

THANK YOU. සතුවිසි. நன்றி

ANNUAL REPORT 2020/21



**PEOPLE'S
LEASING**

පළමු ලිපිං | பிப்பளஸ் லீசிங்
THE TRUSTED LEADER

THANK YOU. සතුවිසි. நன்றி

A sentiment that defined our year... The humble and genuine appreciation that we extend to the many individuals who not only make up our vast network, but those who place their trust, and their aspirations in our skilled hands. This year, we look back on all our wonderful memories, created over 25 years along with our stakeholders and we draw upon them as a source of inspiration and strength to tackle the next few decades and beyond. And as we move forward in our journey, we sincerely thank you.

We would not be People's Leasing without your overwhelming support.

WE APPRECIATE YOU

While COVID loomed, bringing the world to a standstill, it was our stakeholders who kept the flame burning bright by continuing to place their trust in us and ensuring that our journey continued.



Cheering us on in a milestone year, despite the odds, we are thankful to Sri Lankans all over the island who chose us to partner them in their financial decisions.



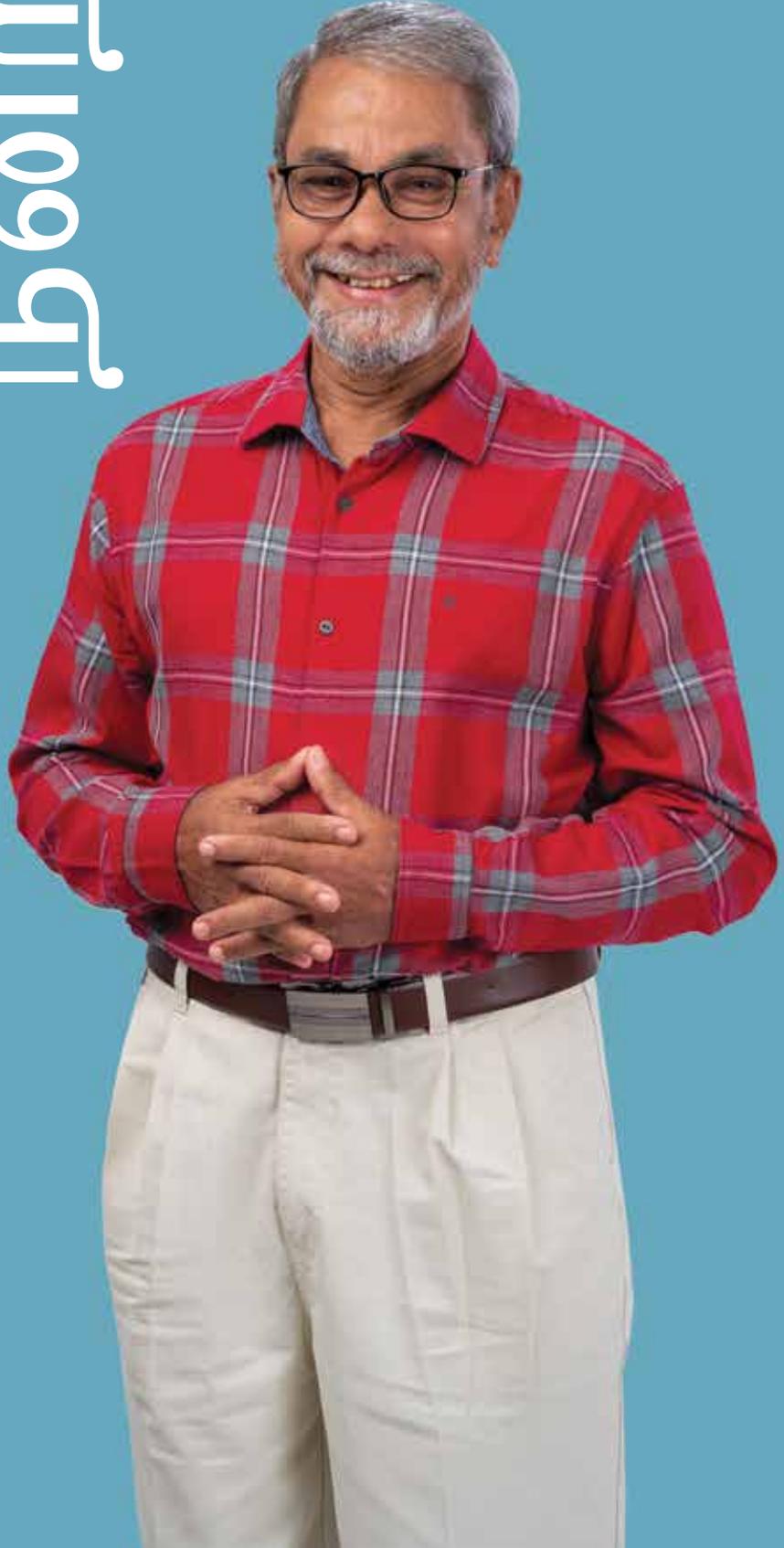
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THANK

YOU

உங்களோடு சேர்ந்து புதிய காலம்

We are full of gratitude for our customers who have been a part of our story for the past 25 years. Your unstinting support has been the stepping stones in our rise to the top.



From all strata, we are proud to have been on the receiving end of your enthusiastic confidence. We look forward to brighter times ahead in which we continue to unstintingly serve your needs.



**WE ARE
GRATEFUL**

THANK

YOU

අපිගේ ප්‍රයාමය

We appreciate all our stakeholders who have kept us on the path to growth, ensuring every day that we deliver our best, while remaining true to our values and ethical guidelines.



From all over the island, our team has been resilient in extending our brand to more Sri Lankans. We are in awe of their courage and commitment in being the life line of our business.



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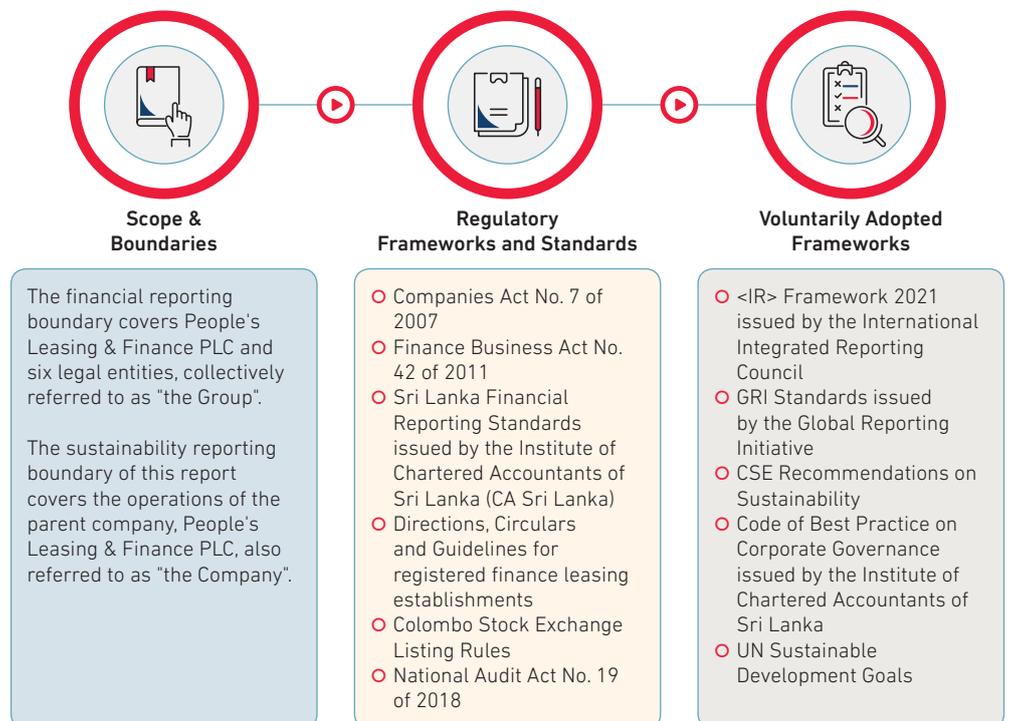
FINANCIAL REPORTS

GRI 102-10, 102-12, 102-45, 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56



This is the 8th Annual Integrated Report of People's Leasing & Finance PLC setting out a balanced review of its performance for the financial year ended 31 March 2021. This builds on the Group's previous communication of its progress, its Annual Integrated Report for the year ended 31 March 2020, continuing its journey to adopt international best practice in corporate reporting.

Basis of Preparation



This report has been prepared in accordance with the GRI Standards: Core option.

Assurance

Assurance on Financial Statements has been provided by the Auditor General of Sri Lanka and his report is set out on pages 168 to 171. He has also provided External Assurance on the Company's compliance with Corporate Governance Directions to the Central Bank of Sri Lanka. The Directors' Statement on Internal Controls over Financial Reporting has been reviewed by the Auditor General and the opinion is set out on page 165. Assurance on compliance with GRI requirements is provided by Ernst & Young and their report is set out on page 323.

Sustainability Information

The report content is extracted from the management information systems established at the Company which include the Human Resource Information Systems, the Environment Management Framework and processes in place to capture stakeholder feedback. These are used as inputs for the materiality determining process and the formulation of relevant sustainability initiatives, promoting integrated thinking and reporting.

Significant Changes During the Year & Restatements

There were no significant changes to the organisation or the supply chain and there were no significant changes requiring restatements of financial or sustainability information during the reporting period.

People's Leasing was preparing the report in accordance with GRI Standards: Comprehensive Option until 2018/19 financial year. This was discontinued in 2019/20 due to the lockdown that prevailed, hindering our ability to compile the necessary information although a number of indicators were included in the report. This year we are re-commencing the GRI Standards: Core option as mobility restrictions remain due to the third wave of the pandemic in the country at the time of compiling the report.

Forward-Looking Statements

Forward-looking statements included in this report are based on perceptions, opinions and views of external and internal information available us at present. These are provided to support the assessment of the future performance of the Group although these estimates have varying degrees of uncertainty associated with them and the accuracy of these can be ascertained only with the benefit of hindsight as they relate to future events,

outcome and impacts which are beyond our control. The socioeconomic impacts of the COVID-19 pandemic increase the uncertainties above normal levels and users of this report are advised to make their own judgements as information remains extremely fluid and volatile even as at the reporting date. This information is provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the relatively high levels of uncertainty regarding the same.

Feedback & Inquiries

We value your feedback and will use the same in improving the Annual Report in the year that has commenced. Please contact the following person for inquiries regarding the Annual Report:

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

Acknowledgement

All information contained in this report has been reviewed internally by the Management of the Company, and also verified independently, in accordance to the policies and methodologies set out in the 'Corporate Governance' section of this report.

The Annual Report of the Board of Directors includes an acknowledgement of the Directors' responsibilities with regard to the Annual Report. The Board of Directors acknowledge their responsibility to ensure the integrity of the Integrated Report and are of the opinion that the Integrated Annual Report of People's Leasing & Finance PLC for the financial year ended 31 March 2021 is presented in accordance with the <IR> Framework 2021.



Sujeewa Rajapakse
Chairman
Board of Directors



Shamindra Marcelline
Chief Executive Officer



This report is available in printed form and online at www.plc.lk

GRI 102-4, 102-16

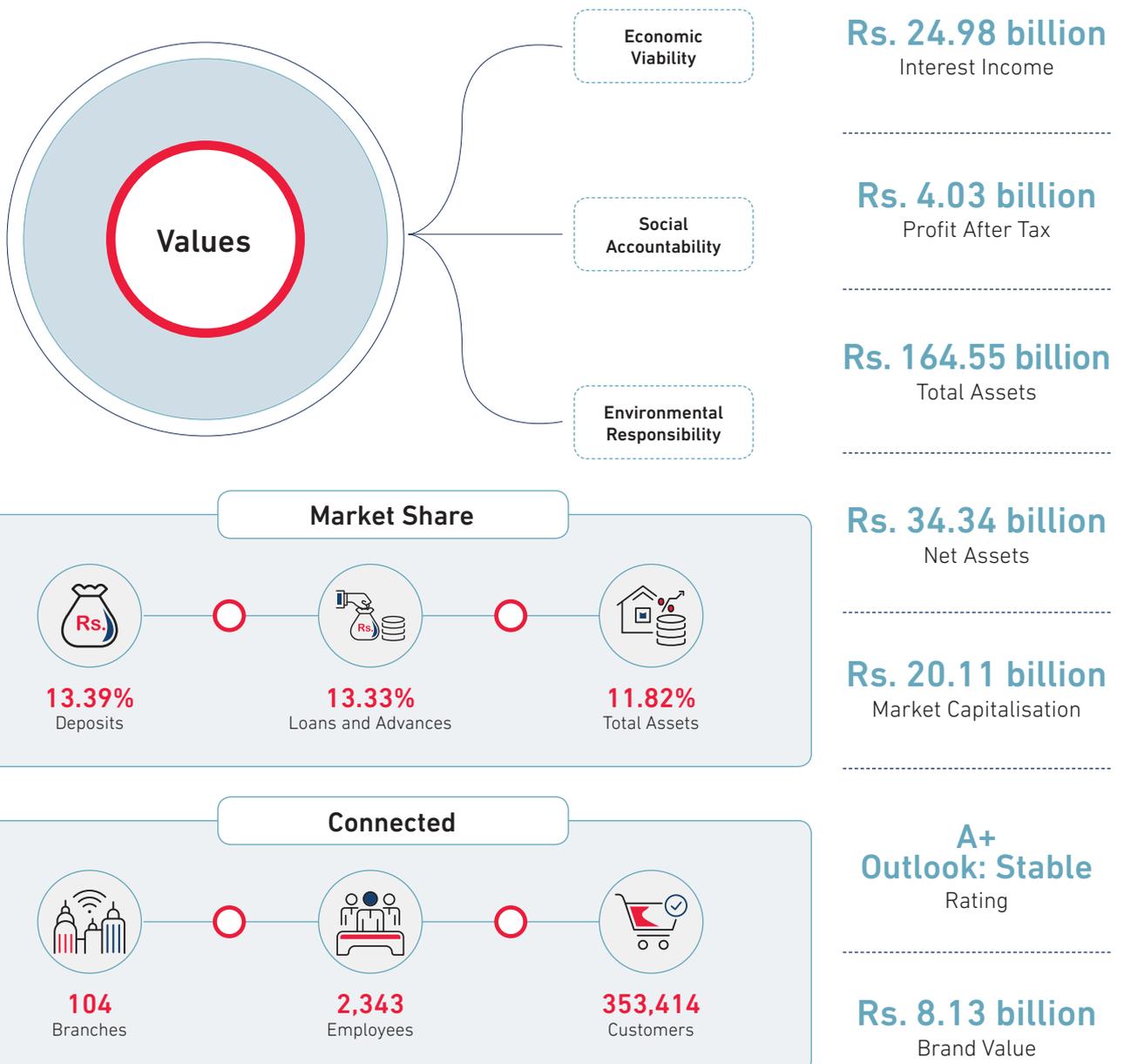
People's Leasing & Finance PLC (People's Leasing/the Company) is a leading Non-Bank Financial Institution in Sri Lanka and a subsidiary of People's Bank, one of the largest State-owned banks in the country. Commencing operations in 1996 as a specialised leasing company, People's Leasing was listed on the Colombo Stock Exchange in 2011. People's Leasing has grown to become a diversified non-banking financial powerhouse with six subsidiaries in allied areas of specialisation including a venture overseas in Bangladesh.

