year and as at the statement of financial position date are as follows,

	Company 2013 Rs.	Group 2013 Rs.
a. Items in Income Statement		
Interest income on lease facilities granted	2,906,307	11,939,506
Interest income on loans granted	637,454	637,454
Interest expense on loans obtained	7,682,870	20,157,668
Interest expense on commercial paper issued	129,984,926	129,984,926
	141,211,557	162,719,554

Notes to the Financial Statements *contd.***43. Related Party Disclosure contd.**

43.3 Transactions with related entities contd.

	Company 2013 Rs.	Group 2013 Rs.
b. Items in Statement of Financial Position		
Assets		
Leases	14,615,456	42,566,563
Loans	12,001,130	12,001,130
Total	26,616,586	54,567,693
Liabilities		
Loans	98,454,859	150,830,813
Commercial papers	1,292,102,169	1,292,102,169
Total	1,390,557,028	1,442,932,982

Further, transactions as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities.

Investments in Treasury Bills, Treasury Bonds

Payments of statutory rates and taxes

Payments for utilities mainly comprising of telephone, electricity and water

Payments for employment retirement benefits - EPF & ETF

43.3.2 Transactions with other related entities

43.3.2.1 Company

The Company had the undermentioned financial dealings during the financial year with the following related entities.

	Immediate Parent		Subsidiaries		Affiliates	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
a. Items in Income Statement						
Interest expense on term loans & bank overdraft	808,073,405	627,116,855	74,314,972	129,853,854	-	-
Building rent expense	18,600,000	15,000,000	228,229,932	138,356,125	-	-
Shared fee income	-	-	83,765,369	53,277,368	-	-
Interest income on deposits	11,435,114	17,569,644	3,229,245	6,703,815	-	-
Interest income on repo investments	38,767,268	7,784,948	-	-	-	-
Dividend income	-	-	330,288,786	67,920,787	-	-
Expense on vehicle services & hiring	-	-	37,930,294	44,139,110	-	-
Insurance premium paid in respect of own policies	-	-	37,064,367	13,645,246	-	-
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	2,242,328,174	1,593,548,750	-	-
Service charges received	-	-	246,851,436	160,185,250	-	-
Interest expense on commercial papers	-	-	4,133,013	-	-	-
Agency commission income	168,045	5,783,816	-	-	-	-
Income on lease	32,896,777	38,777,430	-	-	-	-
b. Items in Statement of Financial Position						
Term loans & bank overdraft	4,724,028,459	6,506,711,214	99,624,175	259,598,681	-	-
Shared fee	-	-	1,474,944	473,932	-	-
Deposits	137,211,960	392,789,147	53,353,536	79,014,550	-	-
Repo investments	797,192,056	448,361,591	-	-	-	-
Vehicle hiring & service sales	-	-	2,928,490	-	-	-
Amount due from	-	-	341,614,588	213,232,893	-	-
Insurance premium receivable in respect of own policies	-	-	108,493,218	86,561,257	-	-
Debentures	-	-	100,000,000	-	-	-
Commercial papers	-	-	81,038,842	-	-	-
Building rent	3,100,000	-	-	-	-	-
Agency commission	-	231,817	-	-	-	-
Lease rental	193,170,564	314,403,794	-	-	-	-
Investment in shares	-	-	3,182,687,562	3,118,184,304	205,160,064	205,160,064
c. Off- Balance Sheet Items						
Guarantees	-	-	1,700,000,000	-	-	-

Notes to the Financial Statements *contd.***43. Related Party Disclosure contd.****43.3 Transactions with related entities contd.****43.3.2.2 Group**

The Group had the undermentioned financial dealings during the financial year with the following related entities.

	Immediate Parent		Affiliates	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
a. Items in Income Statement				
Interest expense on term loans & bank overdraft	808,073,405	627,116,855	-	-
Building rent income	49,285,710	33,515,471	-	-
Interest income on deposits	11,435,114	17,569,644	-	-
Interest income on treasury investments	72,370,420	24,128,483	-	-
Income on vehicle hiring & service sales	48,754,165	36,875,721	-	-
Service charges paid	84,244,436	34,322,220	-	-
Agency commission income	168,045	5,783,816	-	-
Income on lease	32,896,777	38,777,430	-	-
Building project income	26,929,342	8,988,234	-	-
b. Items in Statement of Financial Position				
Term loans & bank overdraft	4,724,028,459	6,506,711,214	-	-
Deposits	137,211,960	392,789,147	-	-
Treasury investments	1,208,913,343	819,395,650	-	-
Vehicle hiring & service sales	14,187,689	6,680,619	-	-
Amounts due from	222,927,911	247,770,344	-	-
Building rent	3,100,000	-	-	-
Agency commission	-	231,817	-	-
Lease rental	193,170,564	314,403,794	-	-
Investment in shares	-	-	205,160,064	205,160,064
Building project	492,035,728	284,494,296	-	-
c. Off-Balance Sheet Items				
Guarantees	2,500,000	-	-	-
Undrawn facilities	50,000,000	-	-	-

43.3.3 Net accommodation as a % of capital funds

	2013	2012
People's Bank	1.15%	2.10%
People's Finance PLC	0.01%	0.02%
People's Leasing Fleet Management Ltd	0.61%	1.07%
People's Leasing Property Development Ltd	2.02%	1.41%
People's Insurance Ltd	0.65%	0.58%
People's Microfinance Ltd	0.59%	0.00%
People's Leasing Havelock Properties Ltd	0.00%	0.00%

44. Fair Value of Financial Instruments

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments – Available for sale

Available for sale financial assets valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each security.

Financial assets at fair value through profit or loss - Held for trading

Held for trading financial assets valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each security.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Notes to the Financial Statements *contd.***44. Fair Value of Financial Instruments contd.****A. Determination of fair value and fair value hierarchy**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Company - 31st March 2013

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial investments – available for sale				
Quoted Investment	184,169,892		-	184,169,892
	184,169,892	-	-	184,169,892
Financial assets at fair value through profit or loss - held for trading				
Quoted Investment	56,667,250		-	56,667,250
	56,667,250	-	-	56,667,250
	240,837,142	-	-	240,837,142

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Company - 31st March 2012

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial investments - available for sale				
Quoted Investment	213,777,897		-	213,777,897
	213,777,897	-	-	213,777,897
Financial assets at fair value through profit or loss - held for trading				
Quoted Investment	29,197,690		-	29,197,690
	29,197,690	-	-	29,197,690
	242,975,587	-	-	242,975,587

The following table shows total gain and losses recognised in profit or loss during the period relating to assets and liabilities held at the respective period ended.

	For the year ended 31st March 2013		For the year ended 31st March 2012	
	Net Trading Income Rs.	Other Operating Income Rs.	Net Trading Income Rs.	Other Operating Income Rs.
Financial Assets				
Financial Assets held for trading				
Quoted Equity Investments	10,142,141	-	590,426	-
	10,142,141	-	590,426	-

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group - 31st March 2013

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial investments – Available for sale				
Quoted investment	184,169,892	-	-	184,169,892
Treasury bills	989,687,593	-	-	989,687,593
	1,173,857,485	-	-	1,173,857,485
Financial assets at fair value through profit or loss - Held For Trading				
Quoted investment	237,603,467	-	-	237,603,467
	237,603,467	-	-	237,603,467
	1,411,460,952	-	-	1,411,460,952

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group - 31st March 2012

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial investments – Available for sale				
Quoted investment	213,777,897	-	-	213,777,897
Treasury bills	913,076,233	-	-	913,076,233
	1,126,854,130	-	-	1,126,854,130
Financial assets at fair value through profit or loss - Held For Trading				
Quoted Investment	111,752,947	-	-	111,752,947
	111,752,947	-	-	111,752,947
	1,238,607,077	-	-	1,238,607,077

The following table shows total gain and losses recognised in profit or loss during the period relating to assets and liabilities held at the respective period ended.

	For the year ended 31st March 2013		For the year ended 31st March 2012	
	Net Trading Income Rs.	Other Operating Income Rs.	Net Trading Income Rs.	Other Operating Income Rs.
Financial Assets				
Financial Assets held for trading				
Quoted Equity Investments	29,886,221	-	(17,965,032)	-
	29,886,221	-	(17,965,032)	-

Notes to the Financial Statements *contd.***A. Determination of fair value and fair value hierarchy contd.**

Company

Set out below is a comparison, by class, of the carrying amount and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

	31st March 2013		31st March 2012	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial Assets				
Cash in hand	209,573,206	209,573,206	68,863,195	68,863,195
Securities purchase under resale agreement	797,192,056	797,192,056	448,361,591	448,361,591
Balances with banks & financial institutions	2,394,567,982	2,394,567,982	1,213,236,620	1,213,236,620
Loans and receivables	75,722,681,640	69,600,367,026	71,288,742,448	62,044,057,144
	79,124,014,884	73,001,700,270	73,019,203,854	63,774,518,550
Financial Liabilities				
Overdraft	774,688,112	774,688,112	2,073,089,207	2,073,089,207
Short term loans	22,921,160,664	23,110,386,776	27,009,083,944	26,901,920,366
Debentures	7,882,843,130	7,465,624,704	2,014,929,988	1,900,989,165
Long term loans	10,878,434,017	9,861,097,257	13,354,556,605	11,892,402,873
Asset backed securities	12,202,921,982	10,066,046,435	13,356,320,359	12,684,979,213
Deposits	6,830,482,112	6,272,560,938	-	-
Redeemable preference shares	724,791,667	917,439,125	931,875,000	702,556,256
Creditors and accrued expenses	2,845,086,563	2,845,086,563	2,244,376,086	2,244,376,086
Related party payables	-	-	1,457,332	1,457,332
	65,060,408,247	61,312,929,910	60,985,688,521	58,401,770,498

Group

Set out below is a comparison, by class, of the carrying amount and fair values of the Group's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

	31st March 2013		31st March 2012	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial Assets				
Cash in hand	519,724,085	519,724,085	451,048,417	451,048,417
Securities purchase under resale agreement	1,934,309,720	1,934,309,720	1,246,294,703	1,246,294,703
Balances with banks & financial institutions	3,743,516,459	3,743,516,459	1,892,169,898	1,892,169,898
Loans and receivables	88,298,471,245	81,909,911,282	83,935,185,352	74,176,176,339
Financial investments – Held-to-maturity	539,765,951	542,234,503	649,982,449	667,582,755
	95,035,787,460	88,649,696,049	88,174,680,819	78,433,272,112
Financial Liabilities				
Overdraft	960,786,766	960,786,766	2,308,921,888	2,308,921,888
Short term loans	23,662,540,664	23,850,353,214	27,010,311,108	27,961,212,746
Debentures	7,782,843,130	7,465,624,704	2,014,929,988	2,082,056,872
Long term loans	12,211,617,212	9,913,848,750	15,563,869,236	11,892,402,873
Asset backed securities	12,202,921,982	10,066,046,435	13,356,320,359	12,684,979,213
Deposits	18,709,869,092	18,315,486,858	11,307,887,149	11,345,143,480
Redeemable preference shares	724,791,667	917,439,125	931,875,000	702,556,256
Creditors and accrued expenses	3,042,544,461	2,845,086,563	2,676,461,343	2,244,376,087
	79,297,914,974	74,334,672,415	75,170,576,071	71,221,649,415

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

Carrying amounts are considered as fair value for short term credit facilities. Loans & receivables with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely short term loans, long term loans asset back securities and deposits with original tenors above one year and interest paid at maturity discounted using current market interest rates offered to customers and offered by lenders during the fourth quarter of the reporting period.