Vision

To become legendary in the financial services sector as a provider of customer-friendly innovative and total solutions

Mission

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

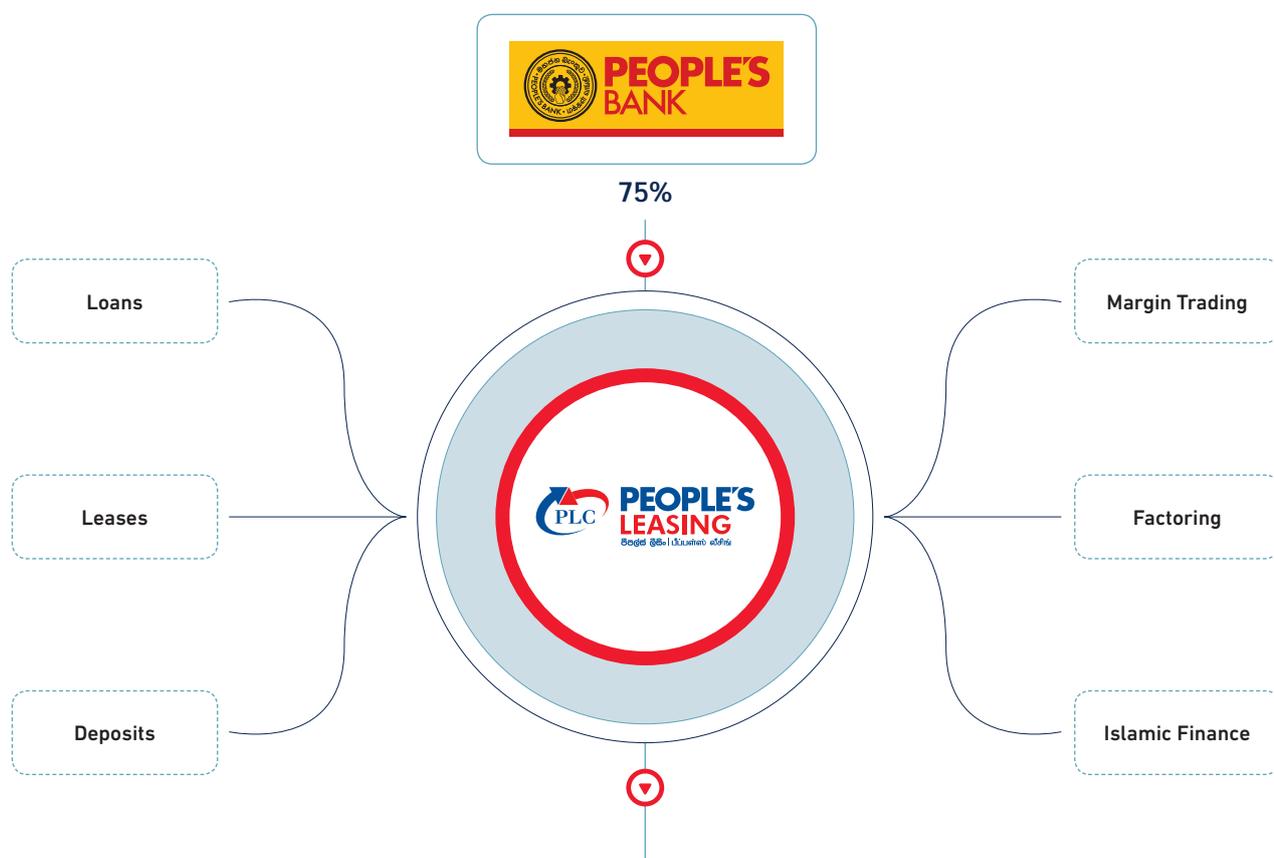




GRI 102-5

A Financial Powerhouse

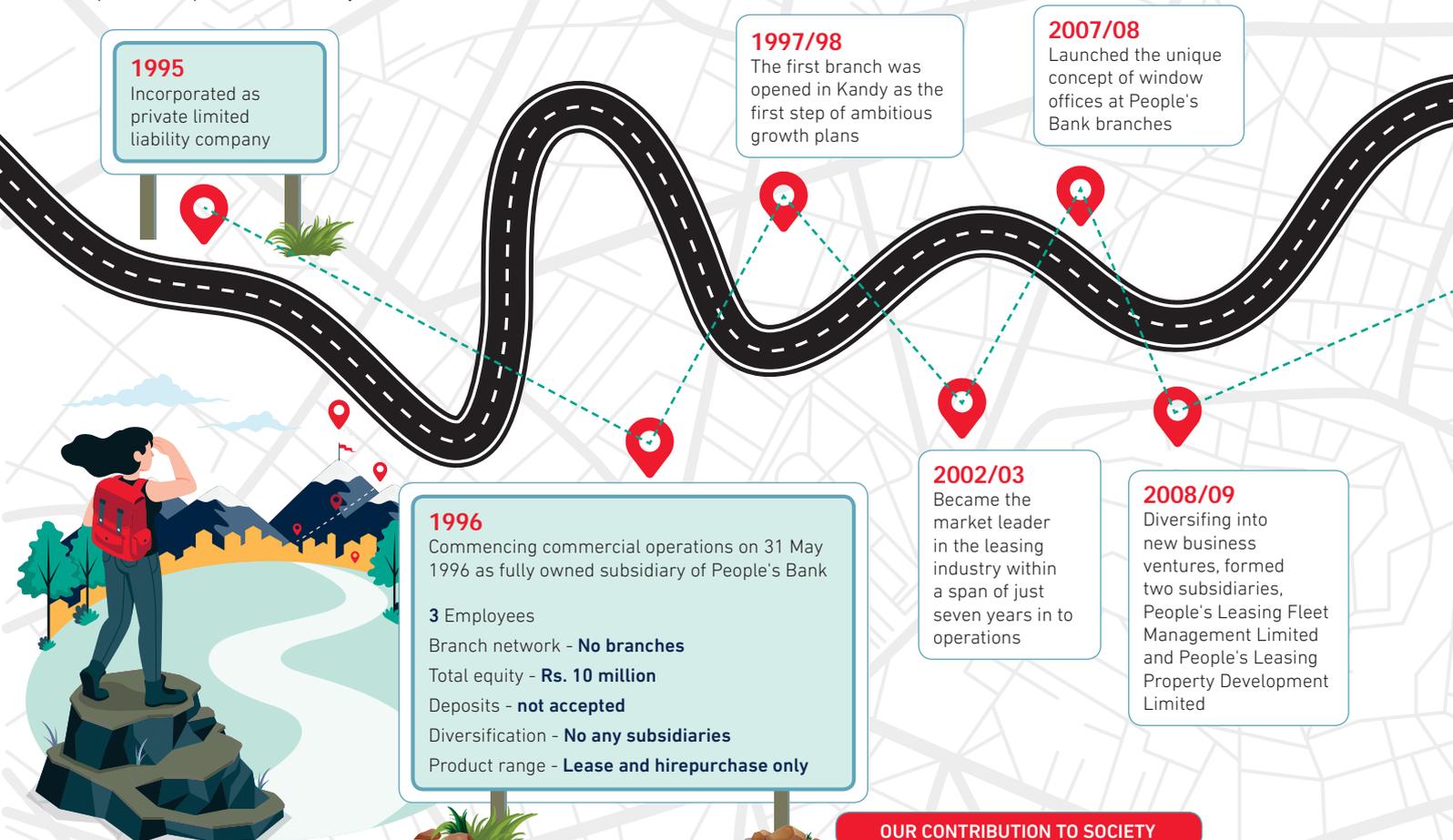
People's Leasing has been committed to a financially-inclusive business model from inception and its subsidiaries support its aspirations with specialised products that address market needs as well as our own business needs. The strength of our parent company's domestic franchise and financial strength enhances our own, providing a solid foundation for growth.



Subsidiary	People's Insurance PLC	People's Micro-Commerce Ltd.	People's Leasing Fleet Management Ltd.	People's Leasing Property Development Ltd.	People's Leasing Havelock Properties Ltd.	Lankan Alliance Finance Ltd.
Ownership	75%	100%	100%	100%	100%	51%
Principal Activities	Carrying out general insurance business	Providing non-bank financial services to individuals who lack access to conventional banking and micro enterprises	Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicles repairing	Carrying out mixed development projects and property development activities	Operate an office complex	Providing leasing of movable and immovable properties and to provide loans
Country of Incorporation	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Bangladesh
No of Employees	624	188	104	7	2	36
Contribution to PAT	21.5%	2.4%	0.7%	0.6%	2.7%	0.1%
Segment Assets	Rs. 11,133.86 million	Rs. 2,684.03 million	Rs. 443.77 million	Rs. 2,601.21 million	Rs. 2,660.04 million	Rs. 6,327.94 million

Journey of a Quarter Century...

Over two decades of providing financial services, we have been able to make a real impact on our stakeholders as evident from the loyal base of investors, satisfied customers, passionate employees, gratified business partners, cordial relationship with the regulators and the positive impact on the society and the environment.



1995

Incorporated as private limited liability company

1997/98

The first branch was opened in Kandy as the first step of ambitious growth plans

2007/08

Launched the unique concept of window offices at People's Bank branches

1996

Commencing commercial operations on 31 May 1996 as fully owned subsidiary of People's Bank

3 Employees

Branch network - **No branches**

Total equity - **Rs. 10 million**

Deposits - **not accepted**

Diversification - **No any subsidiaries**

Product range - **Lease and hirepurchase only**

2002/03

Became the market leader in the leasing industry within a span of just seven years in to operations

2008/09

Diversifying into new business ventures, formed two subsidiaries, People's Leasing Fleet Management Limited and People's Leasing Property Development Limited

OUR CONTRIBUTION TO SOCIETY



Dedicated to improving the transport network by deploying **115,119** buses.



Creating a lifeline of trust by making **113,099** lorries available



The feat of uplifting lives of **115,119** three wheeler owners



We are the proud enablers of **207,847** new vehicle owners

KEY AWARDS AND ACCOLADES THROUGH OUT THE JOURNEY

CSR

- Best Corporate Citizen Sustainability Awards – One of the Ten Best Corporate Citizens Award presented by the Ceylon Chamber of Commerce for 7 years from 2012, 2014 - 2019.
- 2015 (Merit), 2016 (Silver), 2017 (Merit) Ian Dias Abeyasinghe Memorial JASTECA CSR/Sustainability Award

Brand Image

- SLIM Nielsen – Financial Services Provider of the Year – Four consecutive years since 2012/13 to 2015/16
- Business Today – Top 30 Listed Corporate Entities – ranked among top 20 companies since 2013/14 to date
- Brands Annual - Most Valuable Consumer Brand and Most Loved Brand in the financial sector/leasing sector for 3 years

Compliance and Transparency

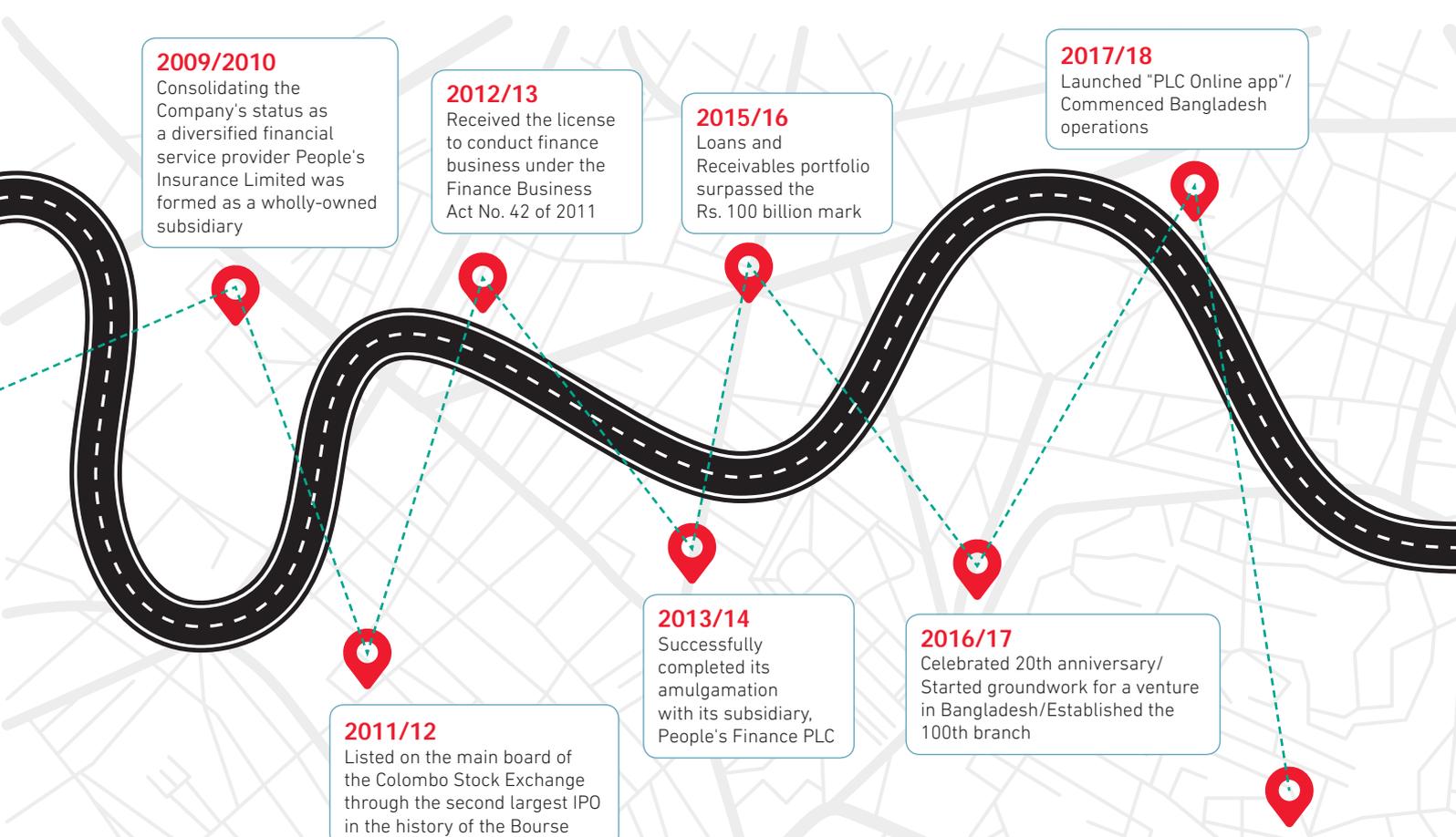
- Ranked No. 03 in Transparency in Corporate Reporting (TRAC) which assesses top 50 Listed companies in Sri Lanka
- 2009 (Gold), 2010 (Silver), 2011 - 2018 (Gold) Classification in Corporate Accountability Rating by STING Consultants

Corporate Reporting

- Annual Report 2013/14 won Silver Award for Overall Financial Reporting at CA Sri Lanka Annual Report Awards
- Sector Gold Award for nine consecutive years from 2008/09 to 2016/17 at CA Sri Lanka Annual Report Awards
- Annual Report 2016/17 won the Grand Award for the Best Annual Report of Sri Lanka (31 International Arc Awards)
- Annual Report 2016/17 and 2017/18 won Overall Second Runner-Up and Gold Winner of the Leasing & Finance sector CMA Sri Lanka Excellence in Integrated Reporting Awards

HR

- The Company was recognised as one of Sri Lanka's Best Employer Brands by the World HRD Congress and Employer Branding Institute at the Sri Lanka Best Employer Brands Awards 2017
- HRD won Gold at the SLITAD (Sri Lanka)



Enriching the lives of **15,786** farming families

2021



2,343 Employees

Branch network - **104 branches and 99 service centres**

Total equity - **Rs. 34,341 million**

Deposits - Largest deposit base in NBFIs sector - **Rs. 101,503 million**

Diversification - **6 Subsidiaries** (Including a public quoted company and a foreign subsidiary)

Product range - Diversified in to **Lending products**
Fixed deposits and savings
Islamic lending products
Islamic deposit products

Loans and advances portfolio - **Rs. 141,388 million**

- IT**
- "SelfeCash" recognised as the Gold Winner in the Financial Industry category at APICTA 2017. People's Leasing was the only Finance Company to win this award
 - People's Leasing ICT team was able to clinch two awards at the 19th National Best Quality Software Awards (NBQSA) 2017 on 6 October 2017.
 - A Merit Award in Financial Industry Applications for "Margin Trading System"
 - The Gold Award in In-House Application for "SelfeCash"



Note: People's Leasing has won many awards and accolades under various categories throughout its 25 years of corporate journey out of which a few key awards are highlighted here.

GRI 102-7

	2020/21	2019/20	2018/19	
Financial Capital				
	Net interest income (Rs. billion)	11.92	15.67	15.19
	Profit after tax (Rs. billion)	4.03	2.94	4.42
	Impairment charges and other losses (Rs. billion)	1.14	4.75	1.95
	Total assets (Rs. billion)	164.55	171.66	172.54
	Shareholders' funds (Rs. billion)	34.34	30.25	28.60
	Deposits (Rs. billion)	101.50	106.70	88.37
	Loans and receivables portfolio (Rs. billion)	141.39	147.75	151.71
	Market capitalisation (Rs. billion)	20.11	19.86	21.17
	Net assets per share (Rs.)	20.15	18.58	18.10
	Closing market price per share (Rs.)	11.80	12.20	13.40
	Dividend payout ratio (%)	24.22	65.57	44.72
Manufactured Capital				
	Branches (Nos.)	104	103	103
	Service centres (Nos.)	99	101	101
Intellectual Capital				
	Brand value (Rs. billion)	8.13	8.79	8.72
	Intangible assets (Rs. million)	146.45	257.58	324.91
	Cumulative service of employees (years)	Over 17,000	Over 15,000	Over 13,000
Human Capital				
	Total number of employees (Nos)	2,343	2,401	2,329
	Retention ratio (%)	93.80	90.82	88.90
	New recruits (Nos.)	81	334	492
Social and Relationship Capital				
	Lending customers (Nos.)	117,773	126,715	121,129
	Deposit customers (Nos.)	291,319	282,944	248,587
	Repeat clients (%)	29.92	44.22	43.47
	Number of vehicle suppliers (Nos.)	31,665	32,406	28,661
	Total value of vehicle suppliers procured (Rs. billion)	51.09	60.62	66.80
	Investment in local communities (Rs. million)	20.38	55.53	120.29
	Outreach of CSR initiatives (Nos.)	63	79	155
Natural Capital				
	New staff trained	316	334	492
	Carbon footprint (tCO ₂ e)	3,833.50	5,836.46	5,337.96
	Volume of green lending (Rs. billion)	1.17	1.87	5.48
	Environmental initiatives (Nos.)	6	12	31
	Investment on natural environment (Rs. million)	2.77	3.32	1.94

Chairman's Message



GRI 102-14

Dear Stakeholders,

People's Leasing & Finance PLC navigated a year of unprecedented concessions to customers and converging challenges to record the highest profit in the history of the Group of Rs. 5,596.33 million for the financial year ended 31 March 2021. A focus on stakeholders underpinned realignment of strategy to a business landscape that changed in an unforeseen manner. This was also the underlying factor for the commendable performance recorded during the year, affirming the decisions taken by the Board in the early days of the pandemic to support our customers, employees and other stakeholders.

An Absence of Normal

The financial year commenced under lockdown with the onset of the COVID-19 pandemic while the country was still recovering from the impact of the April 2019 Easter Sunday attacks. Passenger transport activity came to a sudden and prolonged halt and continues to be affected even at the time of writing with the third wave. Unprecedented border closures had a devastating impact on the tourism industry of the country which accounted for a significant proportion of jobs directly and indirectly and was a key source of foreign exchange to the country. Online working, learnings and socialising became the norm overnight as people all over the world adapted to a socially distanced lifestyle to curtail the spread of the pandemic. As a large proportion of Sri Lanka's workforce are daily paid or gig workers, this caused significant economic hardship to a large number of households. We also saw retrenchments and salary cuts in the formal employment sector.