Notes to the Financial Statements *contd.***45. Current/Non Current Analysis****45.1 Company****As at 31st March**

	Up to 12 months Rs.	2013 More than 12 months Rs.	Total Rs.	Up to 12 months Rs.	2012 More than 12 months Rs.	Total Rs.
Assets						
Cash in hand	209,573,206	-	209,573,206	68,863,195	-	68,863,195
Securities purchase under resale agreement	797,192,056	-	797,192,056	448,361,591	-	448,361,591
Balances with banks & financial institutions	2,394,567,982	-	2,394,567,982	1,213,236,620	-	1,213,236,620
Financial investments held-for-trading	56,667,250	-	56,667,250	29,197,690	-	29,197,690
Loans and receivables	29,536,270,455	46,186,411,185	75,722,681,640	23,790,918,855	47,497,823,593	71,288,742,448
Reinsurance and insurance receivable	-	-	-	-	-	-
Financial investments – Available-for-sale	184,179,892	-	184,179,892	213,787,897	-	213,787,897
Financial investments – Held-to-maturity	-	-	-	-	-	-
Investments in subsidiaries	-	3,182,687,562	3,182,687,562	-	3,118,184,304	3,118,184,304
Investments in associates	-	-	-	-	-	-
Goodwill and intangible assets	-	35,302,616	35,302,616	-	36,740,726	36,740,726
Property, plant and equipment	-	604,232,224	604,232,224	-	638,895,580	638,895,580
Investment properties	-	56,000,000	56,000,000	-	56,000,000	56,000,000
Deferred tax assets	-	-	-	-	-	-
Other assets	643,202,381	-	643,202,381	1,546,176,326	-	1,546,176,326
Total assets	33,821,653,222	50,064,633,587	83,886,286,809	27,310,542,174	51,347,644,203	78,658,186,377
Liabilities						
Financial liabilities	42,605,571,538	22,454,836,709	65,060,408,247	46,762,923,366	14,222,765,155	60,985,688,521
Current tax liabilities	-	-	-	-	239,471,170	239,471,170
Deferred tax liabilities	-	1,105,289,879	1,105,289,879	-	534,541,333	534,541,333
Other liabilities	48,212,572	-	48,212,572	89,263,966	-	89,263,966
Total liabilities	42,653,784,110	23,560,126,588	66,213,910,698	46,852,187,332	14,996,777,658	61,848,984,990

45.2 Group
As at 31st March

	2013			2012		
	Up to 12 months Rs.	More than 12 months Rs.	Total Rs.	Up to 12 months Rs.	More than 12 months Rs.	Total Rs.
Assets						
Cash in hand	519,724,085	-	519,724,085	451,048,417	-	451,048,417
Securities purchase under resale agreement	1,934,309,720	-	1,934,309,720	1,246,294,703	-	1,246,294,703
Balances with banks & financial institutions	3,743,516,459	-	3,743,516,459	1,892,169,898	-	1,892,169,898
Financial investments – held-for-trading	237,603,467	-	237,603,467	111,752,947	-	111,752,947
Loans and receivables	34,776,504,732	53,521,966,513	88,298,471,245	28,038,127,444	55,897,057,908	83,935,185,352
Reinsurance and insurance receivable	-	159,162,123	159,162,123	-	171,038,806	171,038,806
Financial investments – available-for-sale	1,173,867,485	-	1,173,867,485	1,126,864,130	-	1,126,864,130
Financial investments – held-to-maturity	539,765,951	-	539,765,951	649,982,449	-	649,982,449
Investments in subsidiaries	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-
Goodwill and intangible assets	-	358,281,781	358,281,781	-	350,479,876	350,479,876
Property, plant and equipment	-	2,641,132,617	2,641,132,617	-	2,829,083,498	2,829,083,498
Investment properties	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	842,914	842,914
Other assets	1,538,626,335	-	1,538,626,335	2,397,995,960	-	2,397,995,960
Total assets	44,463,918,234	56,680,543,034	101,144,461,268	35,914,235,948	59,248,503,002	95,162,738,950
Liabilities						
Financial liabilities	54,426,896,739	24,871,018,235	79,297,914,974	56,748,257,474	18,422,318,597	75,170,576,071
Insurance liabilities and reinsurance payable	-	2,216,941,297	2,216,941,297	-	1,796,553,762	1,796,553,762
Current tax liabilities	85,759,294	-	85,759,294	251,070,759	-	251,070,759
Deferred tax liabilities	-	1,209,777,280	1,209,777,280	-	609,648,585	609,648,585
Other liabilities	81,692,247	-	81,692,247	117,995,220	-	117,995,220
Total liabilities	54,594,348,280	28,297,736,812	82,892,085,092	57,117,323,453	20,828,520,944	77,945,844,397

Notes to the Financial Statements *contd.***46. Financial Reporting by Segment**

As per the provision of Sri Lanka Financial Reporting Standard (SLFRS) 8, the operating segment of the Group has been identified based on the product and services offered by the group of which level of risk and rewards are significantly different from one another.

Top management of the Group considers the operating results and condition of its business segments in their decision making process and performance evaluation.

Types of products and services from which each operating segment derives its revenues are described as follows.

Leasing and advances

This segment includes Leasing, Hire Purchase, Ijarah, Murahba, Trading Murabha and Loan product offered to the customers.

Insurance business

Insurance business segment includes general insurance.

Other business

This segment includes all other business activities that the Group engages in other than above two segments.

	Lease & Advances		Insurance		Other		Eliminations		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000	RS. 000
Interest income	17,127,014,949	13,721,823,630	-	-	470,395,734	302,477,403	(112,134,767)	(141,907,096)	17,485,275,915	13,882,393,937
Net earned premiums	-	-	2,448,241,131	1,477,971,086	-	-	-	-	2,448,241,131	1,477,971,086
Net fee and commission income	688,952,195	636,329,188	15,176,732	17,839,962	414,396,455	195,247,254	(601,308,807)	(364,958,155)	517,216,575	484,458,248
Net trading income	-	-	-	-	30,345,596	(17,965,032)	-	-	30,345,596	(17,965,032)
Other operating income	48,079,707	29,447,190	-	-	613,090,352	398,642,803	(328,163,489)	(119,443,155)	333,006,571	308,646,838
Total revenue	17,864,046,852	14,387,600,006	2,463,417,863	1,495,811,048	1,528,228,137	878,402,428	(1,041,607,063)	(626,308,407)	20,814,085,788	16,135,505,077
Profit from operation	3,896,112,161	3,816,004,682	537,266,408	396,732,044	333,303,438	232,977,548	(227,172,375)	(166,114,975)	4,539,509,632	4,279,599,300
Income tax expenses	-	-	-	-	-	-	-	-	(1,429,174,884)	(1,392,690,748)
Non-controlling interest	-	-	-	-	-	-	-	-	(33,263,959)	(34,567,940)
Profit attributable to equity holder									3,077,070,789	2,852,340,612
Segment Assets	99,585,309,508	93,989,465,565	3,418,942,380	2,590,449,761	2,593,100,417	2,477,106,644	(4,452,891,037)	(3,894,283,020)	101,144,461,268	95,162,738,950
Total Assets	99,585,309,508	93,989,465,565	3,418,942,380	2,590,449,761	2,593,100,417	2,477,106,644	(4,452,891,037)	(3,894,283,020)	101,144,461,268	95,162,738,950
Segment Liabilities	80,067,338,478	75,290,141,582	2,555,640,143	1,954,835,694	1,635,444,608	1,616,891,812	(1,366,338,137)	(916,024,691)	82,892,085,092	77,945,844,397
Total Liability	80,067,338,478	75,290,141,582	2,555,640,143	1,954,835,694	1,635,444,608	1,616,891,812	(1,366,338,137)	(916,024,691)	82,892,085,092	77,945,844,397

47. Events After the Reporting Date

No circumstances have arisen since the Statement of Financial Position 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 2013. This will be declared at the Annual General Meeting to be held on 18th July 2013, upon approval of the shareholders.

As a condition to the issue of Finance Business License, the Monetary Board has required the Company to amalgamate with People's Finance PLC within a period of two years from the date of the license. Accordingly, the Company amalgamated with People's Finance PLC with effect from 02nd April 2013. All the minority shareholders of People's Finance PLC were entitled to three shares of People's Leasing & Finance PLC (the Amalgamated Company) for every one share held in People's Finance PLC. Consequently, 19,862,322 number of ordinary shares were issued to minority shareholders of People's Finance PLC and listed with effect from 10th April 2013.

48. Assets Pledged

The following assets have been pledged as securities for liabilities.

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged						Included under
		Company			Group			
		31 March 2013 Rs.	31 March 2012 Rs.	31 March 2011 Rs.	31 March 2013 Rs.	31 March 2012 Rs.	31 March 2011 Rs.	
Rentals receivable on lease	Securitisation	20,551,140,253	16,484,959,662	10,150,920,171	20,551,140,253	16,470,345,356	10,150,920,171	Loans and receivable
	Term loan / Debentures	7,398,943,481	8,303,868,549	9,547,805,572	7,398,943,481	8,303,868,549	9,547,805,572	Loans and receivable
	Overdrafts	79,173,113	148,872,674	-	79,173,113	148,872,674	-	Financial liabilities
Rentals receivable on hire-purchase	Securitisation	14,732,378,074	10,407,146,108	7,828,617,120	14,732,378,074	10,407,146,108	7,828,617,120	Loans and receivable
	Term loan / Debentures	5,453,114,467	6,008,080,671	10,887,308,967	5,453,114,467	6,008,080,671	10,887,308,967	Loans and receivable
	Overdrafts	179,420,357	265,415,571	-	179,420,357	265,415,571	-	Financial liabilities
Fixed deposit	Overdrafts	-	-	-	50,000,000	-	-	Financial liabilities
Fixed deposit	ATM operations	-	-	-	-	5,860,000	-	
Freehold land and building	Term loan	-	-	-	-	830,769,300	600,000,000	Property, plant & equipments
Fixed deposit	Obtain money changing license from CBSL	-	-	-	2,700,000	2,500,000	-	Balance with banks and financial institutions
	Term loan	-	392,764,936	558,679,900	-	392,764,936	558,679,900	Deposits with bank

Notes to the Financial Statements *contd.*

49. Risk Management

49.1 Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a sub committee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk Management & Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

49.2 Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and group and by monitoring exposures in relation to such limits.

Impairment assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchase and loans on an individual basis, including any overdue payments of interests or credit rating downgrades. Factors considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance in a financial difficulty, projected receipts and the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

Collectively assessed allowances

Allowances are assessed collectively for losses on leases, hire purchase and loans and for held to maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Company generally bases its analysis on historical experience. However, when there are significant market developments, regional and/or global, the Company would include macro-economic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Company may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, loan to collateral ratios) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by management to ensure alignment with the Company's overall policy.

49.2.1 Maximum exposure to credit risk

Credit quality by class of financial assets

The Company manages the credit quality of financial assets using number of rental/instalment arrears. The table below shows the credit quality by number of rentals/instalments arrears for all financial assets exposed to credit risk. The amounts presented are gross receivable amounts.

The Company As at 31st March 2013	Neither past due or impaired	Past due but not impaired				Individually impaired	Total
		0.01 to 2.99	3.00 to 5.99	6.00 to 12.99	> 13		
Cash in hand	209,573,206	-	-	-	-	-	209,573,206
Securities purchase under resale agreement	797,192,056	-	-	-	-	-	797,192,056
Balances with banks & financial institutions	2,394,567,982	-	-	-	-	-	2,394,567,982
Financial investments - held-for-trading	56,667,250	-	-	-	-	-	56,667,250
Loans and receivables	72,874,346,461	2,615,568,601	445,218,882	193,132,412	257,393,815	50,296,995	76,435,957,166
Less: Impairment charges							713,275,526
Net loans and receivables							75,722,681,640
Reinsurance and insurance receivable	-						-
Financial investments - available-for-sale	184,179,892	-	-	-	-	-	184,179,892
Financial investments - held-to-maturity	-	-	-	-	-	-	-

Group As at 31st March 2013	Neither past due or impaired	Past due but not impaired				Individually impaired	Total
		0.01 to 2.99	3.00 to 5.99	6.00 to 12.99	> 13		
Cash in hand	519,724,085	-	-	-	-	-	519,724,085
Securities purchase under resale agreement	1,934,309,720	-	-	-	-	-	1,934,309,720
Balances with banks & financial institutions	3,743,516,459	-	-	-	-	-	3,743,516,459
Financial investments - held-for-trading	237,603,467	-	-	-	-	-	237,603,467
Loans and receivables	84,814,040,980	3,032,025,597	663,464,574	249,795,231	305,747,824	75,119,833	89,140,194,039
Less: Impairment charges							841,722,794
Net loans and receivables							88,298,471,245
Reinsurance and insurance receivable	159,162,123						159,162,123
Financial investments - available-for-sale	1,173,867,485	-	-	-	-	-	1,173,867,485
Financial investments - held-to-maturity	539,765,951	-	-	-	-	-	539,765,951

Notes to the Financial Statements *contd.***49.2.2 Analysis of risk concentration**

The Company's concentrations of risk are managed by client/counterparty, by industry sector. The maximum credit exposure to any client or counterparty as of 31 March 2013 was Rs.250.00 million, before taking account of collateral or other credit enhancements and Rs. 190 million net of such protection.

Industry analysis

The following table shows the risk concentration by industry for the components of the statement of financial position.