The Government's accommodative stance supported businesses during this period of extreme uncertainty. Extensive moratoria were given to affected businesses through the banking sector and policy rates were adjusted downwards to facilitate sustained cashflows during the year. Import restrictions were imposed to manage imbalances in trade and balance of payment deficits which had both positive and negative impacts in varying degrees across economic sectors with domestic producers gaining overall. Vehicle imports declined for the third consecutive year impacting the Group's leasing portfolio growth. On a positive note, political stability was established with the general elections and the 3rd quarter of 2020 saw the country recording positive economic growth after a contraction in the second quarter. Inflation also remained within the targeted policy range during the year.

Aligning Performance

From the outset, it was clear that we needed to realign the strategic goals to a dramatically changed operating environment. Meeting immediate needs of stakeholders, flexibility and cashflow management were key imperatives and we needed to reallocate resources accordingly. We needed to remain open even during lockdown to facilitate customers' access to cash while ensuring that our employees were safe.

Health and safety at the workplace, our staff and of their family members became a key priority and precautionary measures were implemented with the guidance of health authorities. Our people strategy

was key to success and the Board assured employees of their salaries, relieving anxiety as job losses and pay cuts were implemented by affected businesses. It has proved to be a key success factor that gained the loyalty and commitment of our team enabling delivery of value to our external stakeholders including customers and shareholders.

People's Leasing processed over 57,000 customer applications for moratoria which impacted Rs. 67.96 billion portfolio. Additionally, People's Leasing extended further moratoria to customers amounting to a total of Rs. 25.36 billion for 15,722 facilities in the second phase as we closely monitored the financial stresses experienced by customers. The Board also approved extending the waiver of default interest from six months to nine months to allow customers sufficient time to recover. This decision which resulted in a sharp year-on-year decline in default interest of 70.77% was affirmed by the strong business growth in the fourth quarter and a non-performing loan ratio which remains below industry levels.

Allocating resources to accelerate rollout of technology was an urgent necessity as working from home became the only option available for many roles. Meetings needed to be shifted to secure virtual platforms to enable discussion of sensitive matters. We also needed to enhance cybersecurity to support work from home initiatives to safeguard the systems and information assets of the Company. Group synergies were unlocked to deliver value to customers by facilitating deposits of funds to People's Leasing via People's Bank Cash Deposit Machines.

"I wish to thank the employees of the People's Leasing Group who have adapted and collaborated to deliver exceptional performance amidst multiple challenges with able leadership from the two Chief Executive Officers who held office during the year."

Group Performance

Group performance improved despite the decline in interest rates and a waiver of default interest for nine months to record Rs. 9,104.64 million Profit before taxes. People's Leasing accounted for 72% of profit after tax as strengthening of recoveries enabled reversals of provision and disciplined cost management improved margins. People's Insurance also recorded a strong performance contributing 21.5% to Profit before Tax while other subsidiaries contributed 6.5%.

The balance sheet contracted as we right sized operations across the Group to align with the business landscape. Lease & Loans and the Islamic Finance portfolios declined during the year due to restrictions in import of vehicles and prudential measures implemented in loan origination. Accordingly, Tier 1 and Total capital ratios improved from 15.12% and 15.99% in the previous year to 17.72% and 18.58% respectively. Fitch Ratings Lanka Ltd. has affirmed the rating for People's Leasing at A+(lka) with a Stable Outlook, reflecting its established position as one of Sri Lanka's largest local finance and leasing companies accounting for 11.82% of total NBF1 sector assets at end-March 2021 and links to parent balanced by exposure to higher-risk borrowers that renders People's Leasing's asset quality more susceptible to operating conditions.

Leadership for Abnormal Times

The Board increased the rigour of its oversight functions to navigate a difficult year, increasing its probity on risk management and effective operation of internal controls.

Understanding the operating environment and stakeholder concerns, aligning strategy and reallocation of resources to support the changes facilitated performance. The Board also revised and introduced a number of policies to align with the current operating context to provide guidance on day to day operations.

In view of the performance delivered, the Board declared a scrip dividend of Rs. 0.60 per share amounting to a total of Rs.976.62 million in December 2020. The Board is also recommending a final dividend of Rs. 0.75 per share for approval by shareholders at the Annual General Meeting. This enables shareholders to realise value of Rs. 1.35 per share for the year.

People's Leasing also had a change in its leadership as Mr Shamindra Marcelline, an experienced banker, was appointed as the new Chief Executive Officer in November 2020. This follows the resignation of Mr Sabry Ibrahim who was at the helm of People's Leasing for over three years and we thank him for his invaluable services.

We also welcome onto the Board Mr Ranjith Kodituwakku, the incumbent Chief Executive Officer/General Manager of People's Bank in August 2020. This follows the resignation of Mr Rasitha Gunawardana who held this position previously in June 2020 and we take this opportunity to thank him for his valuable insights and contributions.

Partnering for Growth

The global outlook has improved with the IMF revising forecasts upwards by 0.8% to 6% based on the smaller contraction than expected for 2020, supportive policies,

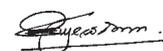
the roll out of vaccines and adaptation of economic activity. The outlook for Sri Lanka remains more uncertain as we navigate a third wave with multiple variants along with neighbouring countries. However, the increased focus on rolling out vaccines will support recovery and we also expect the Government to maintain its pro-growth policy stance. The risks are weighted to the downside with the duration of the pandemic being a critical factor and increasing concerns on mounting debt and debt servicing capability which will exert pressure on the currency, interest and inflation. Nevertheless, the increase in exports in the 1st quarter of 2021 and the relative resilience of economic activity are positive indicators. A cautiously positive view of 2021 tempered with the odds described above underpin our plans for next year.

People's Leasing role in a recovering economy encompasses assisting customers in adversely affected sectors to stay afloat while also supporting growth in thriving sectors of the economy. Our recovery and credit origination processes have been strengthened supporting growth in line with the Group's risk appetite. An island-wide network supports inclusive and sustainable financing, uplifting communities and economic sectors with broad portfolio of structured products that are readily understood by clients across different market segments. A strong balance sheet supports the Group's growth plans while providing sufficient headroom for implementation of transformative strategies, particularly in people development and technology.

Acknowledgements

I wish to thank the employees of the People's Leasing Group who have adapted and collaborated to deliver exceptional performance amidst multiple challenges with able leadership from the two Chief Executive Officers who held office during the year. I commend both Mr Ibrahim and Mr Marcelline for a smooth transition and commendable leadership of this Group during the year.

On behalf of the Board, I thank our external stakeholders for their continued confidence and commit to a journey of shared prosperity. We also take this opportunity to express our appreciation of the guidance and clarifications provided by officials of the Central Bank of Sri Lanka with a special mention of the officials of the Non-Bank Financial Institutions. I close by thanking our shareholders for their continued trust and confidence.



Sujeewa Rajapakse
Chairman

07 July 2021

Chief Executive Officer's Message



"People's Leasing Group achieved the highest profit after tax in its history of Rs. 5,596.33 million, an outstanding 55.81% growth year on year despite the challenging environment and concessions granted to customers. People's Leasing was the main contributor to profits and was strongly supported by the listed subsidiary, People's Insurance who also recorded a remarkable performance."

Dear Stakeholders,

People's Leasing recorded its highest-ever Group profit after tax of Rs. 5,596.33 million for the year ended 31 March 2021 in a year where we extended the highest levels of concessions to customers as we worked together to meet the unprecedented challenges stemming from the COVID-19 pandemic. It was undoubtedly the most challenging year in the history of the Company and the results achieved reflect our commitment to stakeholders and the ingenuity of our team who stepped up to deliver an outstanding performance. I take this opportunity to thank all our stakeholders for their continued support during this difficult year. As we completed our 25th year of commercial operations, I am pleased to note the solid foundations built over the years and proud to have the privilege of leading this innovative and resilient company forward.

Transforming

Looking ahead, there is a clear need to drive inclusive digital transformation benefitting key stakeholders as a tide that lifts all boats. This year saw a dramatic shift to digital platforms across the world and in Sri Lanka which supported learning and working from home as well as a surge in ecommerce as consumers adapted to a life of social distancing. An increase in overall broadband penetration to 79.9% supports migration of stakeholders to a digital era. This trend will play a key role in our own future as well as a digital savvy generation seeks to engage through digital platforms. There is an urgency to invest now to make the strides we need to be future forward.

Digital transformation must be internal and as well as external, transforming economic activity and making it easier for customers to do business. Connectivity of

systems creating broader value chains including merchants and state agencies necessary for supporting seamless activity must be considered as a way forward by regulators and as an industry.

Opportunities for organic growth will be limited in a post pandemic era and we need to drive efficiencies and grow new business channels that support real economic growth. Identifying growth areas and pursuing these opportunities is vital for People's Leasing as import restrictions and increasingly intense competition will distract from the medium and long term goals we need to pursue for sustainable growth and value creation to all stakeholders. We must be different and grow the economy by diversifying revenues and reducing focus on leasing rather than intensifying competition in a shrinking market.

Our subsidiary, Lankan Alliance Finance in Bangladesh presents an opportunity for growth as the economy continued to grow even in 2020 reflecting the potential of this market. This can also be used as a platform or model for regional corridor connectivity. Diversification of markets and products provide exciting growth opportunities for our team facilitating transfers across countries, giving them wider exposure to different economies and cultures and building strong talent pipelines to support our growth aspirations.

Strengthening governance to ensure that we continue to uphold high standards of integrity, transparency and accountability will be a necessary part of our transformational journey. Over the next few months we will establish a strong policy framework, systems and processes that are fit for purpose and the future embedding environmental and

social dimensions relevant to our business. These changes will provide a solid platform to transform the business and align it to thrive in a new normal which will be digital driven.

The future for People's Leasing will be driven by looking at things differently, leveraging digital capability and transforming our culture to focus on driving shareholder value.

Aligning Strategy

With the onset of the pandemic, there was a clear understanding that strategy needed to remain flexible to respond to changing stakeholder concerns and the operating environment. Accordingly, Q1 focus was on providing an uninterrupted service to our customers, implementing stringent health and safety protocols to safeguard both employees and customers. The second quarter, we focused on finalising the moratorium process and supporting our customers to rebuild their businesses. Strengthening internal controls to adapt to the new normal was the focus in Q3 which also saw the transition in leadership as I took over the reins. Q4 was about boosting team morale to drive accelerated business growth leveraging strengthened credit processes. This enabled us to record the highest quarterly profit achieved by the Company and the Group in our history.

The Group's people strategy was a cornerstone of the performance delivered as we implemented new initiatives to increase employee engagement and recognise branch efforts and achievements with improved performance monitoring. A series of policies was introduced to strengthen the governance framework, aligning it to suit a changed business landscape, nurturing a culture of strong work ethics and responsibility in our business operations.

Supporting Our Customers

From the onset of the pandemic, customers needed cash lifelines and we remained open throughout to provide the same. With the announcement of moratoria by the Government, People's Leasing commenced processing eligible facilities, extending the benefit to customers and remaining flexible to assist them. I am pleased to report that these were completed in a timely manner and we accepted applications even after the closing date prescribed by CBSL. While refinance schemes were extended to banks for moratoria, People's Leasing granted moratoriums at its own cost. The first moratorium was given for 57,253 facilities which accounted for Rs. 67.96 billion portfolio while 15,722 facilities were eligible for the second moratorium. Customers who were not eligible for the moratoriums were granted the option of rescheduling their facilities in line with their reforecast cash flows.

Additionally, default interest was waived for a period of nine months, giving additional time for customers to recover. Accordingly, default interest income for 2020/21 is only Rs. 678.89 million compared to Rs. 2,322.58 million in financial year 2019/20.

Performance in Abnormal Times

People's Leasing Group achieved the highest profit after tax in its history of Rs. 5,596.33 million, an outstanding 55.81% growth year on year despite the challenging environment and concessions granted to customers. People's Leasing was the main contributor to profits and was strongly supported by the listed subsidiary, People's Insurance, which also recorded a remarkable performance. Although the Group's top line was impacted by low business volumes, declining interest rates, default interest income, strengthened recovery

efforts facilitated significant impairment reversals in March 2021 supporting strong bottom line growth. Return on Assets and Return on Equity of the Group improved to 4.26% and 14.83% respectively as we set a new bar for performance.

Loans, Leasing & Hire Purchase

– This key business segment made a strong recovery in the 4th quarter to reach a new milestone of disbursing Rs. 10.90 billion in March 2021 despite the challenges, reversing the declining trend experienced in the first three quarters. We maintained a strong focus on credit quality which enabled us to minimise non-performing advances which are reflected in improved NPA ratios. This resilient business segment remains the market leader, accounting for the largest lending portfolio of the NBFIs sector.

Margin trading recorded a notable improvement during the year with the rebound of CSE. The Gold loan portfolio more than doubled to Rs. 1,993.51 million by the close of the year compared to Rs. 895.70 million in March 2020.

Deposits – People's Leasing has the largest deposit base in the NBFIs sector of Rs.101.50 billion which decreased by 4.87% as there was sufficient liquidity for the forecast business needs of the Company. Savings deposits increased by 25.59% to Rs. 8.50 billion during the year from Rs. 6.77 billion despite the pessimism in the industry due to the low interest regime although the fixed deposit base reflected a slight decline during the financial year under review due to the excess liquidity in the market.

Islamic Finance - Islamic finance business segment also evidenced an improvement of 7.19% over the previous year to generate a segment profit of Rs. 338.49 million.

People's Insurance – Reduction of claim ratios as a result of restricted movements and lockdowns during pandemic enabled this subsidiary to record the highest underwriting results and profits in history.

People's Micro-Commerce

– Despite the lack of guidelines or regulations for this key business segment, PML granted moratoriums for its customers impacted by the pandemic. This agility turned around its performance during the last four months to record the highest ever profit after tax of Rs. 133.26 million through strategies implemented to strengthen recoveries after a difficult eight month period.

Lankan Alliance Finance

– This company was able to record a remarkable growth in profit after tax to Rs. 142.07 million despite the impact of COVID-19 in Bangladesh supported by growth in loans and investments as well as in deposit base.

Other Business Segments

– Even though our property business reflected a slow down during the year given to the challenging environment People's Leasing Fleet Management recorded an improvement in profitability with Rs. 46.05 million profit after tax for the year.

Managing Risks

De-risking our lending portfolio to minimise non-performing advances ratio by the year end was a key focus during the year. Accordingly, recovery efforts were strengthened which also improved credit quality, successfully curtailing the overall non-performing advances ratio to 9.21% by 31 March 2021. There was increased focus on Loan to Value rules for vehicle backed facilities in view of the significant increase in the vehicle prices in the market to prevent the risk that may arise with asset bubbles.

Strict health and safety measures were implemented at all business locations to manage risk of contagion with the guidance of the COVID-19 Special Task Force appointed who were responsible for establishing comprehensive protocols, reinforcing them, monitoring developments and developing an emergency response. Business continuity planning was a key focus and supported continuous operations to provide uninterrupted service to customers and was upgraded to support high levels of functionality through Work From Home activations by the third wave. IT risks including cyber security were also strengthened in view of the increasing volumes of digital transactions and Work From Home facilities were given to employees.

The Company's Tier 1 and Total Capital ratios were 17.72% and 18.58% at the close of the year, comfortably within its risk appetite and regulatory requirements. The Company also had a healthy capital funds to deposits ratio of 33.83% as we focused on strengthening the balance sheet in view of the prevailing uncertainty.

A Team Effort

The team came together to respond to the crisis, adapting to new ways of working and overcoming challenges at the workplace and in their personal lives to deliver a commendable performance. An unprecedented workload has been managed amidst multiple constraints which were overcome by positive attitudes, hard work and a commitment to continuous improvement. The swift adaptation to accelerated digitalisation has been particularly encouraging and facilitated working from home during the lockdowns. As mentioned above, arrangements were put in place to provide a safe environment for our staff in compliance with the guidelines

issued by the Ministry of Health and transport was arranged during lockdowns to minimise risks to our employees. An emphasis on doing the basics right and nurturing a values led corporate culture supported performance together with inter departmental engagement and brainstorming to improve service delivery. Special mention must be made of the extra effort during last four months to restore the Company's growth momentum and to boost its competitive position in the market which was key to the outstanding performance recorded.

Training and skill development programmes were shifted to virtual platforms during the year due to the pandemic, enhancing employee knowledge and supporting their career aspirations. CEO led Town Hall sessions and skip level meetings added a new dimension to staff engagement, strengthening trust and collaboration. This year we also involved employees across the Company in the strategic planning process via a virtual platform, tapping into the ingenuity of a diverse talent pool. Programmes to upskill our team and implementation of a Learning Management System will be key areas of focus in the year that has commenced to deliver better returns.

Committed to Communities

As a business closely connected to the community, our first priority was to support our customers get through this crisis as described above. Our strategic philanthropic efforts continued during the year as well with its focus on education. Scholarship beneficiary students were provided with electronic devices to continue their studies online and we also supported the Ministry of Education to help schools to improve their COVID preparedness measures.

As a carbon conscious corporate, People's Leasing remains committed to resource optimisation via paperless processes. Accordingly we introduced e-memo, digital Board paper submission and other process improvements to drive paper-less processes and minimise waste generation. We also established an environment performance management system to track key environment indicators. We are also working towards transitioning to zero emissions with lean management practices, sourcing renewables for energy and aligning our lending activities. Importantly, we will offer products that incentivise emissions reduction and contribute to a low carbon future.

As a socially responsible corporate, we will continue to make an impactful contribution and invest in communities in which we operate in alignment with national priorities and the Sustainable Development Goals.

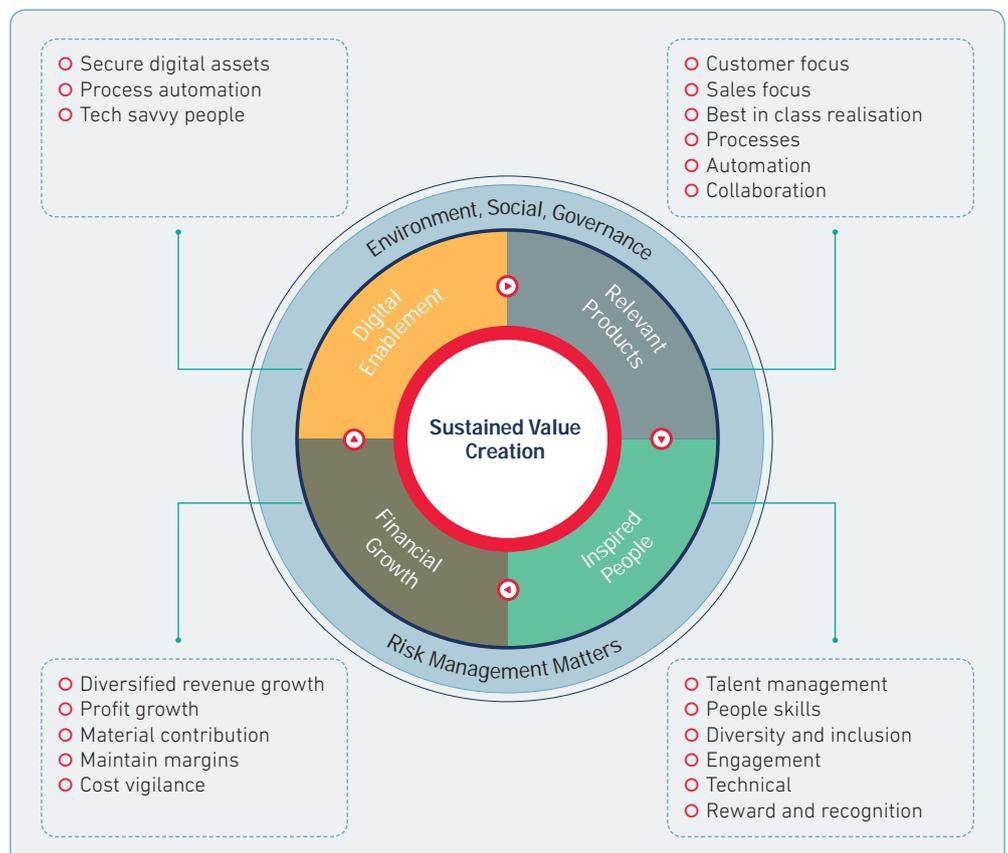
Beyond 2020

Operating Environment

The economic recovery after the lockdown in Q2 2020 has been encouraging and we believe that the pro-growth policies adopted will support economic growth in 2021. We expect stability in interest rates and inflation rates in 2021 which will support demand for private sector credit growth. The proposed industry consolidation will see the merge or exit of weaker players which will change the competitive dynamics within the sector although we do not expect this to have a significant impact on our prospects and plans for growth. As we are facing with the third wave of the pandemic, we look for a sustainable recovery with the roll out of the vaccination programme that is underway. The duration of the pandemic will play a key role in the country's recovery which may require further accommodation of possible debt moratoriums. Regulatory changes are also likely to shape the industry.

People's Leasing

Our plans are focused on reinforcing our position as the leading NBF in Sri Lanka, leveraging the strong domestic franchise nurtured over the past 25 years. A customer focused product strategy underpins our aspirations for growth, supporting their transition to a digital era. Focused improvements in risk management reinforce the foundations, driving sustainable growth through improved asset quality, secure systems and efficient and effective processes. The people and digital enablement strategies are cross cutting themes that will transform the organisation as we support the transition of our customers to thrive in a digital era. Our Environment, Social and Governance strategy provides the necessary checks and balances to support long-term value creation for our stakeholders.



People's Leasing's long-term goal is to become a sustainable admired business model that leads in inclusive finance. The uncertainties of the operating environment necessitates focus on improving the management of non-financial risks including operational and compliance practices as this is a fast-evolving aspect of risk management. Sustainability of operations will be enhanced to cover responsible sourcing with the implementation of the Code of Conduct and screening of key suppliers against social and environmental risks. People's Leasing will also collaborate with industry peers and regulator to promote purposeful lending principles in the Non-Bank Finance landscape to support sustainable economic activity and collectively work with industry peers to seek avenues for sustainable finance. The consolidation of the industry presents opportunities for mergers and acquisitions and we will remain alert in this regard. Credit risk, operational risks including health and safety, and IT and cyber risks are expected to remain elevated in the year ahead and we have strengthened our processes to manage these risks, leveraging our experience from the reporting year.

Acknowledgements

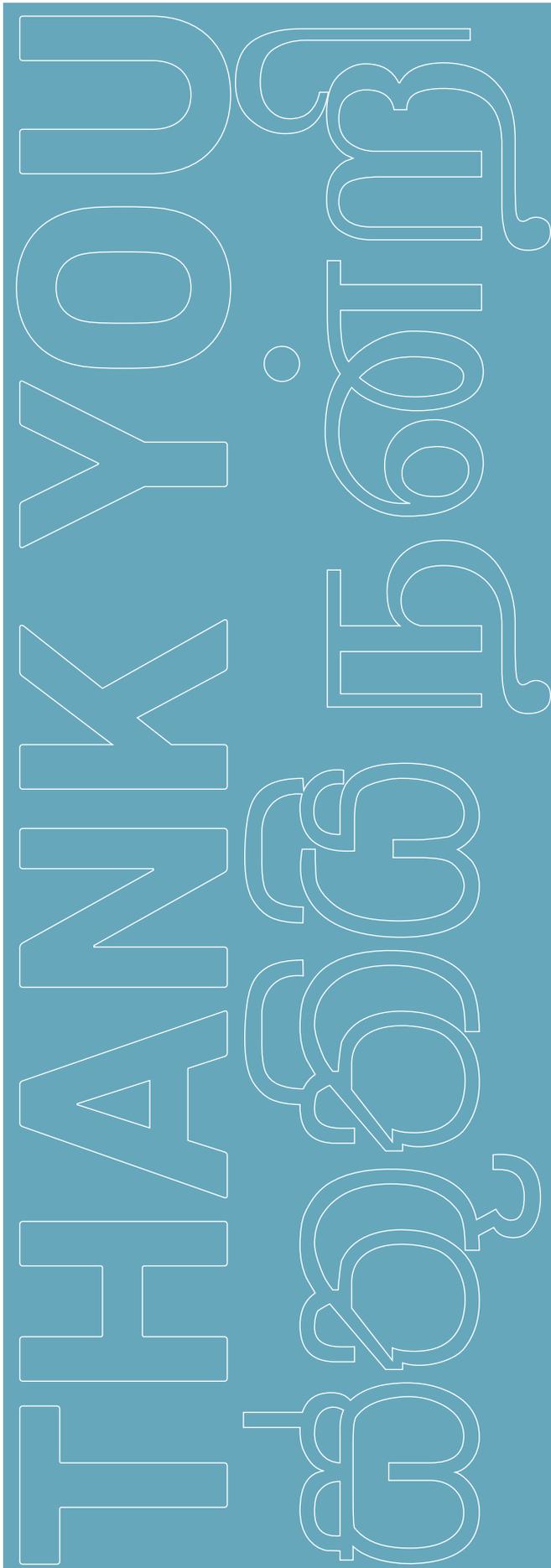
I thank the Chairman and the Board of Directors for their guidance which proved invaluable as I stepped into my role as the Chief Executive Officer of People's Leasing in a year where the abnormal prevailed. I also thank the former Chief Executive Officer Mr Sabry Ibrahim for ensuring a smooth transition and navigating the Company through the first eight months. I am grateful for the loyalty and trust demonstrated by our customers, the continued patronage of our business partners, the continued confidence and conviction of our Investors, and the support

extended by health authorities, police and armed forces during this challenging year. I also wish to thank the officials of the Central Bank of Sri Lanka and the Non-Bank Financial Institution Supervision Department for their support and regulatory guidance. Special thanks are due to the inspired team at People's Leasing for their tireless efforts during a difficult year which enabled us to deliver the best results in the history of this company. Every crisis is an opportunity and as we celebrate our 25th anniversary, I look to the support of our stakeholders to deliver another milestone performance, collaborating to overcome the challenges in the year ahead.



Shamindra Marcelline
Chief Executive Officer/General Manager

07 July 2021



VALUE CREATION MODEL

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Value Creation Model



Pandemic



Government Policy:
Health, Social, Fiscal and Monetary



Operating Environment

Vision

Mission

Our Resources (Inputs)



FINANCIAL CAPITAL

Cashflows generated from financial assets and liabilities, access to lines of credit and bank facilities

Total Assets: **Rs.171.66 billion**

Total Liabilities: **Rs. 141.41 billion**

Equity: **Rs. 30.25 billion**

New Borrowings: **Rs. 1.00 billion**



HUMAN CAPITAL

Our people

2,401 employees



SOCIAL & RELATIONSHIP CAPITAL

Our customers, business partners, suppliers, investors and communities we operate in

Nearly **400,000** customers

40,910 business partners

8,634 shareholders

Investment in Local communities **Rs. 20.38 million**



INTELLECTUAL CAPITAL

Our brand, software, organisation structures, policy frameworks, systems and processes and the tacit knowledge of our team

Brand value: **Rs.8.79 billion**

Software: **Rs. 36.76 million**

Established systems and processes

Strength of Parent entity

Certifications and awards

Organisation culture



MANUFACTURED CAPITAL

The branch network and tangible assets represented by Property, Plant & Equipment

103 branches

Capex of **Rs. 104.69 million** in 2020/21



NATURAL CAPITAL

Natural resources consumed in carrying out our business activities

Energy **2.03 x 10¹³** (Joules)

Remote working due to pandemic

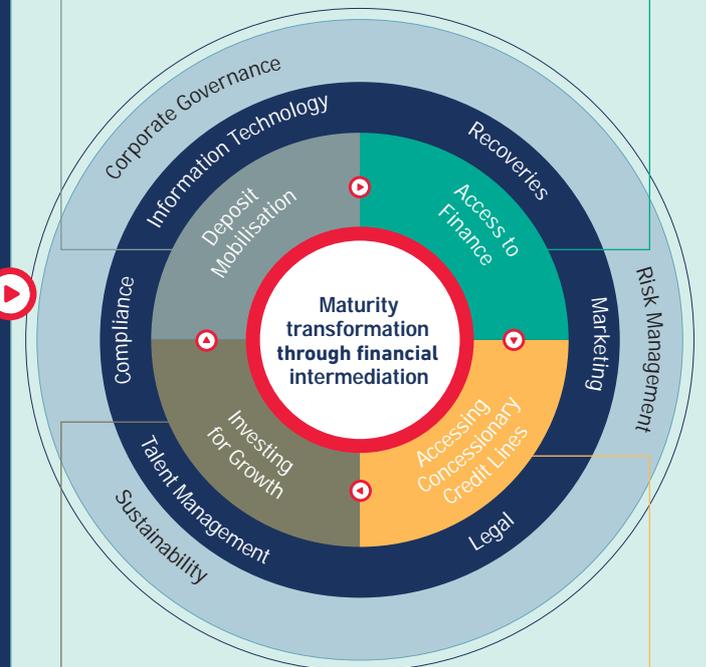
Investment in workflow automation

Stakeholder Engagement
Strategy

Core Functions and Enablers

Mobilising deposits through a range of products which earn interest for customers

Providing Financial Capital for investment, working capital and consumption needs for a defined time for which customers pay interest or an equivalent charge



Broadening customer value proposition through investments in entities providing complementary services

Supporting customers with access to concessionary credit lines from diverse sources to facilitate growth

Output

Intended products

- Leases
- Loans
- Deposits
- Margin trading

Unintended by-products

- Emissions
- E-waste
- Paper waste
- Other waste



Virtual Meetings & Workplace



Recessive Economy and Uncertainty

Values

Outcomes



FINANCIAL CAPITAL

- + Strong Balance Sheet
- + Profit After Tax
- + Increased Equity to Rs. 34.34 billion



HUMAN CAPITAL

- + Employee satisfaction
- + Productivity
- + Tacit knowledge



SOCIAL AND RELATIONSHIP CAPITAL

- + Maturity transformation
- + Trust
- + Beneficiary communities



INTELLECTUAL CAPITAL

- + Brand value: Rs. 8.13 billion
- + Increased tacit knowledge
- + Lean and efficient systems



MANUFACTURED CAPITAL

- Depreciation of Manufactured Capital exceeds investments



NATURAL CAPITAL

- + 238,891 no. of digital transactions
- + Office work flow automation resulted a 32% reduction in A4 (500 sheets bundle) use
- + Company carbon footprint reduced by 2,002.96 tCO₂e

Impacts



CUSTOMERS

- o Rs. 50.88 billion loans disbursed
- o Over 55,000 moratoriums
- o Over 15,000 moratorium extensions
- o Waived off default interest
- o Unparalleled convenience



EMPLOYEES

- o Rs. 1.56 million in training and development
- o Financial and other benefits
- o Career progression and development
- o Empowerment



BUSINESS PARTNERS

- o 38,890 total suppliers
- o Transparency
- o Long-term win-win relationships



INVESTORS

- o Profit after tax Rs. 4.03 billion
- o Strong balance sheets
- o Investment opportunities



GOVERNMENT

- o Rs. 4,203.03 million in taxes
- o Financial sector stability
- o Efficient capital formation
- o Reduce poverty



LOCAL COMMUNITIES

- o Advanced Sustainable Development Goals
- o Addressed national priorities
- o Continued employment for 2,343 individuals



ENVIRONMENT

- o Cultural shift to paperless work environment
- o Increased digital transactions by 144,504
- o Increased workflow automation

Sustainable Value Creation

Relevant SDGs to Our Operations

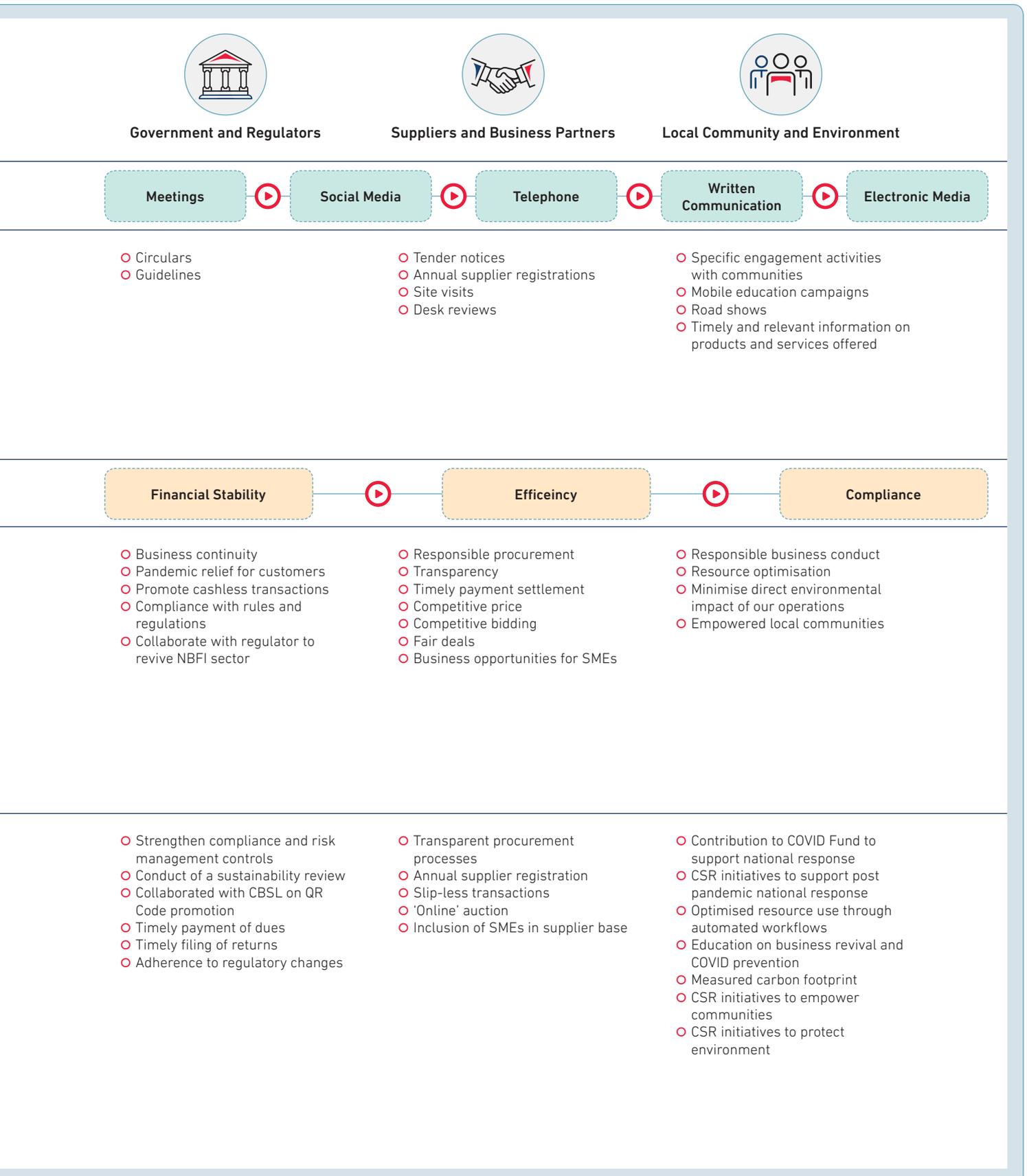
Triple Bottom Line

GRI 102-40, 102-42, 102-43, 102-44

As implied in the name of the Company, we view our business as a people's business and this year was shaped by concern for shareholders as we responded to address their urgent concerns. Well established processes to obtain feedback regarding stakeholder concerns and understand their perspective underpinned decision making at all levels and ensured that we achieved a careful equilibrium which was appropriate for the time. The dramatic shifts during the year necessitated recalibration of this equilibrium from time to time,