Company

31st March 2013	Financial Services	Agriculture	Manufacturing	Tourism	
Cash in hand	209,573,206	-	-	-	
Securities purchase under resale agreement	797,192,056	-	-	-	
Balances with Banks & financial institutions	2,394,567,982	-	-	-	
Financial investments - held-for-trading	56,667,250	-	-	-	
Loans and receivable	97,782,973	2,134,986,515	18,932,374	379,218,189	
- Impairment charges	-	-	-	-	
Net loans and receivables	-	-	-	-	
Reinsurance and insurance receivable	-	-	-	-	
Financial investments - available-for-sale	184,179,892	-	-	-	
Financial investments - held-to-maturity	-	-	-	-	

Group

31st March 2013	Financial Services	Agriculture	Manufacturing	Tourism	
Cash in hand	519,724,085	-	-	-	
Securities purchase under resale agreement	1,934,309,720	-	-	-	
Balances with Banks & financial institutions	3,743,516,459	-	-	-	
Financial investments - held-for-trading	161,834,690	-	-	-	
Loans and receivable	-	2,555,809,481	148,013,172	402,751,992	
- Impairment charges	-	-	-	-	
Net loans and receivables	-	-	-	-	
Reinsurance and insurance receivable	-	-	-	-	
Financial investments - Available-for-sale	1,173,867,485	-	-	-	
Financial investments - Held-to-maturity	539,765,950	-	-	-	

	Transport	Construction	Traders	Services	Industry	Others	Total
	-	-	-	-	-	-	209,573,206
	-	-	-	-	-	-	797,192,056
	-	-	-	-	-	-	2,394,567,982
	-	-	-	-	-	-	56,667,250
	15,758,619,719	4,074,609,602	18,920,299,940	32,163,905,059	1,111,580,449	1,776,022,346	76,435,957,166
	-	-	-	-	-	-	(713,275,526)
	-	-	-	-	-	-	75,722,681,640
	-	-	-	-	-	-	-
	-	-	-	-	-	-	184,179,892
	-	-	-	-	-	-	-

	Transport	Construction	Traders	Services	Industry	Others	Total
	-	-	-	-	-	-	519,724,085
	-	-	-	-	-	-	1,934,309,720
	-	-	-	-	-	-	3,743,516,459
	-	-	-	-	-	75,768,777	237,603,467
	16,828,852,637	3,907,800,119	23,392,803,804	35,563,629,581	1,159,096,376	5,181,436,877	89,140,194,039
	-	-	-	-	-	-	(841,722,794)
	-	-	-	-	-	-	88,298,471,245
	-	-	-	-	-	159,162,123	159,162,123
	-	-	-	-	-	-	1,173,867,485
	-	-	-	-	-	-	539,765,951

Notes to the Financial Statements *contd.***49.3 Liquidity risk and funding management**

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company maintains a portfolio of marketable and assets that are assumed to be liquidated in the event of an unforeseen interruption of cash flow. In addition, the Company maintains the liquid asset requirement with the Central Bank of Sri Lanka equal to 10 % of time deposits and certificate of deposits and 15% of savings deposits.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio , which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

The ratios as at the end of the year were as follows:

Company - As at 31st March 2013

Liquidity ratios	Company	Group
Advances to deposit ratios (times)	10.97	4.69
Liquid assets to deposit (%)	50	36

49.3.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March 2013.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

Contractual maturities of undiscounted cash flows of financial assets and liabilities

Company

As at 31st March 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Cash in hand	209,573,206	-	-	-	-	209,573,206
Less: restricted balance	-	-	-	-	-	-
Securities purchase under resale agreement	797,192,056	-	-	-	-	797,192,056
Balances with banks & financial institutions	2,394,567,982	-	-	-	-	2,394,567,982
Financial investments - held-for-trading	56,667,250	-	-	-	-	56,667,250
Loans and receivables	4,240,153,300	9,713,646,302	27,066,325,087	57,876,100,904	42,089,139	98,938,314,732
Reinsurance and insurance receivable	-	-	-	-	-	-
Financial investments - available-for-sale	184,179,892	-	-	-	-	184,179,892
Financial investments - held-to-maturity	-	-	-	-	-	-
Total undiscounted financial assets	7,882,333,686	9,713,646,302	27,066,325,087	57,876,100,904	42,089,139	102,580,495,118
Financial liabilities						
Financial liabilities	3,528,956,786	18,537,307,020	23,180,089,923	26,370,372,618	111,464,320	71,728,190,667
Insurance liabilities and reinsurance payables	-	-	-	-	-	-
Total undiscounted financial liabilities	3,528,956,786	18,537,307,020	23,180,089,923	26,370,372,618	111,464,320	71,728,190,667
Net undiscounted financial assets/(liabilities)	4,353,376,900	(8,823,660,718)	3,886,235,164	31,505,728,286	(69,375,181)	30,852,304,451
Gross settled derivatives not held for trading:						
Financial assets						
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	-	-	-	-	-
Financial liabilities						
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	-	-	-	-	-
	-	-	-	-	-	-
Total gross settled derivatives assets/(liabilities) not held for trading	-	-	-	-	-	-
Total net financial assets/(liabilities)	4,353,376,900	(8,823,660,718)	3,886,235,164	31,505,728,286	(69,375,181)	30,852,304,451

Notes to the Financial Statements *contd.*

Contractual maturities of undiscounted cash flows of financial assets and liabilities Contd.

Group

As at 31st March 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Cash in hand	519,724,085	-	-	-	-	519,724,085
Less: restricted balance	-	-	-	-	-	-
Securities purchase under resale agreement	1,934,309,720	-	-	-	-	1,934,309,720
Balances with banks & financial institutions	3,684,887,343	-	58,629,116	-	-	3,743,516,459
Financial investments - held-for-trading	237,603,467	-	-	-	-	237,603,467
Loans and receivables	5,606,641,928	11,745,056,513	32,341,201,563	67,685,745,670	76,178,906	117,454,824,581
Reinsurance and insurance receivable	-	-	-	-	-	-
Financial investments - available-for-sale	1,173,867,485	-	-	-	-	1,173,867,485
Financial investments - held-to-maturity	-	211,525,000	355,000,000	-	-	566,525,000
Total undiscounted financial assets	13,157,034,028	11,956,581,513	32,754,830,679	67,685,745,670	76,178,906	125,630,370,797
Financial liabilities						
Financial liabilities	5,566,241,618	21,664,740,722	30,884,616,362	29,699,169,087	294,674,320	88,109,442,109
Insurance liabilities and reinsurance payables	-	-	-	-	-	-
Total undiscounted financial liabilities	5,566,241,618	21,664,740,722	30,884,616,362	29,699,169,087	294,674,320	88,109,442,109
Net undiscounted financial assets/(liabilities)	7,590,792,410	(9,708,159,209)	1,870,214,317	37,986,576,583	(218,495,414)	37,520,928,688
Gross settled derivatives not held for trading:						
Financial assets						
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	-	-	-	-	-
Financial liabilities						
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	-	-	-	-	-
Total gross settled derivatives assets/(liabilities) not held for trading	-	-	-	-	-	-
Total net financial assets/(liabilities)	7,590,792,410	(9,708,159,209)	1,870,214,317	37,986,576,583	(218,495,414)	37,520,928,688

49.3.2 Commitments and guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Company

As at 31st March 2013	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Guarantees	-	1,475,000,000	-	225,000,000	-	1,700,000,000
Pending bill retirements	5,655,432	15,908,125	11,562,300	-	-	33,125,857
Accidents of leased out vehicles	-	-	-	61,028,683	-	61,028,683
Capital commitment	-	-	227,131,154	-	-	227,131,154
Total commitments and guarantees	5,655,432	1,490,908,125	238,693,454	286,028,683	-	2,021,285,694

Group

As at 31st March 2013	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Guarantees	1,650,000	1,475,100,000	7,200,000	225,000,000	-	1,708,950,000
Pending bill retirements	5,655,432	15,908,125	11,562,300	-	-	33,125,857
Accidents of leased out vehicles	-	-	-	61,028,683	-	61,028,683
Capital commitment	-	-	574,103,224	135,000,000	893,000,000	1,602,103,224
Total commitments and guarantees	7,305,432	1,491,008,125	592,865,524	421,028,683	893,000,000	3,405,207,764

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Notes to the Financial Statements *contd.***49.4 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

49.4.2 Interest rate risk exposure on financial asset and liabilities

The table below analyses the Company's interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Company

As at 31st March 2013	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
Assets							
Cash in hand	209,573,206	-	-	-	-	-	209,573,206
Securities purchase under resale agreement	797,192,056	797,192,056	-	-	-	-	-
Balances with banks & financial institutions	2,394,567,982	40,485,486	637,979,083	-	-	-	1,716,103,413
Financial investments - held for trading	56,667,250	-	-	-	-	-	56,667,250
Loans and receivable	76,435,957,166	4,304,893,344	6,645,395,720	18,866,624,918	46,580,020,039	39,023,145	-
Less: Impairment charges	713,275,526						
Net loans and receivables	75,722,681,640						
Reinsurance and insurance receivable	-						
Financial investments – available for sale	184,179,892	-	-	-	-	-	184,179,892
Financial investments – held-to-maturity							
Total	80,078,137,552	5,142,570,886	7,283,374,803	18,866,624,918	46,580,020,039	39,023,145	2,166,523,761
Liabilities							
Financial Liabilities	65,060,408,247	775,166,491	26,295,443,244	18,138,789,894	16,832,089,548	173,832,507	2,845,086,564
Insurance liabilities and reinsurance payables	-	-	-	-	-	-	-
Total	65,060,408,247	775,166,491	26,295,443,244	18,138,789,894	16,832,089,548	173,832,507	2,845,086,564
Total interest sensitivity gap	15,017,729,305	4,367,404,395	(19,012,068,441)	727,835,024	29,747,930,491	(134,809,362)	(678,562,802)

Group

As at 31st March 2013	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
Assets							
Cash in hand	519,724,085		-	-	-	-	519,724,085
Securities purchase under resale agreement	1,934,309,720	1,934,309,720	-	-	-	-	-
Balances with banks & financial institutions	3,743,516,459	1,242,520,748	637,979,083	58,629,116	-	-	1,804,387,512
Financial investments - held for trading	237,603,467	-	-	-	-	-	237,603,467
Loans and receivable	89,140,194,039	4,978,838,201	7,852,786,114	22,579,579,462	53,661,948,876	67,041,386	-
Less: Impairment charges	841,722,794						
Net loans and receivables	88,298,471,245						
Reinsurance and insurance receivable	159,162,123	159,162,123	-	-	-	-	-
Financial investments – available for sale	1,173,867,485	-	85,504,345	904,183,248	-	-	184,179,892
Financial investments – held-to-maturity	539,765,951	-	201,672,625	338,093,326			
Total	97,448,143,329	8,314,830,792	8,777,942,167	23,880,485,152	53,661,948,876	67,041,386	2,745,894,956
Liabilities							
Financial Liabilities	79,297,914,974	1,429,848,264	29,849,679,409	25,236,114,948	19,382,685,385	357,042,507	3,042,544,462
Insurance liabilities and reinsurance payables	2,216,941,297	-	-	-	-	-	2,216,941,297
Total	81,514,856,271	1,429,848,264	29,849,679,409	25,236,114,948	19,382,685,385	357,042,507	5,259,485,759
Total interest sensitivity gap	15,933,287,058	6,884,982,528	(21,071,737,242)	(1,355,629,796)	34,279,263,491	(290,001,121)	(2,513,590,803)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The only currency risk faced by the Company is from the funds borrowed in USD. This exposure has been effectively managed by investing the USD borrowings in a fixed deposit. Therefore, currency risk to the Company is minimal.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available for sale. A 10 percent increase in the value of the Company's available for sale equities at 31st March 2013 would have increased equity by Rs. 24.08 million. An equivalent decrease would have resulted in an equivalent but opposite impact and would cause a potential impairment, which would reduce profit before tax by approximately Rs. 24.08 million.

Notes to the Financial Statements *contd.*

49.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial losses.

49.6 Insurance risks

People's Insurance Limited (PIL) is a fully owned subsidiary of the Company whose principle line of business is carrying out general insurance business. The following are the risks and their management arising from PIL for its statutory year ended 31st December.

49.6.1 Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PIL is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PIL maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PIL are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PIL has taken necessary action to comply with and complied with applicable regulations throughout the year.

49.6.2 Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

PIL willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PIL's risk management framework focuses on strategic risk, assumed risks and the potential risks. PIL identifies and categorises risks in terms of their source, their impact on PIL and preferred strategies for dealing with them.

Method used to manage risks

Risk appetite and risk tolerance

PIL has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. PIL manages the volatility and potential downward risk through diversification.

Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that PIL identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and equity investment risk. PIL manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that PIL is willing to expose.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	31 December 2012			31 December 2011		
	Gross liabilities	Reinsurance receivable	Net liabilities	Gross liabilities	Reinsurance receivable	Net liabilities
Motor	434,572,224	6,097,170	428,475,054	269,681,980	-	269,681,980
Marine	14,123,678	1,625,396	12,498,282	1,348,555	86,978	1,261,577
Fire	119,481,360	71,755,384	47,725,976	180,819,902	164,055,145	16,764,757
Miscellaneous	185,146,397	57,844,363	127,302,034	74,969,799	5,852,485	69,117,314
Total	753,323,659	137,322,313	616,001,346	526,820,236	169,994,608	356,825,628

Notes to the Financial Statements *contd.***Claims development table**

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date.

Gross non- life insurance contract outstanding claims provision for 2012 of PIL.

Rs. 000'

Accident Period	Development Period												Total
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	
2012 Q4	(60)	67	1,023	940	(344)	61,976	(190)	5,720	(55,206)	(36,313)	(87,480)	664,924	
2012 Q3	50	(1,538)	(334)	(3,390)	(886)	(62,462)	(2,465)	(38,633)	11,266	(23,199)	673,686	-	
2012 Q2	-	1,659	(86)	5,476	1,480	2,945	361	(62,895)	74,405	428,668	-	-	
2012 Q1	(11)	177	(169)	420	2,851	(2,651)	(42,538)	79,027	392,184	-	-	-	
2011 Q4	30	(273)	619	1,278	2,360	(45,833)	67,234	439,598	-	-	-	-	
2011 Q3	141	273	(712)	6,604	(24,514)	(174,650)	335,263	-	-	-	-	-	
2011 Q2	(63)	(297)	(2,479)	(14,654)	33,484	585,381	-	-	-	-	-	-	
2011 Q1	50	445	(5,856)	17,655	178,613	-	-	-	-	-	-	-	
2010 Q4	92	(282)	(1,664)	111,155	-	-	-	-	-	-	-	-	
2010 Q3	94	(4,264)	72,186	-	-	-	-	-	-	-	-	-	
2010 Q2	(814)	33,388	-	-	-	-	-	-	-	-	-	-	
2010 Q1	3,762	-	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	3,271	29,355	62,528	125,484	193,044	364,706	357,665	422,817	422,649	369,156	586,206	664,924	3,601,805

Rs. 000'

Accident Period	Development Period												Total
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	
2012 Q4	-	(46)	(3)	(484)	(316)	(783)	(1,502)	(9,357)	(12,203)	(5,023)	(88,665)	(313,342)	
2012 Q3	-	(26)	(38)	(638)	(1,825)	(1,595)	(4,657)	(22,541)	(15,170)	(93,896)	(324,685)	-	
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(27,756)	616	(13,938)	(146,926)	(246,174)	-	-	
2012 Q1	(19)	(2)	(321)	(495)	(6,763)	(32,163)	(28,859)	(158,460)	(219,499)	-	-	-	
2011 Q4	-	(668)	(331)	2,694	(5,097)	(10,704)	(127,396)	(195,737)	-	-	-	-	
2011 Q3	(141)	(297)	(502)	(10,432)	(11,150)	(95,481)	(181,098)	-	-	-	-	-	
2011 Q2	-	(232)	(468)	(7,710)	(59,982)	(125,395)	-	-	-	-	-	-	
2011 Q1	(215)	(1,538)	(3,469)	(48,920)	(81,575)	-	-	-	-	-	-	-	
2010 Q4	(319)	(2,245)	(28,676)	(52,889)	-	-	-	-	-	-	-	-	
2010 Q3	(29)	(11,230)	(25,985)	-	-	-	-	-	-	-	-	-	
2010 Q2	(1,736)	(10,981)	-	-	-	-	-	-	-	-	-	-	
2010 Q1	(812)	-	-	-	-	-	-	-	-	-	-	-	
Cumulative payments to date	(3,271)	(27,270)	(59,812)	(121,932)	(168,572)	(293,877)	(342,896)	(400,033)	(393,798)	(345,093)	(413,350)	(313,342)	(2,883,246)
Total gross claims outstanding	-	2,085	2,716	3,552	24,472	70,829	14,769	22,784	28,851	24,063	172,856	351,582	718,559

Net non-life insurance contract outstanding claims provision for 2012 of PIL.

Rs. (000)

Accident quarter	Development Period												Total
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	
2012 Q4	(60)	189	905	932	(412)	2,930	(139)	4,408	1,514	(34,491)	(86,842)	656,765	
2012 Q3	50	(1,662)	(217)	(3,361)	(810)	(1,900)	(4,028)	3,925	(46,215)	(23,560)	624,161		
2012 Q2	-	1,659	(82)	5,471	1,498	1,423	2,634	(63,125)	74,288	425,308			
2012 Q1	(11)	177	(176)	425	5,180	4,725	(42,396)	70,572	385,496				
2011 Q4	30	1,033	(685)	1,298	3,321	(52,215)	65,544	392,485					
2011 Q3	141	411	(624)	6,821	(24,839)	27,765	333,024						
2011 Q2	(63)	(388)	(844)	(14,715)	31,561	275,046							
2011 Q1	51	(1,044)	(5,014)	18,213	172,394								
2010 Q4	(68)	(634)	(3,256)	109,385									
2010 Q3	94	(4,113)	71,742										
2010 Q2	(814)	33,034											
2010 Q1	3,762												
Current estimate of cumulative claims Incurred	3,112	28,662	61,749	124,469	187,893	257,774	354,639	408,265	415,083	367,257	537,319	656,765	3,402,987

Rs. (000)

Accident quarter	Development Period												Total
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	
2012 Q4	-	(46)	(3)	(484)	(313)	(783)	(1,502)	(8,018)	(12,033)	(5,023)	(88,308)	(312,489)	
2012 Q3	-	(22)	(38)	(618)	(1,825)	(1,593)	(4,643)	(10,031)	(14,962)	(93,878)	(322,749)		
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(2,740)	712	(13,656)	(146,659)	(244,350)			
2012 Q1	(19)	(2)	(314)	(495)	(6,782)	(10,429)	(26,833)	(158,460)	(217,021)				
2011 Q4	-	(668)	(331)	2,695	(5,077)	(10,468)	(126,800)	(195,489)					
2011 Q3	(141)	(297)	(502)	(10,431)	(11,149)	(95,174)	(180,867)						
2011 Q2	-	(232)	(468)	(7,710)	(59,843)	(124,942)							
2011 Q1	(215)	(1,217)	(3,469)	(48,920)	(80,276)								
2010 Q4	(159)	(2,081)	(28,348)	(51,904)									
2010 Q3	(30)	(11,216)	(25,541)										
2010 Q2	(1,736)	(10,791)											
2010 Q1	(812)												
Cumulative payments to date	(3,112)	(26,577)	(59,033)	(120,925)	(167,129)	(246,129)	(339,933)	(385,654)	(390,675)	(343,251)	(411,057)	(312,489)	(2,805,964)
Total net claims outstanding	-	2,085	2,716	3,544	20,764	11,645	14,706	22,611	24,408	24,006	126,262	344,276	597,023

 **Capital Adequacy Ratio****As at 31.03.2013**
Amount Rs. (000)

Total tier I core capital	16,854,520
Total capital base (Note 1)	15,980,333
Total risk weighted assets (Note 2)	79,676,550
Core capital ratio (Minimum 5%)	21.15
Total risk weighted capital ratio (Minimum 10%)	20.06

Note 1 - Capital Base**Constituents of Capital****Amount Rs. (000)**

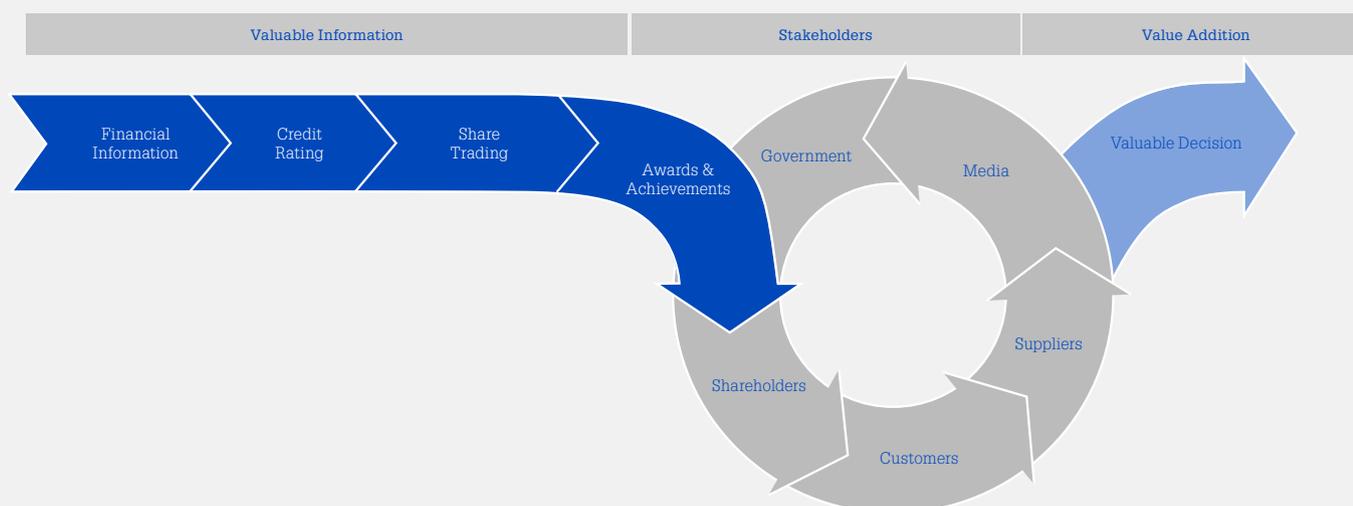
Tier I : Core Capital	16,854,520
Issued and paid-up ordinary shares/common stock (Cash)	11,608,001
Non-cumulative, Non-redeemable preference shares	-
Share premium	-
Statutory reserve fund	707,281
Published retained profits	3,489,238
General and other reserves	1,050,000
Surplus/loss after tax arising from the sale of fixed and long-term investments -	
Unpublished current year's profits/losses	-
Minority interest (consistent with the above capital constituents)	-
Goodwill (-)	-
Tier 2 : Supplementary Capital	-
Eligible revaluation reserves	-
Eligible general provisions	-
Approved hybrid (debt/equity) capital instruments	-
Minority interests arising from preference shares issued by subsidiaries	-
Eligible approved unsecured subordinated term debt	-
Eligible Tier 2 Capital	-
Total capital	16,854,520
Deductions	874,184
Equity Investments in unconsolidated banking and financial subsidiaries	650,000
Investments in capital of other banks/financial associates	224,187
Capital base	15,980,333

Note 2 - Risk Weighted Assets

Assets	Principal Amount of On-Statement of financial position Items Amount Rs. (000)	Credit Equivalent of Off-Balance Sheet Items	Risk Weight %	Risk Weighted Assets Rs. (000)
On-Statement of financial position - Total assets	83,012,100	-	-	79,676,550
Cash & current accounts with banks	1,925,676	-	0%	-
Deposits with banks	678,465	-	20%	135,693
Deposit with finance companies	-	-	20%	-
Due from Central Bank of Sri Lanka	-	-	0%	-
Sri Lanka government treasury bills	-	-	0%	-
Sri Lanka government /Central Bank securities	797,192	-	0%	-
Other securities guaranteed by Sri Lanka government	-	-	0%	-
Loans and advances	75,722,682	-	-	
Against deposits with the Company	69,910	-	0%	-
Against Sri Lanka government guarantee/ securities	-	-	0%	-
Against dues/securities/guarantees of Central Bank of Sri Lanka	-	-	0%	-
Against deposits with banks	-	-	20%	-
Against deposits with finance companies	-	-	20%	-
Staff loans secured by provident fund balances	-	-	0%	-
Loans against gold and gold Jewellery	-	-	0%	-
Less than 10% in total advances	-	-	0%	-
Between 10-50% in total advances	-	-	10%	-
Greater than 50% in total advances	-	-	25%	-
Loans against real estates (Performing)	-	-	50%	-
Other loans and advances	75,652,772	-	100%	75,652,772
Other investments (Excluding items deducted from the total capital)	2,549,348	-	100%	2,549,348
Fixed assets	695,535	-	100%	695,535
Other assets	643,202	-	100%	643,202

Shareholder Information

People's Leasing & Finance PLC wishes to maintain an open and honest relationship between potential and present stakeholders. We ensure that the company's financial and non-financial information is disclosed timely and transparently according to our internal guidelines and all statutory laws and regulations thus satisfying the information requirements of our stakeholders and enabling them to make timely and correct decisions. Shareholder information is therefore prepared to provide valued information to stakeholder in a timely, correct and meaningful manner. We aim to ensure that our shareholders and potential investors get reliable picture of People's Leasing & Finance PLC in terms of its current financial position and expected future developments. We strive to achieve the trust of all our stakeholders on which we can build and maintain long term and successful relationships. This shareholder information supplement provides briefly information on the awards & achievements, financial performance, stock exchange listing, credit rating, share trading and shareholders together with other information required to be presented to the stakeholders.