Stakeholder	 Customers	 Investors	 Employees
Common Engagement Mechanisms	   		
Special Engagement Mechanisms	<ul style="list-style-type: none"> ○ Call Centre ○ Branch network ○ Contactless/digital platforms ○ Customer visits 	<ul style="list-style-type: none"> ○ Announcements to Colombo Stock Exchange ○ Dedicated Investor Relations page on website ○ Annual General Meeting ○ Road shows 	<ul style="list-style-type: none"> ○ Intranet, emails and memos ○ New policies and policy revisions ○ Branch visits ○ Virtual meetings ○ Strategic planning session ○ People's Knowledge Hub ○ HR portal ○ Employee union ○ Grievance mechanism ○ Toastmasters' Club ○ Performance appraisals
Common Concerns	  		
Concerns Identified	<ul style="list-style-type: none"> ○ Moratoria for pandemic affected customers ○ Concessions ○ Accessibility and convenience ○ Safe and secure transactions ○ Cost of borrowing/return on Investment ○ Product and service innovation ○ Clear product information ○ Financial stability ○ Service efficiency ○ Empathetic and friendly service ○ Ease of doing business 	<ul style="list-style-type: none"> ○ Consistent bottom line ○ Business continuity ○ Financial strength and stability ○ Responsible and balanced business conduct ○ Timely disclosure of price sensitive information ○ Transparency ○ Brand reputation ○ ESG concerns ○ Plans in the new normal 	<ul style="list-style-type: none"> ○ Business continuity ○ Structural and operational changes ○ Migration to automated workflows ○ Health and safety risks ○ Remuneration, benefits including health benefits ○ Opportunity for career progression ○ Inclusive workplace ○ Staff upskilling ○ Continuous staff engagement ○ Constructive feedback ○ Confidentiality ○ Plans for sustainable growth
Our Response	<ul style="list-style-type: none"> ○ Offered continued safe and secure service experience despite pandemic ○ COVID safety protocols at points of contact ○ Encouraged migration to digital channels ○ Enabled CDM transactions through People's Bank network ○ Assisted customers to obtain moratoria ○ Rescheduled facilities ○ Waived off default interest ○ Introduced contactless products and services including "PLC Online" ○ Initiated and promoted contactless processes ○ Promoted digital transactions and QR code ○ Customer advisory services ○ Increased presence on social media 	<ul style="list-style-type: none"> ○ Paid interim dividend ○ Sound financial performance ○ Strong balance sheet ○ Publish information on integrated performance ○ Ethical lending ○ Sustainable finance ○ Prudent risk management ○ Corporate governance ○ Accolades/rankings by independent institutions/agencies ○ Strategies to deliver sustainable value ○ Reduced time for service delivery through e-memo system 	<ul style="list-style-type: none"> ○ Strengthened governance ○ Job security despite pandemic ○ COVID Task Force for quick response ○ Safer workplace with protocols in place ○ Work From Home (WFH) arrangements ○ Sponsored staff transport ○ Paid salaries despite uncertainty ○ Online training and knowledge sharing ○ Constructive engagement with employee union ○ Virtual idea generation for strategic planning ○ Relief for pandemic affected staff ○ Appreciation programmes for staff ○ "Townhall" sessions with CEO ○ "Coffee with CEO" series ○ Staff welfare activities

This proactive approach enabled us to consolidate relationships with our key stakeholders as we worked our way through the challenges and the opportunities the twin health and economic crises presented. Our stakeholder engagement mechanisms, their concerns and our response are summarised below.



The business landscape was significantly altered in 2020/21 financial year as the COVID-19 pandemic resulted in closure of international borders, lockdowns, supply chain disruptions and wide-ranging changes in consumer spending habits which exerted significant pressure on businesses in Sri Lanka and around the world as depicted in the adjacent chart.

The resultant scarring of economies is evident across almost all countries with wide-ranging job losses heightening the economic vulnerability of many. The impact on tourism, leisure and ancillary services was devastating with zero guests during the 1st quarter of the financial year and subsequent deep discounting and low capacity utilisation which

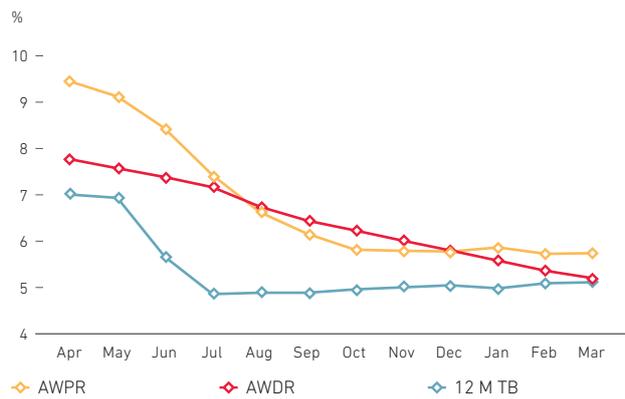
resulted in severe hardship for those depending on the industry for their livelihoods. Passenger transportation services including air, land and sea transport were similarly affected due to the need for social distancing with significantly lower capacity utilisation even as at date. Health and safety concerns also changed the way people accessed goods and services and the way they worked. Migration to online platforms gathered momentum during the year along with virtual meetings and online collaboration platforms.

Sri Lanka

The Sri Lankan economy recorded a contraction of 3.6% in real terms for the year, compared to a growth of 2.3% in 2019 with its inevitable

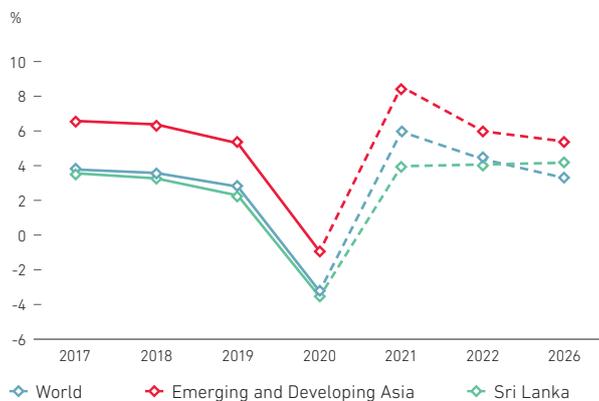
impact on demand for credit. Inflation remained relatively flat throughout most of the year supported by low fuel prices which cushioned the increase in food inflation which increased significantly. Accommodative monetary policies including lower interest rates and moratoria for adversely impacted businesses provided much-needed relief, supporting their survival for the second consecutive year. Capital outflows during the year and sovereign downgrades exerted pressure on the currency which devalued significantly in the latter part of the financial year.

Interest Rates



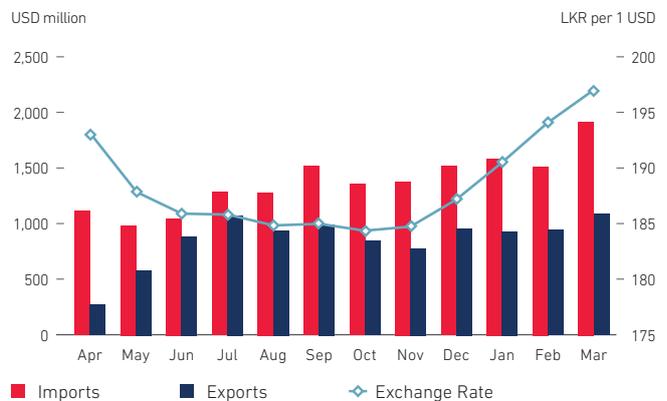
Source: Central Bank of Sri Lanka

Real GDP Growth Rate



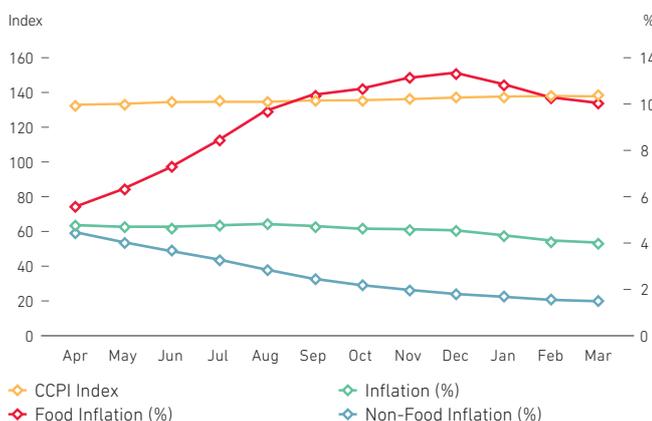
Source: International Monetary Fund

Exchange Rate and Trade



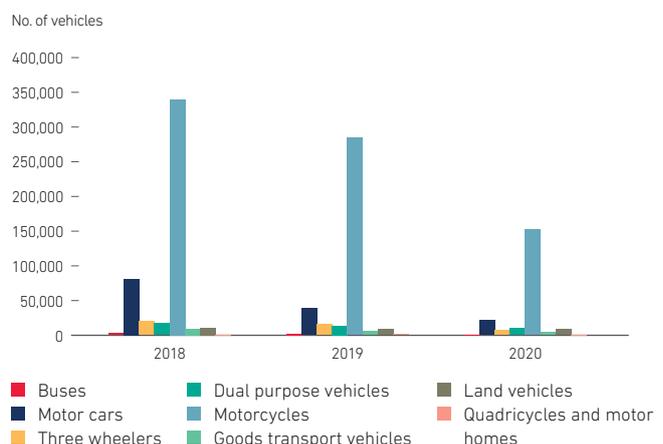
Source: Central Bank of Sri Lanka

Inflation - CCPI



Source: Prices & Wages Division, Department of Census & Statistics
All inflation rates above were calculated based on 12 month moving averages

New Registration of Motor Vehicles

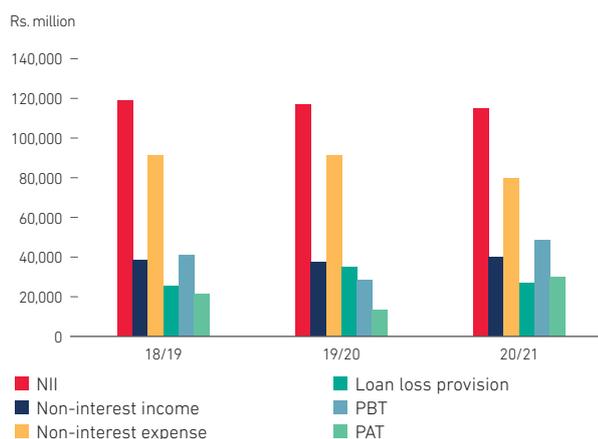


Source: Department of Motor Traffic

NBFI Sector

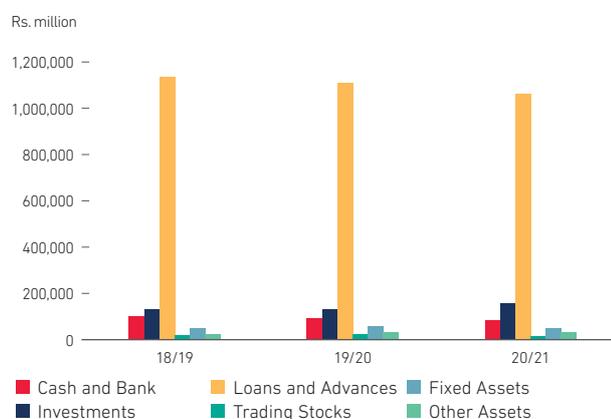
The NBFI Sector earnings increased during the year and financial positions strengthened by March 2021 due to a number of factors. During the first quarter, the focus was on supporting customers through the hard times and the second quarter was focused on strengthening recovery processes to drive growth. Loans and advances decreased as growth in leasing portfolios, which account for 57% of Loans and Advances of the sector, moderated due to import restrictions on vehicles and contraction in business activities amidst the COVID-19 lockdowns.

Earnings



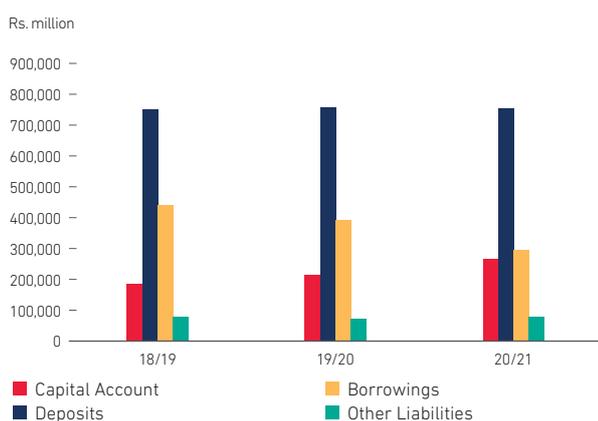
Source: Central Bank of Sri Lanka

Assets



Source: Central Bank of Sri Lanka

Funding



Source: Central Bank of Sri Lanka

	Mar-19	Mar-20	Mar-21
Gross Non Performing Advances to Total Advances (%)	7.71	11.37	11.30
Net Non Performing Advances to Total Advances (%)	2.29	3.79	2.82
Total Net Advances to Total Assets (%)	77.95	77.25	76.22
Provision Coverage Ratio (%)	58.77	54.72	64.16

Outlook

By April 2021, IMF had revised its forecasts upwards as economic activity picked up due to supportive monetary policies, people adjusting to an era of social distancing and the roll out of vaccines. Sri Lanka was also forecast to grow by 4% in 2021. However, the new waves and strains that spread across most of South Asia during April and May 2021 may have dented the forecasts as the country went into lockdown in the latter half of May. The movement of several variables that have a significant impact on the operations of People's Leasing remain in a state of flux and these are summarised below.

Indicator	Impact on People's Leasing
Monetary policy and interest rates	Reduced borrowing costs may increase the demand for motor vehicles, if not for the temporary suspension of imports. Furthermore, it directly affects the cost of deposit mobilisation.
Credit growth	Decelerating private credit growth is typically a leading indicator of impending challenges in growing the asset base.
Inflation	Higher inflation has the potential to discourage consumer spending particularly on non-essential goods.
Trade deficit	The temporary suspension on motor vehicle imports can have a significant impact on future loan growth.
Rupee depreciation	The depreciation of the Rupee against the USD and Euro has a material impact on the price of new imported vehicles and on the second hand market for cars which is a major source of loan growth. It can also lead to cost push inflation and put pressure on the CBSL to increase interest rates to contain the effects on the real economy.
Sri Lanka International Sovereign Bond yields	Rising yields on SLISBs signal the challenges of raising fresh dollar denominated lending and thereby rolling over the foreign debt payments coming due. This implies that a greater share of deficit funding may need to be financed via domestic sources which has implications for the trajectory of interest rates. There would most likely be pressure on interest rates to increase.

Our Response to COVID-19

GRI 403-1, 403-3, 403-7

Apr-20 May-20 June-20 Jul-20 Aug-20 Sep-20



- ▶ All island lockdown imposed by Government in March
- ▶ Socio-economic problems arose during the lockdown
- ▶ Government imposed rules and regulations for granting concessions to customers
- ▶ People were allowed to start working at their work places by maintaining social distance
- Public gatherings were banned
- People used to live new normal

Impact to People's Leasing

- Closure of branches
- Difficulties in processing new business
- Collection difficulties due to customers being affected by the COVID
- Rising Non-Performing Advances (NPA) ratio
- Excess liquidity due to limited business
- Requirements to ensure health and safety of staff and customers

Our Responses



For Customers

- Provided an uninterrupted service through physically operated limited branches and digital platforms.
- Served customers with timely interest payments.
- Mobile ATM withdrawal facilities in collaboration with People's Bank.

For Employees

- Ensure health and safety of employees
- COVID-19 Special Task force was formed
- Roster plans, WFH facilities, transport facilities
- No reduction in salaries and job redundancies

For Customers and Supporting Government

Support Government initiatives on providing relief for COVID-19 affected individuals and businesses

- Over 50% of customers were eligible for the 1st moratorium
 - **Number of facilities** - 57,253
 - **Portfolio value** - Rs. 67.96 billion
- Waived off default interest for nine months
- 4% interest concession for 4,362 buses amounting to a portfolio of Rs. 8.13 billion

For Suppliers

Served payments on time through SLIPs and fund transfers

For Local Communities

- Donated Rs. 5 million for "Itukama COVID-19 fund" to improve healthcare and social security - one of the first few corporates to donate
- 53 "Senehasa" scholarship beneficiaries were provided with electronic devices to continue education through on-line mode through nearest People's Leasing branch
- 10 nos. of infrared thermometers presented to Trincomalee District General Hospital
- Established hand washing and isolation areas to 21 Government schools to increase COVID preparedness

Oct-20

Nov-20

Dec-20

Jan-21

Feb-21

Mar-21

Second Wave



- ▶ Minuwangoda and Divulapitiya cluster since 23 September
- ▶ Quarantine curfew was imposed based on the requirement of the area
- ▶ Commence the vaccination programme
- ▶ Situation was gradually controlled and daily reported patients reduced until April 2021 Sinhala and Hindu New Year

Impact to People's Leasing

- Closed down several branches in Gampaha District
- Customers of the Gampaha District as well as in tourism sectors were badly affected
- Difficulties in promoting new business
- Several branches across island had to closed down due to staff being affected with virus
- Ensured uninterrupted service through backup plans and support of Head Office

Our Responses



For Customers

- Business volumes were increased.
- Customers were benefited from several programmes with business partners - Indra Traders/Punchi Car Niwasa

For Suppliers

- Served payments on time through SLIPs and fund transfers

For Employees

- Engagement with staff was enhanced through digital platforms to boost employee morale - Virtual strategic forum/Town hall with CEO
- Random PCR tests/rapid antigen tests were conducted for vulnerable staff
- Introduction of e-documents with digital signing instead of wet-signature
- Grant an interest free loan facility
- Provided essential household items for the families of staff members affected

For Local Communities

- 05 nos. of Wireless Stethoscopes were presented to National Hospital – Kandy
- A Portable Echo Ultrasound machine, 110 nos. of feeding bags and an infant stethoscope to improve intensive care treatment for the critically ill COVID patients

For Customers and Supporting Government

- Second moratorium was granted for 15,722 facilities with a portfolio value of Rs. 25.36 billion
- Continued to support customers in passenger transport/tourism sectors

Achievements of People's Leasing amid COVID crisis by the year end

- Highest ever business volumes per month in March 2021
- Highest ever impairment reversal per month in March 2021
- Highest ever quarterly profit in the last quarter
- Highest ever Group profit

Determining Material Matters

GRI 102-46

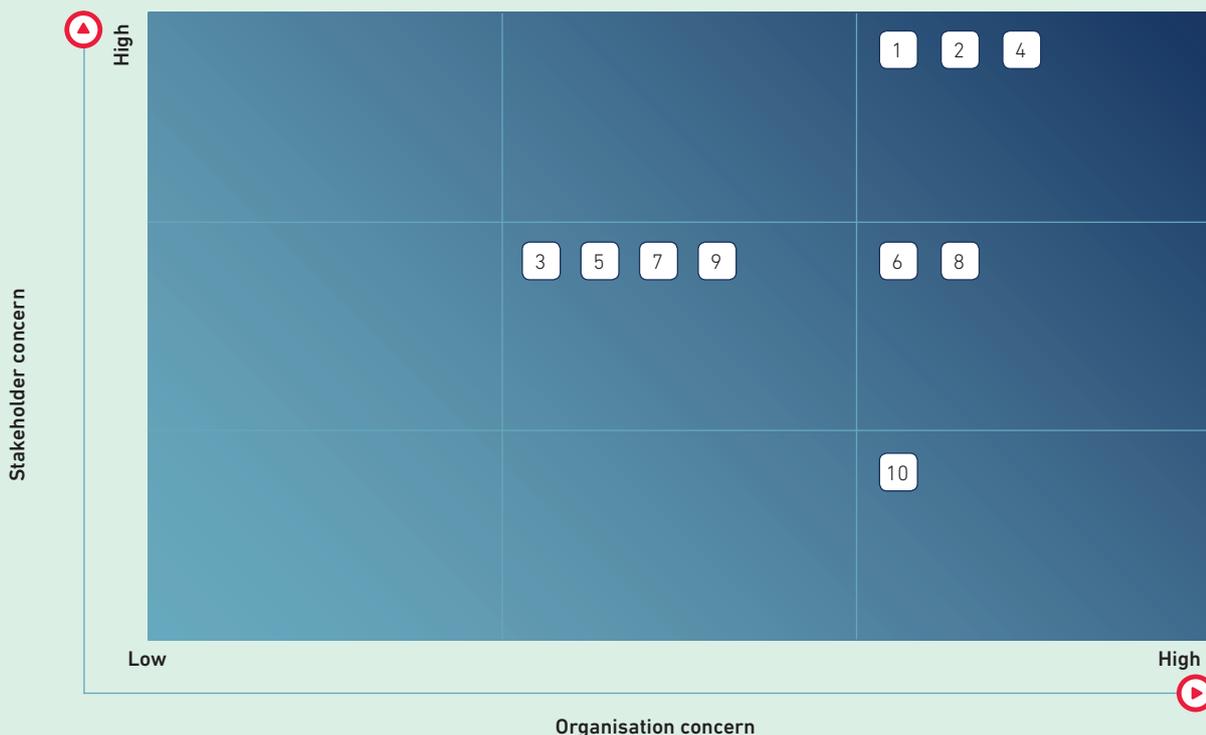
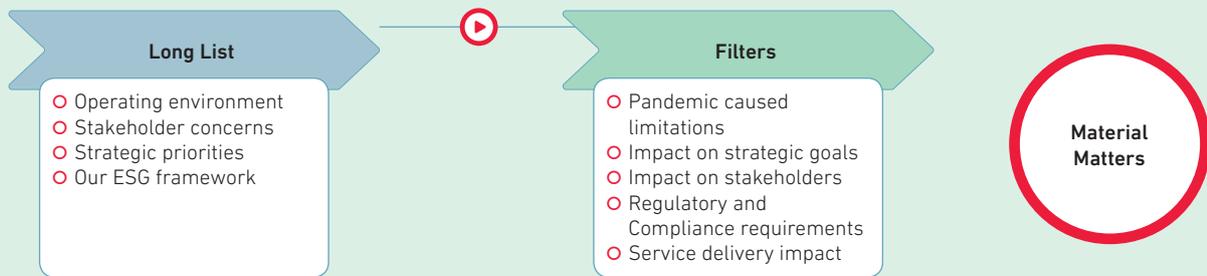
The operating environment during the year underlined the need to determine and prioritise our material matters to navigate the uncertain landscape. High level discussions about short term, medium and long term priorities to create long term value served to provide guidance and alignment of strategy and resources. The established sustainability framework and our values underpinned the discussions, serving as a reference framework for the decisions.

During the year we also obtained services of an independent consultancy firm to conduct a sustainability review through which the existing Materiality Assessment was reviewed based on the AA1000 Standard of Accountability UK and GRI Standard. A long list of potential material matters was developed and then filtered inputs from our revised strategy and stakeholder engagement processes and mapped to Sustainable Development Goals. This served to affirm alignment at the end of the third quarter.

Towards the close of the year, materiality was reviewed again to align with the current priorities internally by the Management, taking into consideration the business landscape at the time. The process and the results are captured below.

People's Leasing's ESG Framework

- UN Sustainable Development Goals
- CSE Recommendations for Communicating Sustainability
- GRI Standards
- Code of Best Practice on Corporate Governance



GRI 102-49

During the annual review conducted, following ten GRI Topics were excluded from the list of material topics identified in the financial year 2018/19 and four topics were added. Rationale for omission and addition of the relevant GRI Topics is as follows.

GRI Topic	Rationale for Omission/Addition of GRI Topic
Omitted GRI	
GRI 202: Market Presence	People's Leasing has not employed expatriate personnel in senior management positions. Entry level wages of the Company are over and above the minimum wage and in-line with remuneration with peer entry level banking/finance professionals.
GRI 203: Indirect Economic Impacts	The Company has no policies with regard to pro-bono, or in-kind community investments. No significant expectation by the society, political parties or local authorities with regard to undertaking infrastructure investments. However, certain public infrastructure projects are implemented as part of the company's CSR efforts.
GRI 204: Procurement Practices	Although there is a direct financial impact associated with the Procurement Practices. However, suppliers include stationery, computers, printers and electronics suppliers and outsourced service providers for only the non-core jobs. There is also no specific regulatory requirement exists in this regard.
GRI 206: Anti -Competitive Behaviour	Being a highly regulated industry, anti-competitive behaviour is unlikely to arise as a result of internal policies, indirect shareholding of the government and other regulations. Country laws, regulatory body guidance and listing requirements also exist. Direct financial impact may arise for related fines and legal charges.
GRI 301: Materials	Materials have no significant direct financial impact as People's Leasing is a services provider. Paper and ICT equipment are the key material to be purchased. Sustainable utilization of resources is a companywide priority for People's Leasing to optimize resource use and reduce environmental footprint.
GRI 304: Biodiversity	Laws and regulations are in place to preserve biodiversity. However, there is no direct impact of the Company's business operations on biodiversity. The Company does not have branches in proximity to biodiverse areas and promotes responsible lending.
GRI 402: Labour Relations	Country regulations exist on Collective Bargaining / Trade Union action. The Company operates mainly during office hours and no significant direct impact exists.
GRI 408: Child Labour	Being a financial services provider, incidences of child labour are extremely unlikely. The Company obtains support services including janitorial and security services through manpower service providers and ensures that all staff deployed are over 18 years.
GRI 409: Forced, Compulsory Labour	Being a financial services provider, incidences of forced labour are extremely unlikely although executive cadre may work longer hours as and when required.
GRI 412: Human Rights Assessment	Country regulations exist with regard to human rights and the content is covered under non-discrimination topic.
Added GRI Topics	
GRI 207: Tax	Country laws on taxation exist. Direct financial impact exists as a result of taxation. The Company requires to be in adherence to all tax related regulations and expectations of the government and the Department of Inland Revenue for timely payments of tax. Societal expectation is also there for large corporates to pay taxes due on time.
GRI 306: Waste	Country laws and regulations related to waste management are in place. Disposal of e-waste is covered under the scheduled waste management laws and not allowed to dispose to landfill. Minor direct financial benefit is possible with the paper and electronic waste recycling through Central Environment Authority certified waste management service providers. Local communities and the environment interest groups have expectations with regard to responsible waste management practices. Banks and large NBFIs undertake and report their performance with regard to paper recycling and responsible disposal of e-waste management efforts.
GRI 407: Freedom of Association & Collective Bargaining	Country regulations exist for Trade Unions and the Company policies do not debar any employee from joining the Employee Union. Direct financial impact may occur due to union action as the employees directly interact with the customers and any disputes could lead to interruption of services.
GRI 416: Customer Health & Safety	In addition to general expectations for safety, pandemic has increased importance of customer health and safety. There is a direct financial impact and adherence to safety protocols on COVID prevention and preparedness is essential for the Company.

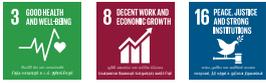
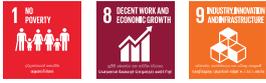
GRI 102-47,103-1, 207-2

Priority Ranking 2020/21	Material Topic	Rationale	GRI Material Topic Name and Indicator Number
1	Health and safety	Health and safety of our employees and customers remain a key priority as new waves and strains of virus raise concern regarding the duration and impact of the pandemic.	<ul style="list-style-type: none"> ■ GRI 403 - Occupational Health and Safety ■ GRI 410 - Security Practices ■ GRI 416 - Customer Health and Safety
2	Sustainable growth through sustainable finance	We need to ensure sustainable business growth as we create shared value to our stakeholders. Finance to adapt to and reduce adverse effects of changing climate is important to build resilience and poses as a business opportunity.	<ul style="list-style-type: none"> ■ GRI 201 - Economic Performance
3	Inclusive finance	It is our shared purpose of existence and it is a major step towards nations' inclusive growth.	
4	Customer experience	A positive customer experience promotes loyalty, helps us retain our customers, and encourages brand advocacy	<ul style="list-style-type: none"> ■ GRI 417 - Marketing and Labelling
5	Ethics, integrity and compliance	Our voluntary adherence to Guiding Principles on Purposeful Business and compliance with applicable laws, regulations and standards safeguard our social license to operate.	<ul style="list-style-type: none"> ■ GRI 205 - Anti-corruption ■ GRI 207 - Tax ■ GRI 307 - Environmental Compliance ■ GRI 308 - Supplier Environmental Assessment ■ GRI 414 - Supplier Social Assessment ■ GRI 419 - Socioeconomic Compliance ■ GRI 413 - Local Communities
6	Human talent development	Our employees are the ambassadors of our service and training improves employee performance, engagement, retention and growth.	<ul style="list-style-type: none"> ■ GRI 401 - Employment ■ GRI 404 - Training and Education ■ GRI 405 - Diversity and Equal Opportunity ■ GRI 406 - Non-Discrimination ■ GRI 407 - Freedom of Association and Collective Bargaining
7	Resource optimisation	It helps to reduce costs that can lead to better revenues.	<ul style="list-style-type: none"> ■ GRI 302 - Energy ■ GRI 306 - Waste ■ GRI 305 - Emissions
8	Digitalisation	It helps to improve efficiency and build a future fit business with better access, convenience and positive customer experience.	
9	Safe and secure transactions (Cyber resilience and customer privacy)	It supports financial stability of businesses and strengthens trust with our customers against fraud and other security issues.	<ul style="list-style-type: none"> ■ GRI 418 - Customer Privacy
10	Innovation	It helps to save our time, and other resources giving us a competitive advantage and an enhanced experience for our customers with us.	

Stakeholder:

■ Employee ■ Customer ■ Supplier ■ Local Communities ■ Environment ■ Economy

Material topics and priority ranking of 2019/20 remained the same. Due to the resurgence of the pandemic health and safety was identified as a top priority. Further, material GRI topics were also grouped into the list of material topics in 2020/21.

Alignment to SDGs	Strategic Imperatives	Capital Engagement	Risk Category
	<ul style="list-style-type: none"> Pursuing sustainable growth Augmenting customer experience Integrating environmental and social factors 	<ul style="list-style-type: none"> Financial Capital Human Capital Social and Relationship Capital Natural Capital 	<ul style="list-style-type: none"> Operational Risk HR Risk Credit Risk
	<ul style="list-style-type: none"> Pursuing sustainable growth Augmenting customer experience Differentiation through our people 	<ul style="list-style-type: none"> Financial Capital Human Capital Social and Relationship Capital Intellectual Capital Natural Capital 	<ul style="list-style-type: none"> Credit Risk Strategic Risk
	<ul style="list-style-type: none"> Augmenting customer experience 	<ul style="list-style-type: none"> Social and Relationship Capital 	<ul style="list-style-type: none"> Credit Risk Strategic Risk
	<ul style="list-style-type: none"> Augmenting customer experience 	<ul style="list-style-type: none"> Social and Relationship Capital 	<ul style="list-style-type: none"> Reputational Risk
	<ul style="list-style-type: none"> Stewardship Integrating environmental and social factors 	<ul style="list-style-type: none"> Social and Relationship Capital Natural Capital 	<ul style="list-style-type: none"> Operational Risk
	<ul style="list-style-type: none"> Differentiation through our people 	<ul style="list-style-type: none"> Human Capital 	<ul style="list-style-type: none"> Operational Risk HR Risk
	<ul style="list-style-type: none"> Integrating environmental and social factors 	<ul style="list-style-type: none"> Social and Relationship Capital Natural Capital 	<ul style="list-style-type: none"> Operational Risk
	<ul style="list-style-type: none"> Pursuing sustainable growth Augmenting customer experience 	<ul style="list-style-type: none"> Intellectual Capital Social and Relationship Capital 	<ul style="list-style-type: none"> Operational Risk-ICT Risk
	<ul style="list-style-type: none"> Augmenting customer experience Stewardship 	<ul style="list-style-type: none"> Social and Relationship Capital Manufactured Capital Intellectual Capital 	<ul style="list-style-type: none"> Operational Risk-ICT Risk
	<ul style="list-style-type: none"> Pursuing sustainable growth Augmenting customer experience Differentiation through our people 	<ul style="list-style-type: none"> Intellectual Capital Social and Relationship Capital Financial Capital 	<ul style="list-style-type: none"> Reputational Risk

GRI 416-1

The impact of the COVID-19 pandemic necessitated a review of our strategy, realigning the same to an operating environment that had changed overnight. Our initial response was to support the economic survival and rehabilitation of affected customers by facilitating access to moratoria and additional financing requirements. We then revisited and reprioritised our strategic goals and initiatives as we flexed our plans to suit the extraordinary to address our long-term strategic goals, accelerating some and deferring others. Although targets were missed, we have set out the performance score card to maintain integrity of reporting and transparency. The table below provides a summarised view of the same.