Value Addition to Stakeholders**1. The Company**

Founded in 1995, People's Leasing & Finance PLC is Sri Lanka's unshakable leader in the leasing sector. In the past 17 years, People's Leasing & Finance PLC has built an extraordinary tradition of excellence in all spheres of leasing and finance, and we are now the established market leader. Our customers range from individuals to SMEs to blue chip companies in every corner of the island. We have contributed immensely to the country's economic growth and the quality of life of millions of Sri Lankans.

The People's Leasing Group has diversified to include six subsidiaries, united under the PLC name. Customers can now obtain insurance, finance, microfinance, fleet management and property development services under one roof.

Our user-friendly product range, nationwide outreach and strong foundation of talented management and staff have made the Company immensely profitable. We are now a major contributor to the success of our parent company, People's Bank. As a subsidiary of People's Bank, the group enjoys government protection along with private sector flexibility.

2. Awards & Achievements

The Company owning a proud history of 17 years, has been awarded with many accolades that reflect on the Company's commitment to "achieve excellence at the heart of everything it engages in". These achievements illustrate the Company's potential to grow, even further.

Detailed information on awards & achievements are included in the section titled "Awards & Achievements" in this Annual Report.

3. Financials

Information on Ratios

	2012/13	2011/12
Dividend per share - Ordinary share (Rs.)	1.25*	1.00
Earning per share - Ordinary share (Rs.)	1.82	1.98
Dividend pay out ratio - Ordinary shares (%)	68.94	60.58
Net asset value per share (Rs.)	11.33	10.78

* This includes the final dividend of Rs. 0.50 per ordinary share for the year ended 31st March 2013 as recommended by Directors for approval by the Shareholders at the Annual General Meeting.

4. Stock Exchange Listing

The issued ordinary shares and fixed rate debentures of People's Leasing & Finance PLC were listed on the main board of the Colombo Stock Exchange in November 2011 and March 2013 respectively. The Stock Exchange code for People's Leasing & Finance PLC's is 'PLC'.

As required by Rule No. 7.4 (a)(i) of the Listing Rules of the CSE, the Unaudited Interim Financial Statements for the first three quarters of 2012/13 was submitted to the CSE within the time stipulated in the CSE listing rule.

The Unaudited Interim Financial Statements for the quarter ended 31st March 2013 was submitted to the CSE on 22nd May 2013 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 2013 and the Audited Statement of Financial Position as at 31st March 2013 will be submitted to the CSE within three months from the reporting date as required by Rule No. 7.5(a) of the Listing Rules of the CSE.

5. Stated Capital

A detailed break up of the Stated Capital is given in note 34 to the Financial Statements.

6. Credit Rating

The Company's credit rating was upgraded to 'AA-(lka)' from 'A+(lka) stable' by Fitch Ratings Lanka during the financial year whilst at present, the Company also enjoys two international ratings of ('B+/B') a rating equal to the Sovereign and (B+) a rating one notch below the Sovereign from Standard & Poor's and Fitch Rating International respectively.

7. Share Trading

Market Price

	Year ended	
	31st March 2013	31st March 2012
Highest price (Rs.)	16.70	18.30
Date of highest price	22.01.2013	24.11.2011
Lowest price (Rs.)	10.30	11.00
Date of lowest price	13.08.2012	15.03.2012
Closing price (Rs.)	13.10	11.60

Share price trend over last 12 months

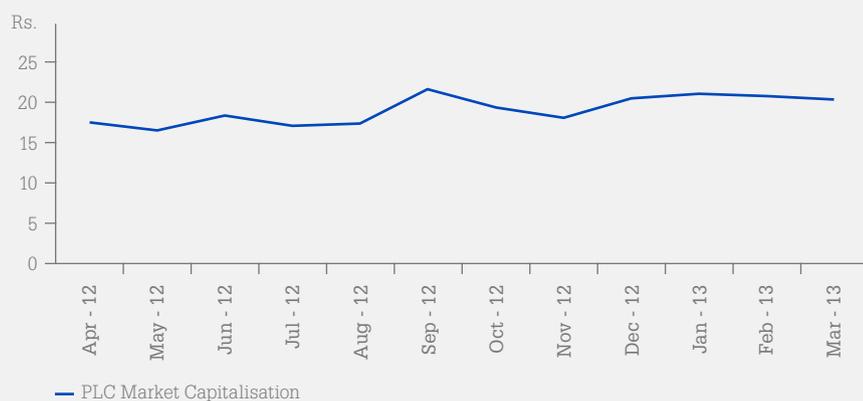
	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
Highest price (Rs.)	11.80	11.60	12.00	11.40	11.40	14.80	14.00	12.70	13.50	16.70	14.30	14.00
Lowest price (Rs.)	10.60	10.40	10.40	10.50	10.30	11.00	12.20	10.50	11.70	13.00	12.80	12.90
Closing price (Rs.)	11.10	10.40	11.70	10.80	11.00	14.00	12.40	11.50	13.20	13.60	13.40	13.10

Shareholder Information *contd.***Share price trend over last 12 months****Share trading information**

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
Number of transactions	612	884	1,248	888	933	3,703	914	1,153	1,974	3,460	1,053	573
Number of shares traded (Mn)	1.76	5.60	5.28	3.26	2.04	25.63	7.35	2.59	6.36	16.86	3.27	1.72
Value of shares traded (Rs. Mn)	19.67	62.99	60.34	35.22	21.92	335.68	97.50	29.97	82.42	265.36	44.70	23.10
Number of days traded	18	21	20	21	21	20	22	20	19	20	18	19
Average daily turnover (Rs. Mn)	1.09	3.00	3.02	1.68	1.04	16.78	4.43	1.50	4.34	13.27	2.48	1.22

Market Capitalisation over last 12 months

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
Market capitalisation (Rs. Bn)												
CSE	2,016.91	1,807.42	1,894.22	1,889.71	1,980.81	2,284.88	2,112.11	2,054.91	2,167.58	2,234.51	2,165.24	2,205.05
PLC	17.32	16.22	18.25	16.85	17.16	21.84	19.34	17.94	20.59	21.22	20.90	20.44
PLC market capitalisation as a % of CSE	0.86%	0.90%	0.96%	0.89%	0.87%	0.96%	0.92%	0.87%	0.95%	0.95%	0.97%	0.93%
PLC market capitalisation ranking	27	25	22	26	25	24	26	25	24	25	25	24

PLC Market Capitalisation

8. Shareholders

8.1 Shareholders base

The total number of ordinary shareholders as at 31st March 2013 was 9,488 compared to the 10,113 as at 31st March 2012.

8.2 Distribution of shareholder

Ordinary Shares

	31st March 2013				31st March 2012			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Less than or equal to 1000	3,406	35.90	2,905,789	0.19	3,411	33.73	3,147,618	0.20
1,001 to 10,000	4,434	46.73	18,614,953	1.19	4,819	47.65	20,390,716	1.30
10,001 to 100,000	1,473	15.52	42,915,044	2.75	1,698	16.79	50,390,861	3.23
100,001 to 1,000,000	146	1.54	36,205,235	2.32	157	1.55	38,623,984	2.48
Over 1,000,000	29	0.31	1,459,359,139	93.55	28	0.28	1,447,446,981	92.79
Total	9,488	100.00	1,560,000,160	100.00	10,113	100.00	1,560,000,160	100.00

Preference Shares

	31st March 2013				31st March 2012			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	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	1	100.00	70,000,000	100.00	1	100.00	90,000,000	100.00
Over 1,000,000	-	-	-	-	-	-	-	-
Total	1	100.00	70,000,000	100.00	1	100.00	90,000,000	100.00

8.3 Composition of Shareholders

8.3.1 Resident/ Non-Resident

Ordinary Shares

	As at 31st March 2013				As at 31st March 2012			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	9,441	99.50	1,497,822,442	96.01	10,071	99.58	1,504,058,960	96.41
Non - resident	47	0.50	62,177,718	3.99	42	0.42	55,941,200	3.59
Total	9,488	100.00	1,560,000,160	100.00	10,113	100.00	1,560,000,160	100.00

Preference Shares

	As at 31st March 2013				As at 31st March 2012			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	1	100.00	70,000,000	100.00	1	100	90,000,000	100.00
Non - resident	-	-	-	-	-	-	-	-
Total	1	100.00	70,000,000	100.00	1	100	90,000,000	100.00

Shareholder Information *contd.*

8.3.2 Individual/ Institutional

Ordinary Shares

	As at 31st March 2013				As at 31st March 2012			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Individuals	9,300	98.02	93,873,105	6.02	9,949	98.38	107,480,036	6.89
Institutions	188	1.98	1,466,127,055	93.98	164	1.62	1,452,520,124	93.11
Total	9,488	100.00	1,560,000,160	100.00	10,113	100.00	1,560,000,160	100.00

Preference Shares

	As at 31st March 2013				As at 31st March 2012			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Individuals	-	-	-	-	-	-	-	-
Institutions	1	100.00	70,000,000	100.00	1	100.00	90,000,000	100.00
Total	1	100.00	70,000,000	100.00	1	100.00	90,000,000	100.00

As at 31st March 2013, the average size of holding of ordinary shares was 164,418 compared to 154,257 as of 31st March 2012.

9. Public Holding

The percentage of ordinary shares held by the public as at 31st March 2013 was 23.83% (Number of shares 371,755,161) compared to 24.6% as at 31st March 2012 (Number of shares 383,786,040).

10. Twenty Largest Shareholders

10.1 Ordinary shares

Name of the Shareholder	31st March 2013		31st March 2012	
	No. of Shares	%	No. of Shares	%
People's Bank	1,182,030,999	75.77	1,170,000,120	75.00
Employees Provident Fund	61,884,490	3.97	55,555,500	3.56
National Savings Bank	58,809,840	3.77	58,809,840	3.77
Distilleries Company of Sri Lanka PLC	24,517,300	1.57	24,517,300	1.57
HSBC INTL Nominees Ltd - Credit Suisse AG Zurich	18,000,000	1.15	18,000,000	1.15
HSBC INTL NOM Ltd JPMCB - J.P. Morgan Clearing Corp	14,176,666	0.91	11,875,000	0.76
Bank of Ceylon No. 1 Account	11,453,600	0.74	11,453,600	0.73
HSBC International Nominees Limited - SSBT - The Ashmoreemm Umbrella Fund Trust	10,797,914	0.69	-	-
Eny - CF Ruffer Investment Funds: CF Ruffer Pacific Fund	10,000,000	0.64	10,000,000	0.64
Sanasa Development Bank Ltd	9,864,800	0.63	9,864,800	0.63
Capital Alliance Holdings Ltd	9,295,200	0.60	9,295,200	0.60
Ceylon Investment PLC A/C # 01	6,954,891	0.45	9,820,700	0.63
Sampath Bank Limited A/C No. 1	5,901,600	0.38	5,901,600	0.38
Mr. D. P. Kumarage	5,000,000	0.32	5,000,000	0.32
Gampaha District Co-Operative Rural Bank Union Ltd	4,921,800	0.32	4,921,800	0.32
Ceylon Guardian Investment Trust PLC A/C # 01	3,640,800	0.23	13,086,600	0.84
NDB Capital Holding PLC	3,288,800	0.21	-	-
HSBC INTL NOM Ltd - JPMIRE - GAM Star Fund PLS	3,000,000	0.19	3,000,000	0.19
David Piens Motor Company Ltd	2,250,000	0.14	3,302,721	0.21
Miss. N. T. M. S. Cooray	1,786,500	0.11	-	-
Northern Trust CO S/A Prince Street Opportunities Ltd*	-	-	7,250,000	0.46
Capital Development and Investment Company PLC*	-	-	3,288,800	0.21
Deutsche Bank AG - London*	-	-	1,805,100	0.12
Sub total	1,447,575,200	92.79	1,436,748,681	92.09
Other shareholders	112,424,960	7.21	123,251,479	7.91
Total	1,560,000,160	100.00	1,560,000,160	100.00

* These shareholders are not included in the list of twenty largest shareholders of the current year. However, holdings of these shareholders are included in other shareholders.

10.2 Preference shares

No.	Name of the Shareholder	31st March 2013		31st March 2012	
		No. of Shares	%	No. of Shares	%
1.	People's Bank	70,000,000	100.00	90,000,000	100.00
2.	Others	-	-	-	-
		70,000,000	100.00	90,000,000	100.00

11. Directors' and CEO's Shareholding

The number of ordinary shares held by the directors and CEO as at the reporting date were as follows.

Name	Position	No. of Shares as at 31st March 2013	No. of Shares as at 31st March 2012
Mr. Gamini S. Senarath	Chairman	Nil	Nil
Dr. Don Joseph Douglas Jayakody	Director	50,000	50,000
Mr. Hennek Gedara Wajira Swarna Sri Bandara	Director	Nil	Nil
Mr. Namasivayam Vasantha Kumar	Director	1,000,000	1,000,000
Mr. Palihawadana Arachchige Irenius Sirinimal Perera	Director	20,000	20,000
Ms. Manoli Gonaduwa Jinadasa	Director	Nil	Nil
Mr. Don Padmasiri Kumarage	CEO	5,000,000	5,000,000

12. Information on Movement in Number of Shares represented by the Capital

Year ended	No. of Shares at the Beginning of the Financial Year		Addition/(redemption) of Shares during the Financial Year		Cumulative Shares at the end of the Financial Year		Capital at the end of the Financial Year (Rs.)
	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares	
1995/96	2	-	-	-	2	-	20
1996/97	2	-	-	-	2	-	20
1997/98	2	-	2,500,000	-	2,500,002	-	25,000,020
1998/99	2,500,002	-	-	-	2,500,002	-	25,000,020
1999/00	2,500,002	-	1,500,000	-	4,000,002	-	40,000,020
2000/01	4,000,002	-	2,000,006	-	6,000,008	-	60,000,080
2001/02	6,000,008	-	4,000,000	-	10,000,008	-	100,000,080
2002/03	10,000,008	-	-	-	10,000,008	-	100,000,080
2003/04	10,000,008	-	10,000,000	50,000,000	20,000,008	50,000,000	700,000,080
2004/05	20,000,008	50,000,000	-	-	20,000,008	50,000,000	700,000,080
2005/06	20,000,008	50,000,000	30,000,000	-	50,000,008	50,000,000	1,000,000,080
2006/07	50,000,008	50,000,000	-	(5,000,000)	50,000,008	45,000,000	950,000,080
2007/08	50,000,008	45,000,000	-	(10,000,000)	50,000,008	35,000,000	850,000,080
2008/09	50,000,008	35,000,000	-	(10,000,000)	50,000,008	125,000,000	1,850,000,080
2009/10	50,000,008	125,000,000	-	(10,000,000)	50,000,008	115,000,000	1,850,000,080
2010/11	50,000,008	115,000,000	-	(10,000,000)	50,000,008	105,000,000	1,850,000,080
2011/12	50,000,008	105,000,000	1,510,000,152	(15,000,000)	1,560,000,160	90,000,000	12,958,000,800
2012/13	1,560,000,160	90,000,000	-	(20,000,000)	1,560,000,160	70,000,000	12,258,000,800

Subsequent to the reporting date, 19,862,322 ordinary shares were issued to minority shareholders of People's Finance PLC and listed with effect from 10th April 2013.

Shareholder Information *contd.***13. Information on Debentures of the Company****13.1 Related Ratios**

As at 31st March	2013	2012
Debt Equity Ratio (Times)	3.52	3.49
Interest Cover (Times)	1.47	1.60
Current/Quick Ratio (Times)	0.76	0.58

13.2 Debenture Issue

As at 31st March	2013			2012
	Type 1	Type 2	Type 3	
Type of Issue	Public	Public	Public	-
CSE Listing	Listed	Listed	Listed	-
Redemption	Redeemable	Redeemable	Redeemable	-
Tenure of debenture	4 Years	5 Years	5 Years	-
Issue date	Mar-13	Mar-13	Mar-13	-
Maturity Date	Mar-17	Mar-18	Mar-18	-
Interest Rate	Fixed	Fixed	Fixed	-
Coupon Rate (%)	16.50	16.75	17.00	-
Effective Annual Yield (%)	17.80	17.45	17.00	-
Interest Rate comparable Government Security	10.98	11.45	11.45	-
Frequency of Interest Payable	Semi-Annual	Semi-Annual	Annual	-
Rating	AA(-) by Fitch Rating Lanka Limited			-
Amount (Rs. Mn)	1,986.50	1,583.50	2,430.00	-
Market Information	Not traded during the year			-
Market Value - Highest (Rs.)				-
- Lowest (Rs.)				-
- Closed (Rs.)				-
Interest Yield (%)				-
Yield to Maturity (%)				-

Objectives of the debenture issue were to utilise the proceeds for working capital purposes of the Company, access to additional source of funds from non deposit sources, to minimise the mismatch in funding exposure, to minimise the interest rate risk and the gap exposure in assets/liabilities portfolio and provide investors a structure that caters to their risk-return and maturity needs.

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 43 on pages 240 to 245 to the Financial Statements.

15. Employee share option scheme

There is no 'Employee Share Option Scheme' in the Company.

16. Material foreseeable risk factors

Information pertaining to the material foreseeable risk factors that require disclosure as per Rule No. 7.6(vi) of the Listing Rules of the CSE are discussed in the section of "Integrated Risk Management" on pages 106 to 123 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 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 Rs.	Revalued Amount Rs.
People's Leasing & Finance PLC					
Makola - Yard	No. 496, Makola North, Makola	89 perches	-	7,632,052	39,900,000
Mabima - Yard	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	2 acres & 10.75 perches	-	21,624,125	50,000,000
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	8.3 perches	4,760	31,257,350	37,000,000
Jaffna	No. 34, Mahathma Gandhi Road, Jaffna	44.72 perches	-	45,763,500	148,860,000
Monaragala	No. 08, Pothuwil Road, Monaragala	125.48 perches	-	39,306,330	45,441,000
Boralesgamuwa	No. 81, Old Kesbewa Road, Diulpitiya, Boralesgamuwa	42 perches	12,670	43,651,580	56,000,000
				189,234,937	377,201,000
People's Leasing Property Development Limited					
Borella	No. 1161, Maradana Road, Colombo 08	82.95 perches	127,533	1,626,729,535	2,000,000,000
				1,626,729,535	2,000,000,000
People's Leasing Havelock Property Development Limited					
Colombo 05	No. 07, Havelock Road, Colombo 05	39.2 perches	-	156,138,920	178,500,000
				156,138,920	178,500,000

 Quarterly Analysis 2012/13

Company	1st Quarter Apr-Jun 12 Rs. Mn.	2nd Quarter July-Sep 12 Rs. Mn.	3rd Quarter Oct-Dec 12 Rs. Mn.	4th Quarter Jan-Mar 13 Rs. Mn.	Total Apr 12-Mar 13 Rs. Mn.
Revenue	3,785	3,863	3,937	4,343	15,928
Interest and similar income	3,384	3,537	3,706	3,936	14,563
Interest and similar expenses	1,890	2,017	2,190	2,279	8,376
Net interest income	1,494	1,520	1,516	1,657	6,187
Other income					
Net trading income from sale of vehicles	2	1	-	-	3
Fees and commission income	133	191	228	189	741
Net income from Islamic finance	4	(1)	1	1	5
Other operating income	204	58	(4)	218	476
Total operating income	1,837	1,769	1,741	2,065	7,412
Operating expenses					
Employee benefits	248	207	206	237	898
Depreciation	38	37	37	37	149
Amortisation of intangible assets	3	3	3	3	12
Provision for credit losses	199	164	365	(114)	614
Other operating expenses	300	382	446	399	1,527
Profit from operations	1,049	976	684	1,503	4,212
Value Added Tax on Financial Services	70	55	45	87	257
Profit before taxation	979	921	639	1,416	3,955
Less					
Income tax expense	279	287	202	335	1,103
Profit for the period	700	634	437	1,081	2,852

Quarterly analysis has been prepared and presented in accordance with SLAS.

Company	1st Quarter As at 30th June 12 Rs. Mn.	2nd Quarter As at 30th Sep 12 Rs. Mn.	3rd Quarter As at 31st Dec 12 Rs. Mn.	4th Quarter As at 31st Mar 13 Rs. Mn.
ASSETS				
Cash and short term funds	1,586	1,721	1,213	2,763
Deposits with banks & financial institutions	273	571	136	638
Inventories	55	21	14	13
Dealing securities	33	56	54	57
Investment securities	305	305	305	305
Loans and other advances	4,135	4,465	5,377	7,859
Rentals receivable on lease, hire-purchase & Islamic finance	67,137	67,391	67,343	67,823
Investments in subsidiaries	3,118	3,118	3,163	3,183
Investments in associates	-	-	-	-
Other assets	1,950	1,795	1,557	1,458
Property, plant & equipment	601	588	583	583
Investment property	56	56	56	56
Intangible assets	38	40	38	35
Total assets	79,287	80,127	79,839	84,773
LIABILITIES & SHAREHOLDERS' FUNDS				
Liabilities				
Deposits from customers	-	-	2,740	6,683
Bank overdraft	1,527	1,863	1,992	775
Other liabilities evidenced by paper	26,265	24,505	22,687	19,720
Tax payable	299	435	185	-
Deferred tax liability	762	762	762	1,286
Borrowings	23,998	25,969	25,612	23,067
Other liabilities	6,328	5,939	6,099	6,521
Debentures	1,968	1,930	1,893	7,893
Total Liabilities	61,147	61,403	61,970	65,945
Shareholders' Funds				
Capital	12,958	12,958	12,958	12,958
General reserve	300	300	300	300
Tax equalisation fund	100	100	100	100
Reserve fund	600	631	654	708
Investment fund reserve	606	697	765	895
Retained earnings	3,576	4,038	3,092	3,867
Total shareholders' funds	18,140	18,724	17,869	18,828
Total liabilities and shareholders' funds	79,287	80,127	79,839	84,773

Quarterly analysis has been prepared and presented in accordance with SLAS.

 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
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
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

Quarterly analysis has been prepared and presented in accordance with SLAS.

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 & financial institutions	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
Investments in associates	-	-	-	-
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	26,322	28,917	27,782	26,509
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
Debentures	1,733	2,258	2,073	2,005
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 has been prepared and presented in accordance with SLAS.