COVID-19 Response

- People's Leasing processed 57,253 facilities amounting to Rs. 67.96 billion which qualified for first moratoria and 15,722 facilities amounting to Rs. 25.36 billion portfolio for second moratoria under Central Bank schemes
- We remained open throughout the lockdown period enabling access to finance for our customers
- Employees were encouraged to work from home on roster basis to minimise risks
- Implemented stringent health and safety protocols throughout all business locations to ensure health and safety of staff and customers
- Accelerated roll out of digital solutions for payments to facilitate customer health and safety
- Business continuity plan was activated to ensure uninterrupted service to customers

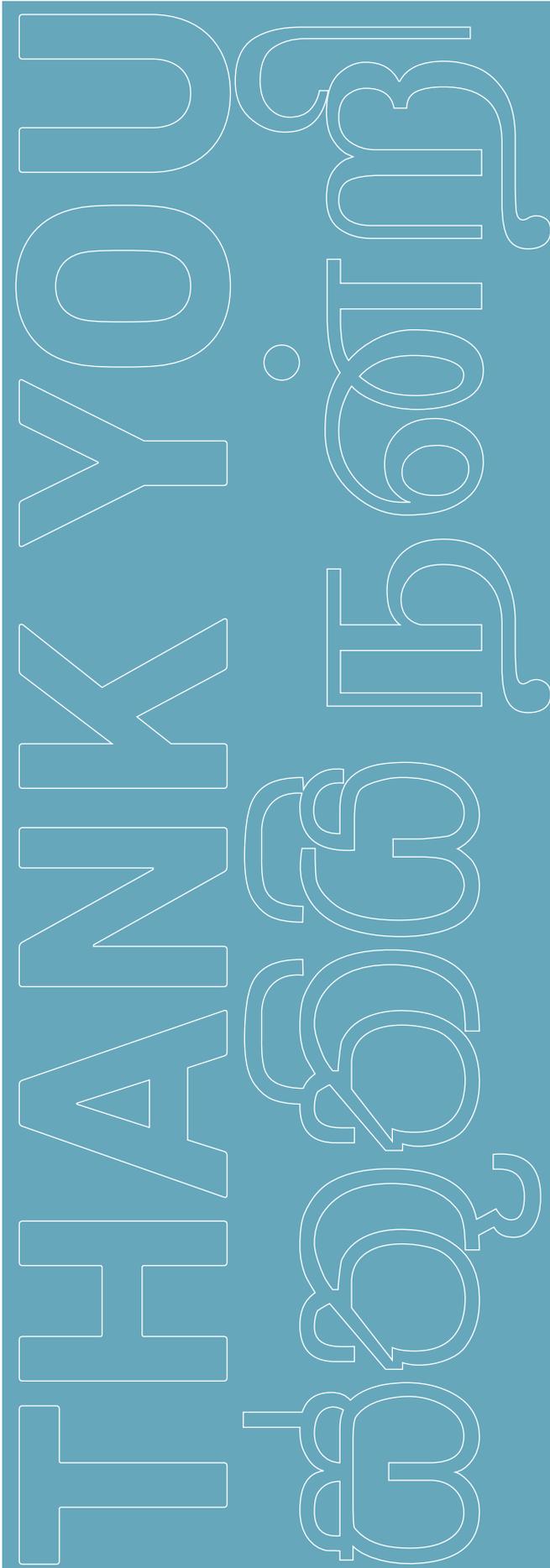


Strategy – Realigned

Strategic Priorities	Pursuing Sustainable Growth	Augmenting Customer Experience									
Planned deliverables	<ul style="list-style-type: none"> ○ Increasing number of customer touchpoints ○ Enhancing product portfolio ○ Driving business growth 	<ul style="list-style-type: none"> ○ Enhance customer satisfaction ○ Improve turnaround times in processing facilities ○ Minimise customer complaints 									
Challenges	<ul style="list-style-type: none"> ○ Low investment appetite ○ Elevated credit risks ○ Import restrictions on motor vehicles ○ Limitations in visiting customers 	<ul style="list-style-type: none"> ○ Measures to minimise health and safety risks ○ Lockdowns 									
Opportunities	<ul style="list-style-type: none"> ○ Growth in gold loans ○ Financial sector consolidation ○ Mergers and acquisitions 	<ul style="list-style-type: none"> ○ Minimising documentation requirements ○ Introducing structured products supporting ease of transactions 									
Aligning to COVID-19 impacts	<ul style="list-style-type: none"> ○ Cautious growth in lending products in line with our policy of responsible financing ○ Maintained suitable funding mix ○ Extending moratoria under CBSL schemes 	<ul style="list-style-type: none"> ○ Onboarding customers to digital platforms for transactions ○ Introducing products relevant to immediate market needs ○ Temporary halt on quarterly customer surveys 									
Performance 2020/21	<p>Growth</p> <p>Rs. million</p> <table border="1"> <caption>Profit Performance (Rs. million)</caption> <thead> <tr> <th>Year</th> <th>Profit before tax</th> <th>Profit after tax</th> </tr> </thead> <tbody> <tr> <td>19/20</td> <td>~4,500</td> <td>~3,000</td> </tr> <tr> <td>20/21</td> <td>~5,800</td> <td>~4,000</td> </tr> </tbody> </table> <p>■ Profit before tax ■ Profit after tax</p>	Year	Profit before tax	Profit after tax	19/20	~4,500	~3,000	20/21	~5,800	~4,000	<ul style="list-style-type: none"> Launched a new product "Wonder Loan" "Pay Way" Rental payment via People's Bank self-bank unit Initiated "LankaQR" payment platform
Year	Profit before tax	Profit after tax									
19/20	~4,500	~3,000									
20/21	~5,800	~4,000									
Link to risk	<ul style="list-style-type: none"> ○ Credit risk ○ Liquidity risk ○ Market risks 	<ul style="list-style-type: none"> ○ Operational risk ○ Credit risk 									
2021/22 Plans	<ul style="list-style-type: none"> ○ Achieve financial growth through diversified revenue growth, maintenance of margins ○ De-risking unprofitable relationships ○ Exist non-core/low return business ○ Product development focusing on sectors with growth potential ○ Mergers and acquisitions 	<ul style="list-style-type: none"> ○ Enhance customer complaints management system ○ Relationship management ○ Enhance connectivity through tie-ups with Telcos, vehicle dealers and E-platforms ○ Digital enhancement by securing digital assets and process automation to cater tech savvy customers 									



Differentiation through Our People	Integrating Environmental and Social Factors	Stewardship																		
<ul style="list-style-type: none"> ○ An efficient and united team ○ Training and development ○ Performance management 	<ul style="list-style-type: none"> ○ Integrate environment and social sustainability into all aspects of our operations ○ Minimise carbon footprint 	<ul style="list-style-type: none"> ○ Sound corporate governance processes ○ Strengthening risk management processes 																		
<ul style="list-style-type: none"> ○ Health and safety risks ○ Lockdowns ○ Geographically dispersed workforce ○ Increase in personal anxieties due to pandemic-related issues 	<ul style="list-style-type: none"> ○ Awareness on how sustainability can be integrated into all aspects of our operations ○ Establishing suitable metrics for social and environment sustainability 	<ul style="list-style-type: none"> ○ Alignment of strategy and policies to a changed business environment ○ An absence of norms to steer a course 																		
<ul style="list-style-type: none"> ○ Increase efficiency through digitalisation of workplace ○ Deepen digital delivery of training 	<ul style="list-style-type: none"> ○ Deeper penetration through financial inclusion ○ Optimising use of resources by minimising carbon footprint ○ Nurturing a sustainability mindset throughout the Company 	<ul style="list-style-type: none"> ○ Accelerate digitalisation ○ Leap forward in future readiness 																		
<ul style="list-style-type: none"> ○ Set up COVID-19 Task Force to handle issues ○ Implementing stringent health and safety measures at all business locations ○ Engaging employees through virtual meetings and digital initiatives ○ Split teams with one team working from home 	<ul style="list-style-type: none"> ○ Training initiatives needed to be scaled down due to constraints posed by the health and safety measures in place and additional workload due to processing of moratoriums 	<ul style="list-style-type: none"> ○ Realignment of strategy and prioritising actions ○ Reallocation of resources ○ Increased rigour of oversight ○ Strengthen recoveries and credit risk management ○ Strengthen cyber and operational risk management 																		
<p>Employee Productivity</p> <table border="1"> <caption>Employee Productivity Data (Estimated)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Profit /Employee (Rs. million)</th> <th>Revenue /Employee (Rs. million)</th> </tr> </thead> <tbody> <tr> <td>16/17</td> <td>~2.0</td> <td>~12.5</td> </tr> <tr> <td>17/18</td> <td>~2.1</td> <td>~13.5</td> </tr> <tr> <td>18/19</td> <td>~2.0</td> <td>~14.5</td> </tr> <tr> <td>19/20</td> <td>~1.3</td> <td>~14.0</td> </tr> <tr> <td>20/21</td> <td>~1.8</td> <td>~12.5</td> </tr> </tbody> </table>	Fiscal Year	Profit /Employee (Rs. million)	Revenue /Employee (Rs. million)	16/17	~2.0	~12.5	17/18	~2.1	~13.5	18/19	~2.0	~14.5	19/20	~1.3	~14.0	20/21	~1.8	~12.5	<ul style="list-style-type: none"> 7th Annual Carbon Footprint Assessment Reduced carbon footprint by 34.94% Invest Rs. 20.38 million for community and environment related initiatives 	<ul style="list-style-type: none"> Formulated 14 new policies during 2020/21 Reviewed and updated 14 existing policies
Fiscal Year	Profit /Employee (Rs. million)	Revenue /Employee (Rs. million)																		
16/17	~2.0	~12.5																		
17/18	~2.1	~13.5																		
18/19	~2.0	~14.5																		
19/20	~1.3	~14.0																		
20/21	~1.8	~12.5																		
<ul style="list-style-type: none"> ○ Operational risk ○ HR related risks 	<ul style="list-style-type: none"> ○ Strategic risks 	<ul style="list-style-type: none"> ○ Strategic risks ○ Operational risk 																		
<ul style="list-style-type: none"> ○ Develop an inspired workforce ○ Enrich speak up culture through proper grievance handling procedure, skip level meetings ○ Feasibility of introducing non renewable energy will be further explored ○ Streamlined HR policies to ensure transparency, and awareness among all staff 	<ul style="list-style-type: none"> ○ Develop an inspired workforce ○ Continue strategic CSR initiatives ○ Raise digital competencies of our staff with automated workflows ○ Conduct a feasibility assessment for renewable sources ○ Educate staff on responsible solid waste management 	<ul style="list-style-type: none"> ○ Develop a risk culture ○ Fortify work ethics ○ Operational risk management framework ○ Improve employee awareness on internal controls, policies and procedures in place 																		

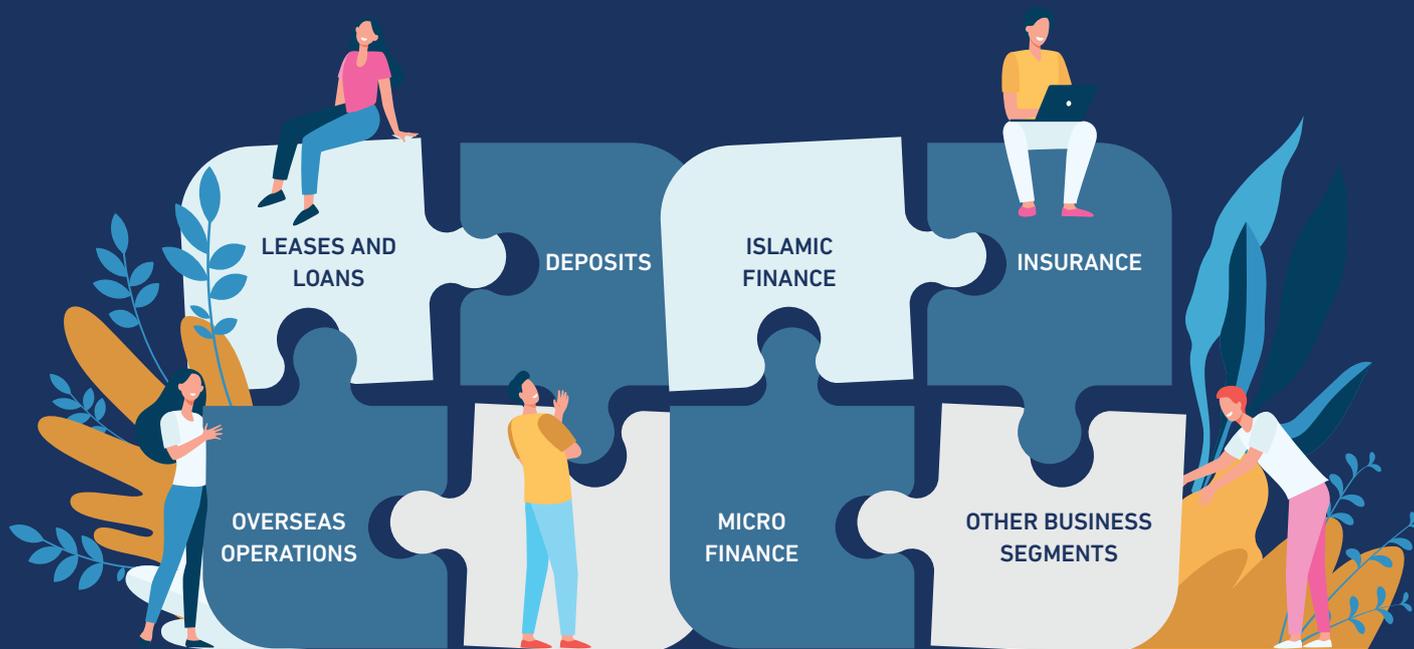


MANAGEMENT DISCUSSION AND ANALYSIS

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Group Business Line Review

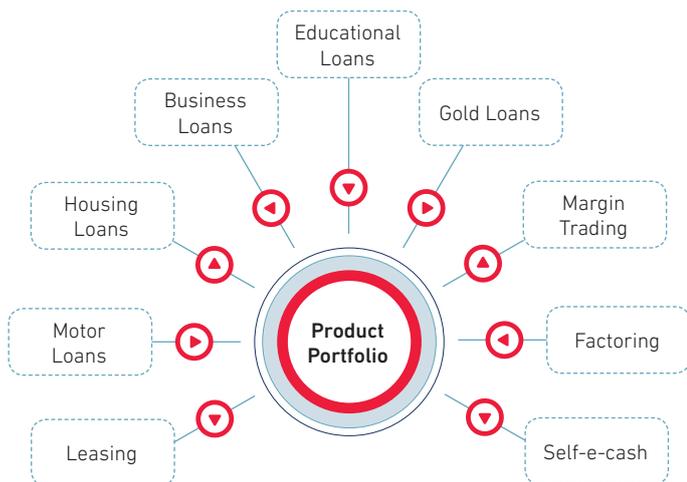
This year we have introduced the Business Line Review as a new element of our Annual Report to help investors understand how we drive top line growth. The review provides insights into the dynamics of each business segment and our growth prospects. Our business segments are as follows:



The ensuing section contains information relating to these business lines and figures reflect each segment's results from the Group's perspective. However, certain business lines such as deposits, overseas operations and micro finance have been explained in detail separately considering the increasing importance of these segments to the Group though these segments are not separately disclosed in the Group Segment Analysis included in the Financial Statements.

Loans and Leases

People's Leasing has an extensive portfolio of leasing and loan products. The value of the portfolio is the largest of the NBFi sector.



Performance Highlights

	2020/21	2019/20	Change %
Interest income (Rs. million)	23,008.63	28,802.95	(20.12)
Gross income (Rs. million)	25,066.27	31,038.87	(19.24)
Segment result (Rs. million)	6,565.53	6,210.91	5.71
Leases and loans portfolio (Rs. million)	134,656.13	140,166.22	(3.93)
NPA (%)	9.22	9.04	0.18

Creating Value

Waived default interest for 9 months

Moratoriums granted
1st phase – Rs. 64.57 billion
2nd phase – Rs. 24.17 billion

Leasing and loan disbursements set a new milestone with Rs. 10.90 billion monthly granting

Strengthened digital platforms

What we did

Our client base, mostly SMEs, were adversely affected by the COVID-19 pandemic throughout the year. People's Leasing's focus was mostly on granting loans and advances mainly on income generating assets which has now shifted towards having a more balanced loans and receivables portfolio. The decline in the income generating capacity of our clients negatively impacted our growth aspirations for the year.

In line with the relief measures introduced by CBSL for the affected individuals and businesses from COVID-19 crisis, the Company also provided following measures to customers those who were genuinely affected by the pandemic.

- We waived off default interest for six months for customers
- Moratorium facilities were granted as per CBSL guidelines during both the first and second waves of the pandemic.

- Concessions were granted to private bus owners

In addition to above relief measures the Company on its account provided further benefits to customers to overcome the situation;

- Waived off default interest for further three months for customers
- Restructured and rescheduled facilities considering the personal and financial status of an individual customer in cases where such customers were not qualified for moratoriums.

In the short term we have focused on granting leases to private vehicles as income generating capacity of commercial vehicles were hampered by the pandemic. Restrictions on vehicle imports during the year impacted the market for brand new vehicles negatively while creating a demand for second hand vehicles. Maintaining credit quality and conducting credit

evaluations was challenged by the artificially high vehicle prices in the market due to these restrictions.

We strengthened our digital platforms during the year with PLC Online, and digitalising of several processes, enabling customers to make payments online and apply for moratoriums/concessions online. Special product promotion namely, 'Roda 3 Athamaruwa' and the new product 'Wonder Loan' were also introduced during the year to boost the loans and leases portfolio.

Performance

Subdued performance during the early part of the year, as the country's economy spiraled downwards due to the effects of the COVID-19 pandemic, was seen to recover during the last four months of the year. A spur in performance in the last quarter led to People's Leasing achieving the historical milestone of its Leasing and Loans portfolio reaching the highest-ever monthly

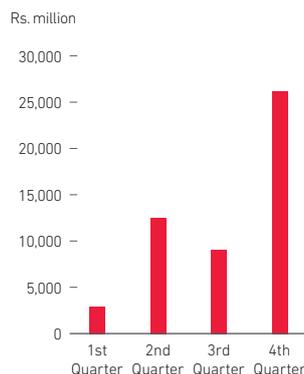
disbursements of Rs. 10,903.44 million in March 2021. The growth momentum in the last quarter caused the net portfolio of the Leasing and Loans segment to grow significantly, as strengthened recovery efforts led to a substantial reduction in impairment for expected credit losses. As a result of improved recoveries in the last quarter, the impairment for expected credit losses decreased significantly in 2020/21 compared to the previous financial year.

Gold loans, a relatively new product in our loan portfolio, grew 122.56% to reach Rs. 1,993.51 million, a significant improvement in performance over the last year. During the year, interest income amounting to Rs. 242.12 million was also generated by this product.