Quarterly Graphical Review 2012/13

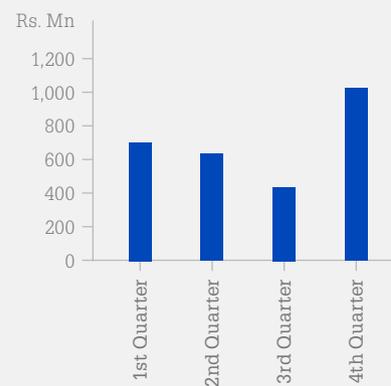
Revenue



Profit Before Tax



Profit After Tax



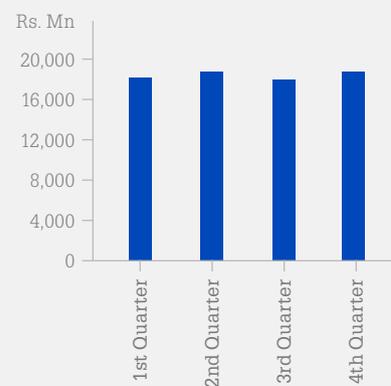
Total Assets



Total Liabilities



Total Shareholders' Funds



 **Quarterly Graphical Review 2011/12**

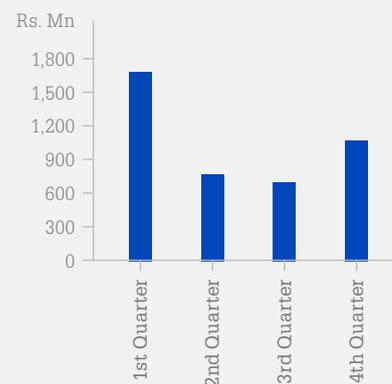
Revenue



Profit Before Tax



Profit After Tax



Total Assets



Total Liabilities



Total Shareholders' Funds



 Ten Year Statistical Summary

For The Year Ended 31st March	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Results (Rs. Mn)										
Gross income	15,846	12,912	9,256	7,247	6,527	4,590	3,861	2,904	1,984	1,484
Operating profit before interest	12,464	10,082	7,264	5,233	5,230	3,514	2,564	1,945	1,194	907
Interest cost	8,458	6,301	3,542	3,133	3,340	2,161	1,548	1,178	880	682
Profit before tax	4,006	3,781	3,721	2,100	1,890	1,353	1,016	767	314	225
Taxation	1,163	1,206	1,142	900	843	550	268	(151)	4	-
Profit after tax	2,843	2,575	2,580	1,200	1,047	803	748	918	310	225
Assets (Rs. Mn)										
Cash, balances with banks & repo	3,401	1,730	1,529	2,085	1,652	484	212	231	179	291
Loans and receivables	75,723	71,289	50,879	26,717	22,533	19,222	15,913	14,454	10,808	8,250
Property, plant & equipment	695	732	390	503	398	299	345	238	206	175
Stocks & other receivables	4,067	4,907	4,205	1,543	975	667	575	319	797	317
Total assets	83,886	78,658	57,003	30,848	25,558	20,672	17,045	15,242	11,990	9,033
Liabilities and Shareholders' Funds (Rs. Mn)										
Financial liabilities	65,060	60,986	47,434	21,246	18,400	15,250	12,224	12,013	10,108	7,737
Other liabilities	1,154	863	1,211	4,523	2,961	2,155	2,241	1,158	980	614
Total shareholders' equity	17,672	16,809	8,358	5,079	4,197	3,267	2,580	2,071	902	682
Total liabilities and shareholders' funds	83,886	78,658	57,003	30,848	25,558	20,672	17,045	15,242	11,990	9,033
Net Cash Flows Inflow/(Outflow) (Rs. Mn)										
From operating activities	(976)	(4,956)	(19,535)	(1,257)	(1,458)	(2,501)	85	(1,632)	(1,105)	(1,307)
From investing activities	(96)	(1,507)	(89)	(998)	(1,405)	(57)	(245)	(73)	(66)	(157)
From financing activities	3,796	6,031	18,977	2,481	3,555	2,208	(246)	1,707	1,221	1,480
Total net cash inflow/(outflow)	2,724	(432)	(646)	226	691	(351)	(406)	2	50	16
Key Financial Indicators										
Earnings per share (Rs.) *	1.82	1.98	2.05	0.82	0.82	0.65	0.58	0.73	0.21	0.18
Net assets per share (Rs.)	11.33	10.78	7.14	4.34	3.59	2.79	2.21	1.77	0.77	0.58
Interest cover (times)	1.47	1.60	2.04	1.65	1.57	1.63	1.66	1.65	1.36	1.33
Dividend per ordinary share (Rs.) **	1.25	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.36
Dividend cover (times)	1.45	1.65	31.95	12.86	12.84	10.16	9.13	11.37	8.17	7.71
Market price per share (Rs.) ***	13.10	11.60	-	-	-	-	-	-	-	-
Return on equity (%)	16.49	20.46	38.44	20.81	25.80	26.06	29.43	57.39	30.94	38.89
Debt equity ratio/ gearing (times)	3.52	3.49	5.11	4.18	4.38	4.67	4.74	5.79	11.21	11.34
Shareholders fund: assets ratio (times)	4.75	4.68	6.82	6.07	6.09	6.33	6.61	7.36	13.30	13.24
Current ratio (times)	0.76	0.58	0.71	0.82	0.92	0.86	0.97	0.86	1.12	0.96
Non Financial Information										
Employees (No.)	1,134	1,050	855	586	498	442	407	362	296	241
Profit before tax per employee (Rs. Mn)	3.67	3.97	5.17	3.87	3.80	3.06	2.50	2.10	1.10	0.90
Branches (No.)	33	34	30	23	19	19	18	18	15	12

* Earnings Per Share have been adjusted for weighted average number of shares outstanding during the year.

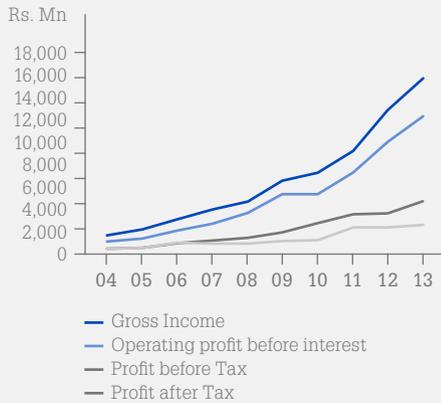
** Including the final dividend of Rs. 0.50 per ordinary share recommended by the Directors of the Company for the approval of shareholders at the AGM.

*** The Company's Ordinary Share quoted on the Colombo Stock Exchange (CSE) on 3rd November 2011.

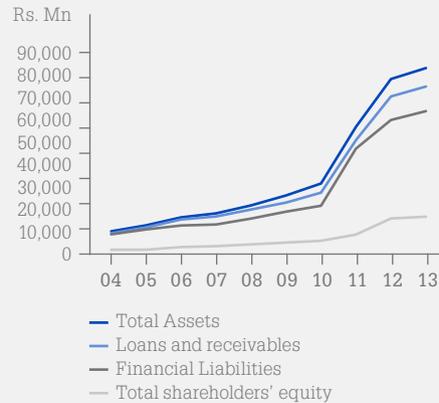
Figures as per SLFRS/LKAS

Ten Year Graphical Review

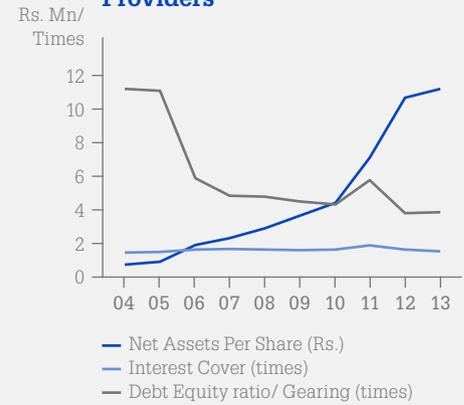
Growth in Operating Results



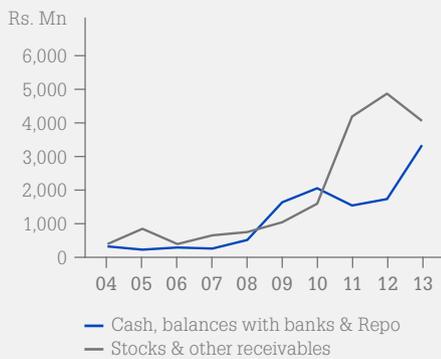
Progress in Financial Position



Comfort on Fund Providers



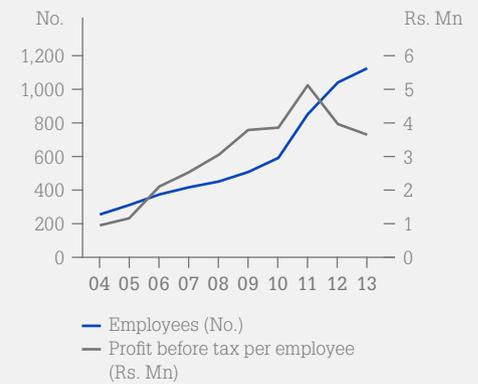
Growth in Liquid Assets



Profit Before Tax and Income Tax



No. of Employees and PBT Per Employee



 **Branch Network**

Branch	Address	TP Number	Fax Number	Contact Person
Central Province				
Dambulla	513/1, Kadapaha, Anuradhapura Road, Dambulla.	066-2284252	066-2284158	Mr. Nalaka Suresh
Gampola	131, Nuwara Eliya Road, Gampola.	081-2353030	081-2353030	Mr. Menaka Senevirathne
Hatton	199/B/1/1, Dimbulla Road, Hatton.	051-2224667	051-2224667	Mrs. T. Mytheli
Kandy	177, D.S. Senanayaka Veediya, Kandy.	081-2203912	081-4471654	Mr. Asela Bandara
Kandy (Alsafa)	26, Hill Street, Kandy.	081-2205043	081-2205043	Mr. M. R. M. Ameen
Mahaiyawa	288, Katugasthota Road, Kandy.	081-2205947	081-2205937	Mr. Senaka Munasinghe
Matale	96/1/1/, King's Street, Matale.	066-2226401	066-2226402	Mr. Asela Weerakoon
Nawalapitiya	75, Ambagamuwa Road, Nawalapitiya.	054-2224482	054-2224485	Mr. G. A. K. U. Shantha
Nuwara Eliya	36, Ramanathan Complex, Park Road, Nuwara Eliya.	052-2235866	052-2224122	Mr. Neil Thushantha
Pilimathalawa	174, Kandy Road, Pilimathalawa.	081-2205651-2	081-2056339	Mr. Mahendra Amunugama
Eastern Province				
Ampara	149, Kumarasiri Building, Nidahas Mawatha, Ampara.	063-2224106	063-2224850	Mr. Keshika Karunaratne
Batticaloa	26, New Kalmunai Road, Batticaloa.	065-2226512	065-2226754	Mr. A. B. Sutharshan
Kalmunai (Alsafa)	82, Main street, Kalmunai.	067-2225485	067-2225486	Mr. Shihan Gaffoor
Kanthale	58D, Main Street, Kanthale.	026-2234484	026-2234936	Mr. Nalaka Bandara
Kattankudy (Alsafa)	187, Main Street, Kattankudy.	065-2248340	065-2248340	Mr. Rizwan Ismail
Mutur (Kinniya)	Main Street, Muthur.	026-2238276	026-2238277	Mr. M. A. M. Jowfer
Trincomalee	445/1, Dockyard Road, Trincomalee.	026-2226097	026-2225286	Mr. M. Kirupakaran
North Central Province				
Anuradhapura	387, Harischandra Mawatha, Anuradhapura.	025-2224903	025-2234966	Mr. Susil Priyantha
Kekirawa	12/A, Thalawa Road, Kekirawa.	025-2264820-1	025-2264566	Mr. Dulip Thushantha
Polonnaruwa	407, Main Street, Kaduruwela, Polonnaruwa.	027-2226719	027-2222961	Mr. Roshan Madawala
Thambuttegama	326, Queen Junction, Kurunegala Road, Thambuttegama.	025-2276180	025-2275511	Mr. Chanaka Samarasinghe
North Province				
Chunnakam	15, K.K.S.Road, Chunnakam.	021-2241105	021-2242072	Mr. K. Kamalakaran
Jaffna	82, Kannathiddy Road, Jaffna.	021-2228031	021-2229627	Mr. K. Anantheraja
Kilinochchi	253, Kandy Road, Kilinochchi.	021-2280125	021-2285308	Mr. S. Rajeewan
Mannar	109, Hospital Road, Sinnakadai, Mannar.	023-2251342	023-2251370	Mr. F. R. Manokanth
Vavuniya	91/1, Station Road, Vavuniya.	024-2225860	024-2225861	Mr. Rasika Senevirathne
North Western Province				
Chilaw	10, Colombo Road, Chilaw.	032-2224100	032-2224103	Mr. Nalin De Silva
Kuliyapitiya	88, Kurunegala Road, Kuliyapitiya.	037-2281343	037-2281525	Mr. D. M. P. Kumarasinghe
Kurunegala	183 B, Colombo Road, Kurunegala.	037-2222830	037-2231505	Mr. Sumedha Mahanama
Puttalam (Alsafa)	97B, Kurunegala Road, Puttalam.	032-2266893	032-2266895	Mr. M. J. M. Najath
Wariyapola	41, Kurunegala Road, Wariyapola.	037-22 33426	037-22 33425	Mr. Sumith Jayasinghe
Wennappuwa	327 1/1, Colombo Road, Wennappuwa.	031-2245672	031-2245662	Mr. Sarath Agalla
Sabaragamuwa Province				
Balangoda	118/A, Barns Rathwatha Mawatha, Balangoda.	045-2289501	045-2289502	Mr. Chamil Prabath
Embilipitiya	122, New Town Road, Embilipitiya.	047-2261971	047-2261972	Mr. Samantha Abeywickrama
Kegalle	345, Main Street, Kegalle.	035-2230194	035-2230195	Mr. Saminda Ratnayake
Rathnapura	102, Colombo Road, Rathnapura.	045-2222980	045-2230678	Mr. Y. Premarathne

Branch	Address	TP Number	Fax Number	Contact Person
Southern Province				
Akuressa	75, Matara Road, Akuressa.	041-2284711	041-2283199	Mr. V.P. Saman
Ambalangoda	15A, Wickramasooriya Road, Ambalangoda.	091-2255647	091-2255649	Mr. S.P.R. Pradeep
Ambalanthota	32 1/1, Tissa Road, Ambalanthota.	047-2225265	047-2225266	Mr. Ishan Senadheera
Deniyaya	144, Main Street, Deniyaya.	041-2273714	041-2273713	Mr. Amila Wanniarachchi
Galle	118, Matara Road, Galle.	091-2226102	091-2227388	Mr. Hasantha De Silva
Matara	45/A, Anagarika Dharmapala Mawatha, Matara.	041-2222850	041-2225985	Mr. Nishantha Weerasinghe
Neluwa	8, Dellawa Road, Neluwa.	091-3094691	091-4943766	Mr. Aruna Shantha
Tangalle	138 /A, Matara Road, Tangalle.	047-2242501	047-2242503	Mr. Isuru Dias
Thissamaharama	70 A , Main Street, Tissamaharama.	047-2239671	047-2239703	Mr. Shanaka Chaminda
Uva Province				
Badulla	33/9, Modern Complex, Cocowatta Road, Badulla.	055-2223904	055-2223777	Mr. Chaminda Yapa
Bandarawela	35/2D, Welimada Road, Bandarawela.	057-2221146	057-2221149	Mr. Chandike Jayaweera
Mahiyanganaya	03, Siri Jayasanka Building, Kandy Road, Mahiyanganaya.	055-2257739	055-2257737	Mr. Chandana Samantha
Monaragala	32, Pothuvil Road, Monaragala.	055-2277485	055-2277486	Mr. Chamil Kumarapperuma
Welimada	11 A, Boralanda Road, Welimada.	057-2244996	057-2244995	Mr. Sasanka Niroshana
Wellawaya	128, Monaragala Road, Wellawaya.	055-2274045	055-2274025	Mr. Darshana Tharanga
Western Province				
Avissawella	15, Kudagama Road, Avissawella.	036-2233792	036-2233793	Mr. Nilanga Fernando
Battaramulla	261, Main Street, Battaramulla.	011-2886820	011-2886824	Mr. Shiron Ranasinghe
Colpity	385, Galle Rd, Colombo 03.	011-2376476	011-2376477	Mr. Chaminda Dharmarathne
Dehiwala	119, Galle Road, Dehiwala.	011-2720720	011-2725904	Mr. Vajira Ramanayake
Dehiwala (Alsafa)	119, Galle Road, Dehiwala.	011-2725574	011-2725583	Mr. Asif Shukri
Gampaha	65, Yakkala Road, Gampaha.	033-2234656	033-2232733	Mr. P.A.D.S. Senavirathne
Grandpass	361, Grandpass Road, Colombo 14.	011-2340014	011-2340025	Mr. Kanchana Wariyapola
Havelock	62, Havelock Road, Colombo 5.	011-2592424	011-2592445	Mr. Sumudu Fernando
Horana	101, Rathnapura Road, Horana.	034-2267706	034-2267701	Mr. G.H.G. Buddhika
Ja-ela	112/A, Negambo Road, Ja Ela.	011-2228078	011-2228076	Mr. Duleepa Gomas
Kadawatha	657A, Kandy Road, Bandarawatta, Kadawatha.	011-2926910	011-2926911	Mr. Tharaka Bellana
Kaduwela	501/1, Avissawella Road, Kaduwela.	011-2548578	011-2548590	Mr. Anuradha Jayasinghe
Kalutara	314 1/1, Main Street, Kalutara South.	034-2235337	034-2235800	Mr. Niranjan Fernando
Kelaniya	965, Kandy Road, Wedamulla, Kelaniya.	011-2914113	011-2908484	Mr. Chamil Herath
Kirindiwela	153, Sujaya Building, Gampaha Road, Kirindiwela.	033-2247583	033-2247580	Mr. W.A.D.J. Ashley
Mathugama	4/29, Agalawaththa Road, Mathugama.	034-2249230	034-2249231	Mr. Tissa Danedra
Metropolitan	67, Sir Chiththampalam A Gardiner Mawatha, Colombo 02.	011-2481000	011-2481123	Mr. Nandana Weerakkody
Mirigama	69/A, Giriulla Road, Mirigama.	033-2275528	033-2275521	Mr. Ravindra Dayarathna
Moratuwa	207 1/1, New Galle Road, Moratuwella, Moratuwa.	011-2648471	011-2648472	Mr. S.H.M. Aslam
Negombo	29/1, Colombo Road, Negombo.	031-2223230	031-2224882	Mr. Rathna Priyankara
Nugegoda	290, Highlevel Road, Nugegoda.	011-2813990	011-2813991	Mrs. P.N. Wimalasena
Panadura	293/A, Galle Road, Panadura.	038-2237331	038-2237332	Mr. Amila Walpitagama
Pettah	319, Main Street, Colombo 11.	011-2437709	011-2473549	Mr. Ganeshan Thushyanthan
Union Place (Alsafa)	167, Union Place, Colombo 2.	011-2377877	011-2304463	Mr. M.B.M. Aslam
Ward Place	24 A, Ward Place, Colombo 07.	011-2678695	011-2678696	Mr. Duleepa Weerakoon
Wattala	216, Negombo Rd, Wattala.	011-2948441	011-2947411	Mr. Chandana Kumara
Wellawatta	507, Galle Road, Wellawatta.	011-2361562	011-2361564	Mrs. Shamala Segarajasinghe

 **Notice of Meeting**

NOTICE IS HEREBY GIVEN THAT the Seventeenth (17th) Annual General Meeting of People's Leasing & Finance PLC will be held on 18th July 2013 at 2.30 p.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 2013 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 re-elect as a director Mr. Gamini Sedara Senarath, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting
4. To 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.
5. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

By Order of the Board



Rohan Pathirage
Company Secretary
People's Leasing & Finance PLC

Notes

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead. A form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company. The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

Colombo, on this 12th day of June 2013.

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.

Associate Company

An associate is an entity in which the investor has significant influence and which is neither a subsidiary nor an interest in a joint venture.

Available –For –Sale financial Assets

Non derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

Capital Adequacy Ratio

The relationship between capital and risk-weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collectively Assessed Impairment

Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commercial Paper ('CP')

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitments

Credit facilities approved but not yet utilized by the customers as at the reporting date.

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 on the Statement of Financial Position 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 impairment charges for loans and receivables as a percentage of total operating income.

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred Taxation

Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Dividend Cover

Profit attributable to shareholders divided by gross dividends. This ratio measures the number of times dividend is covered by current year's attributable profits.

Glossary contd.**Dividend Yield**

Dividend earned per share as a percentage of its market value.

E**Earnings Per Ordinary Share (EPS)**

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

Economic Value Added (EVA)

A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F**Fair Value**

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Financial Asset

Is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Liability

Is a contractual obligation to deliver cash or another financial asset to another entity

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Foreign Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G**Gearing**

Long term borrowings divided by the total funds available for shareholders.

Group

A group is a parent and all its subsidiaries.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld

Guarantees

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

H**HTM (Held to Maturity) Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity

I**Impairment**

This occurs when recoverable amount of an asset is less than its carrying amount.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net interest income expressed as a percentage of average interest earning assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment Properties

Investment property is property (land or a building - or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Impairment Allowance for Loans and Receivables

Amounts set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

K

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Loans payable are financial liabilities, other than short term trade payables on normal credit terms.

Loss Given Default ('LGD')

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default upon default of counterparty.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Assets Value Per Ordinary Share

Shareholders' fund excluding preference shares if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between income earned from interest bearing assets and cost incurred on financial instrument/ facilities used for funding the interest bearing assets.

Non-controlling Interest

The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.

Non-Performing Advances

Rentals receivables in arrears for more than six rentals have been categorised as non-performing.

NPA Ratio

Total non-performing leases, hire purchase loans and other advances divided by total advances portfolio.

P

Parent

A parent is an entity which has one or more subsidiaries.

Price Earning Ratio (P/ E Ratio)

Market price of a share divided by earnings per share.

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

R

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Average Assets (ROA)

Profit before tax divided by the average assets.

Return on Equity (ROE)

Net profit after tax, expressed as percentage of average 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 statement of financial position assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

Glossary contd.**S****Segmental Analysis**

Analysis of financial information by segments of an entity specifically, the different businesses in which it operates.

Shareholders' Funds

Shareholders' funds consist of stated capital 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.

Instructions as to Completion

1. The instrument appointing a proxy may be in writing under the hands of the appointor or of his/her attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

Name of Company

People's Leasing & Finance PLC (Subsidiary of People's Bank)

Legal Form

Public Limited Liability Company (Incorporated and domiciled in Sri Lanka)

Date of Incorporation

22nd August 1995

Company Registration Number

PB 647 PQ

Accounting Year-end

March 31st

Stock Exchange Listing

The ordinary shares of the Company were quoted on the Main Board of the Colombo Stock Exchange (CSE) on 24th November 2011.

Senior, Unsecured, Redeemable, Four year (2013/17) and Five year (2013/18) Debentures were listed on the Debt Securities Main Board of the Colombo Stock Exchange on 4th April 2013.

Registered Office & Principle Place of Business

1161, Maradana Road, Borella
Colombo 08, Sri Lanka.
Postal Code: 00200
Tel: +94 11 2631631
Fax: +94 11 2631980/81
Email: plclease@plc.lk
Web Address: www.plc.lk

Company Secretary

Mr. Rohan Pathirage

Registrars

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Tel: +94 11 2573894, +94 11 2576871
Fax: +94 11 2573609
E-mail: sspsec@slt.net.lk

Auditors

M/s. Ernst & Young
Chartered Accountants,
201, De Seram Place, P.O. Box 101,
Colombo 10, Sri Lanka.

Bankers

People's Bank
Sampath Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC

Hatton National Bank PLC
HSBC
National Development Bank PLC
Nations Trust Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Habib Bank
Union Bank of Colombo PLC
Public Bank Berhad
Citibank N.A.
Indian Bank
Indian Overseas 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, Mahiyanganaya, Chilaw,
Embilipitiya, Rathnapura, Kegalle, Jaffna,
Vavuniya, Kandy, Nuwara Eliya, Nawalapitiya,
Kurunegala Negombo, Tangalle, Neluwa,
Ambalangoda, Kirindiwela, Mirigama,
Deniyaya, Wennappuwa, Ja-Ela, Welimada,
Monaragala, Moratuwa, Kaduwela, Dambulla,
Chunnakam, Matale, Mahaiyawa, Kuliyaipitiya,
Balangoda, Kanthale, Mannar, Horana,
Kadawatha, Akuressa, Mathugama, Panadura,
Thambuttegama, Thissamaharamaya, Wattala,
Wellawatta, Collpity, Union Place, Kalmunai,
Kattankudy, Mutur, Puttalam, Wellawaya.

Board of Directors and Board Sub-Committees**Board of Directors**

Mr. Gamini Senarath - Chairman
Dr. D. J. D. Jayakody
Mr. N. Vasantha Kumar
Mr. H. G. W. S. S. Bandara
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa (ceased to be a director
w.e.f. 18th April 2013)

Integrated 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 (ceased to be a director
w.e.f. 18th April 2013)

Board Remuneration Committee

Dr. D. J. D. Jayakody - Chairman
Mr. P. A. I. S. Perera
Ms. M. G. Jinadasa (ceased to be a director
w.e.f. 18th April 2013)

Subsidiary and Associate Companies**Subsidiary Companies**

People's Finance PLC (amalgamated with the Company w.e.f. 2nd April 2013)
People's Leasing Fleet Management Limited
People's Leasing Property Development Limited
People's Leasing Havelock Properties Limited
People's Insurance Limited
People's Microfinance Limited

Associate Companies

City Finance Corporation Limited

Corporate Memberships

Asian Leasing and 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, Sri Lanka.
No. 496, Makola North, Makola, Sri Lanka.
No. 225/D, Nayagala Road, Heiyanthuduwa,
Mabima, Sri Lanka.

Tax Payer Identity Number (TIN)

114 156396 0000

VAT Registration Number

114 156396 7000

Central Bank Registration Number

046 (Under the Finance Business Act No. 42 of 2011)

Credit Agency

An approved Credit Agency under the Mortgage Act No. 6 of 1949 and the Trust Receipt Ordinance No. 12 of 1947 by the Department of Commerce.

Credit Rating

'AA-' (Ika) stable by Fitch Ratings Lanka Limited
'B+/B' stable by Standard & Poor's Rating Services
'B+' stable by Fitch Ratings International

For any clarification on this Report please write to;

The Chief Finance Officer
People's Leasing & Finance PLC
1161, Maradana Road, Borella,
Colombo 08, Sri Lanka.
Postal Code: 00200
Tel: +94 11 2631631
Fax: +94 11 2631980/81



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