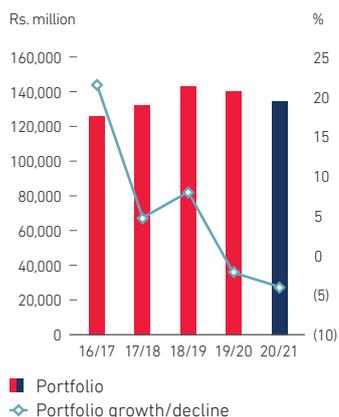
With the recovery of the Colombo Bourse, after witnessing a significant decline as the ASPI reached its lowest point in a decade in May 2020, the Margin Trading portfolio of the Company increased to Rs. 4,832.68 million as at 31 March 2021 from Rs. 2,265.92 million as at 31 March 2020. Interest income generated by margin trading loans amounted to Rs. 381.70 million during the year.

The effects of the COVID-19 pandemic was felt by the factoring net portfolio which declined 35.58% during the year. Interest income generated by the product for the year also decreased to Rs. 317.89 million.

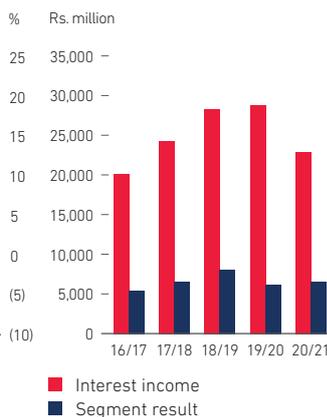
Lease and Loan Disbursements - Quarterly



Lease and Loan Portfolio



Interest Income and Segment Result

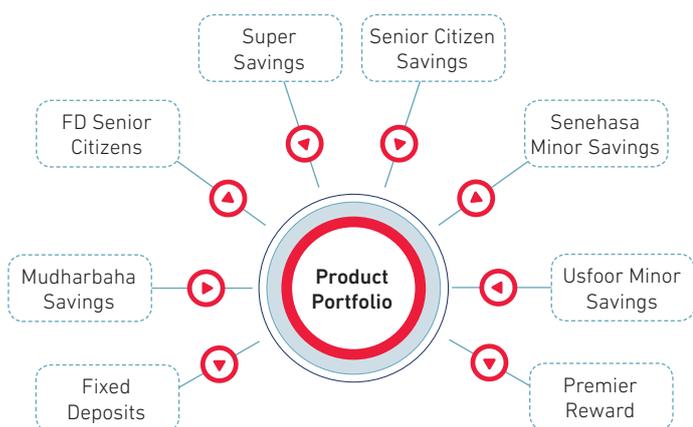


Outlook

Looking forward, we will be focusing on the composition of our product portfolio to ensure our portfolio is right sized, comprising facilities to private vehicles as well as income generating commercial vehicles. We will concentrate on our core products whilst reviewing the unprofitable and low margin products in order to identify strategies to improve performance or strategically exit from such products. Improving credit quality of leases and loans portfolio will continue to be a top priority and the Company is expecting to strengthen credit evaluations through vigilant assessment of cash flows of customers instead relying on underlying asset values.

Deposits

Deposits growth is vital to ensure a sustained source of low cost funds to finance the operations of the Company. People's Leasing has the highest deposit base within the NBFIs sector and continues to record encouraging growth in savings accounts in line with the Company's business requirements.



Performance Highlights

	2020/21	2019/20
Savings (Rs. million)	8,503.17	6,770.64
Fixed Deposits (Rs. million)	92,999.77	99,930.39
Savings Growth (%)	25.59	26.91
FD Growth/(Decline) (%)	(6.94)	20.35

Creating Value

<p style="text-align: center;">Highest deposit base amongst NBFIs</p>	<p style="text-align: center;">25.59% Growth in Savings</p>
<p style="text-align: center;">13.39% Market share in NBFIs sector deposits</p>	<p style="text-align: center;">Represents 83.36% of the Company's borrowing mix</p>

What we did

As the demand for credit declined during the year, deposit growth strategies were fine tuned to meet the business requirements of the Company. We continued to drive savings growth during the year despite the lower interest rate regime as this secures a sustainable low-cost fund base for the Company while maintaining fixed deposit rates at a prudent level as we maintained our policy of staying away from price competition. People's Leasing facilitated customer access to People's Bank Cash Deposit Machines which enables our customers to deposit cash as well as withdraw cash, strengthening the customer value proposition. We maintained our approach of educating customers about the necessity to review the financial stability of the institution, building confidence and trust. A strong domestic franchise built over 25 years, A+ credit rating from Fitch Ratings Lanka coupled with the strength of our parent also served to increase confidence in the Company.

A customer centric approach has been key to growth and this continued despite the business interruptions of the year. We continued to train the marketing team on our values, the importance of educating customers on the need to assess the financial strength of NBFIs and customer service.

Performance

A strong focus on driving savings growth resulted in an increase of 25.59% growth to Rs. 8,503.17 million, exceeding expectations. Fixed

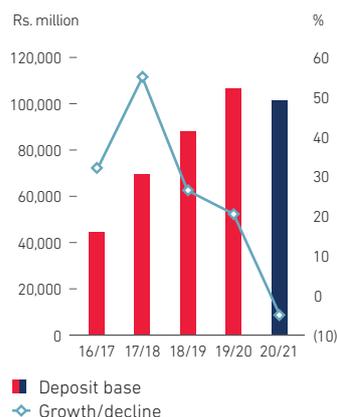
deposits decreased during the year as we strategically eased growth efforts due to sufficient liquidity as credit portfolios decreased. Insights into customer behaviour support our strategy, enabling targeted marketing to align maturity profiles and pricing in line with the Company's requirements. Courteous and efficient service has been our hallmark that supports long standing relationships, driving growth. However, the Company still faces the difficulties in finding deposits with longer

maturity to match with the long term lending portfolio. As a result the deposit base is more skewed towards maturities below 12 months.

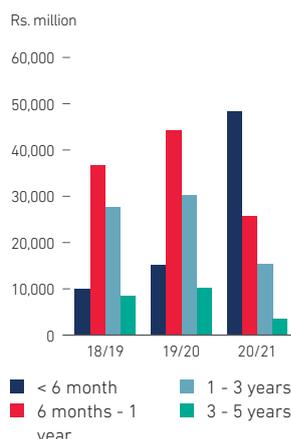
Outlook

The supporting monetary policy stance has resulted low interest rates which is not conducive to deposit growth. However, our main focus has been to align deposit growth with credit growth while changing the mix, paving the way to shifting to a low cost fund base. Consequently, we will continue to maintain our strategy of growing savings accounts in the year ahead while decelerating growth efforts on fixed deposits to balance earnings and growth.

Deposit Base

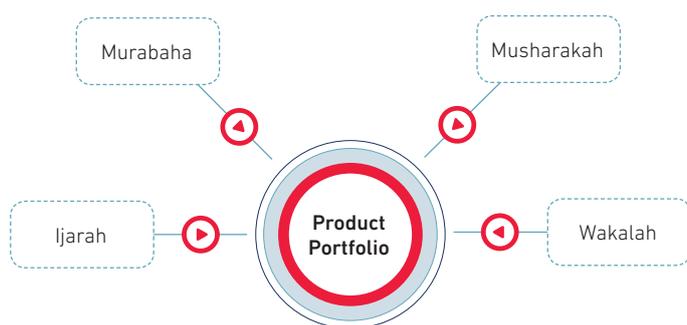


Deposits Based on Maturity



Islamic Finance

The Al-Safa Islamic Financial Service Unit (AIF Unit) has become one of the leading providers of Islamic financial services in Sri Lanka. Customers include corporates, SMEs, high net worth individuals and professionals in the trading, transportation, agriculture and services sectors.



What We Did

The AIF Unit served its clientele, largely SME customers, through the general branch network of People's Leasing and seven dedicated branches offering Islamic financial services. We were able to provide uninterrupted services to our customers, throughout the year amidst the COVID-19 pandemic, by utilising our branch network which functioned on a limited scale, PLC online and help desk support.

Most of our customers were adversely affected by the COVID-19 pandemic. The AIF Unit extended CBSL moratorium facilities to its customers during the 1st and 2nd wave of the pandemic, rescheduled and restructured facilities and extended the period for recognition of income.

Customers of People's Bank, our parent company, were also able to participate in Islamic Banking, through the AIF Unit. The balances of current/savings accounts of People's Bank customers that asked for compliance with Shariah law, are placed in Shariah accounts of People's Leasing.

Performance

The AIF Unit's profits grew 7.19% to Rs. 338.49 million during the year. Interest income decreased by 20.15% as interest rates declined during the year together with a 10.75% decrease in the loans and advances portfolio. Fee and commission income increased by 2.69% due to increase in other fees recovered. Interest expense also decreased by 18.21% as interest rates fell and deposits declined by 3.08%. As a result, net interest income decreased by 22.03%. However, improved recoveries in the last quarter of the year resulted in a reversal of impairment of

Performance Highlights

	2020/21	2019/20	Change %
Interest income (Rs. million)	1,180.18	1,477.95	(20.15)
Segment result (Rs. million)	338.49	315.79	7.19
Segment assets (Rs. million)	5,156.38	7,029.13	(26.64)
NPA (%)	9.07	10.53	(1.46)

Creating Value

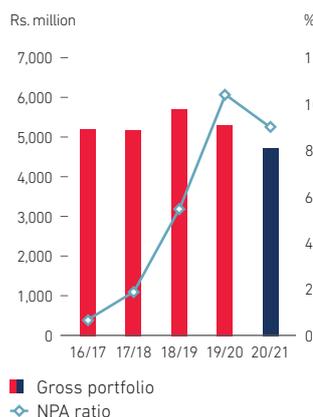
Profit before tax of Rs. 338.49 million

Uninterrupted service during COVID-19

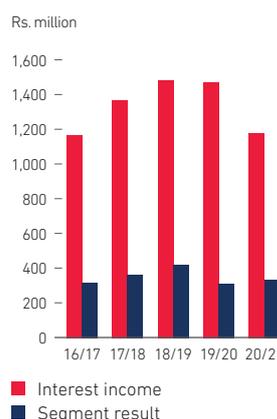
Streamlined processes

Moratoriums granted
1st wave: 2,605 facilities
2nd wave: 667 facilities

Portfolio and NPA Ratio



Interest Income and Segment Result



credit losses amounting to Rs. 67.80 million, contributing to the increase in profits of the Islamic Finance segment by 7.19%.

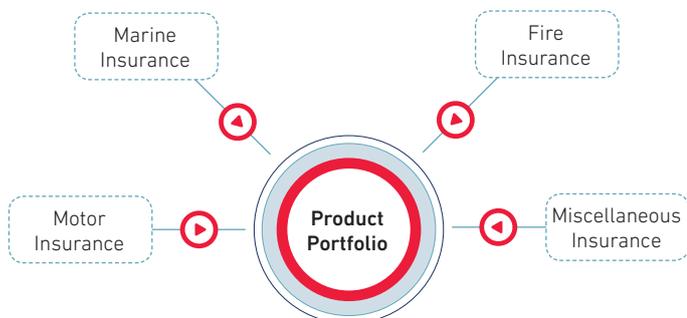
Asset growth was negative at 26.64% due to low business volumes. Liabilities also declined by 29.45% due to falling interest rates as CBSL lowered policy rates during the year. The NPA was contained at 9.07% (2019/20: 10.53%) due to outstanding recoveries in the last quarter.

Outlook

We have looked at potential products and markets for growth in the short to medium term. Gold finance, where we act as the custodian for gold products, has been identified as a product with growth potential. We are also looking at strengthening our presence via People's Leasing branch network by having a dedicated area within an individual branch for Islamic Finance. We believe there is a large untapped market available for this specialised form of financing and several branches have been identified based on the potential demand for Islamic finance in specific localities.

Insurance

The General insurance business of the Group is carried out by our subsidiary People's Insurance PLC (PI)



What we did

The Insurance segment quickly responded to the challenges that immediately arose as a nationwide lockdown was imposed with the 1st wave of the COVID-19 pandemic. We enabled remote working and digitalised our processes to facilitate social distancing and continuity of business. The onset of the pandemic expedited the digital drive of the segment. Digital payment methods were introduced for premium payments through PI website/PLC Online, e-insurance cards were initiated, and processes restructured to accommodate online delivery requirements of customers. Infrastructure needed to facilitate WFH arrangements, including remote access facilities to critical staff, was provided to enable operations to continue uninterrupted. The call centre operated 24x7 throughout the pandemic, assisting customers with their queries and issues. Policyholders were also granted an

extension of three months to settle outstanding premiums, as directed by the Insurance Regulatory Commission of Sri Lanka. Branch network of PI was expanded by opening three new regional offices in Trincomalee, Embilipitiya and Ambalanthota.

Performance

Gross Written Premium (GWP) witnessed a slight negative growth of 0.3% in 2020, however is a commendable achievement, as the industry recorded a GWP decline of 1.3%. Motor business growth was limited, with the Government imposing restrictions on motor vehicles imports and the adverse impact from the pandemic. This precluded PI from reaching GWP targets, which met at 94%, while also negatively affecting GWP growth in the captive People's Leasing channel. However, all other channels recorded sales growth. National sales grew by 11%, bancassurance grew by

Performance Highlights

	2020/21	2019/20	Change %
Net earned premiums (Rs. million)	5,198.69	5,357.95	(2.97)
Segment result (Rs. million)	1,570.22	1,053.62	49.03
Segment assets (Rs. million)	11,133.86	10,099.37	10.24
Segment liabilities (Rs. million)	6,266.78	6,449.06	(2.83)
Claims ratio (%)	50.91	67.52	16.61

Creating Value

Historical profit growth

Uninterrupted operations

Digitalisation

- Online payments
- E-insurance cards
- Online delivery of policy documents
- Making a claim online

Extending three months credit to policy holders

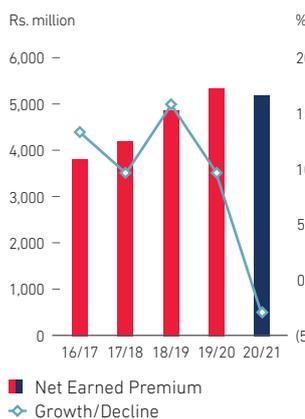
12% and corporate and broker sales grew by 81%.

Lockdowns and restriction of movements during the pandemic resulted in motor insurance claims declining significantly during the year resulting in a historically high underwriting result with the profitability of the segment increasing by 49.03% to Rs. 1,570.22 million.

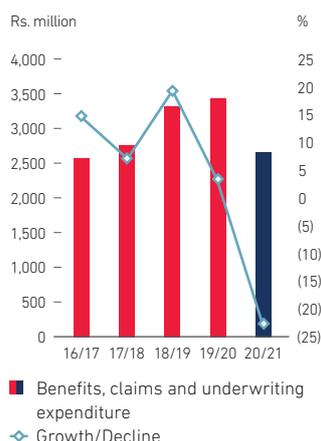
The asset base of PI is made up mainly of investments. With the low interest rate that prevailed

during the year, interest income decreased, offset by an increase in net realised gains and net fair value gains on the investment portfolio. Receivables increased during the year, as we extended the credit period by three months for policyholders, and difficulties experienced in collecting from customers.

Net Earned Premium



Benefits, Claims and Underwriting Expenditure



Segment Result



Outlook

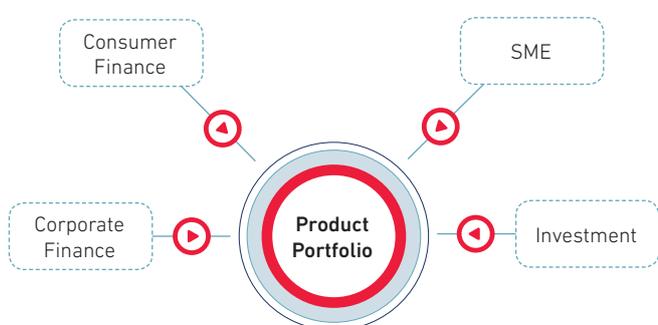
The digital drive of the segment will continue with ongoing development of several applications including apps for assessors, sales and customers, that will enhance PI's value proposition to its customers. We will also strengthen our disaster recovery and business continuity plans as we operate in an increasingly uncertain external environment, introduce new innovative products and improve processes and service delivery to cater to the intensifying competition in the industry.

Overseas Operations

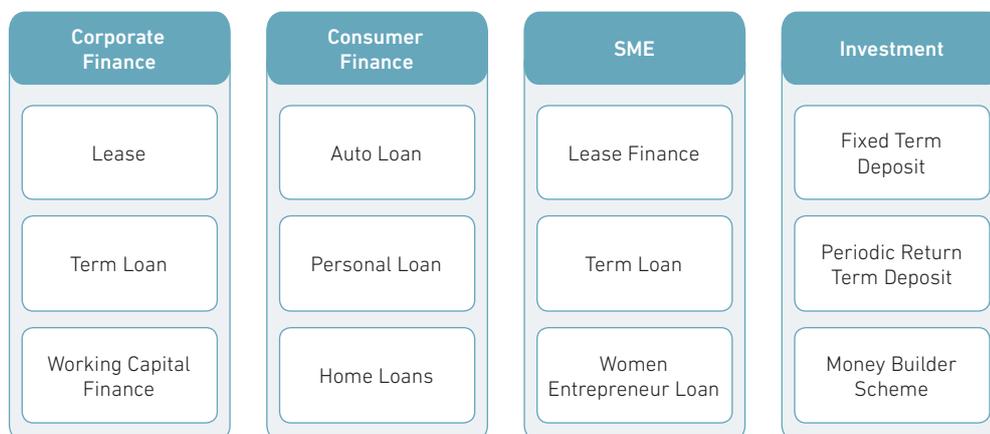
Lankan Alliance Finance Ltd. (LAFL) is the Bangladesh-based subsidiary of the Group which has delivered a strong performance despite the challenging year to record a profit of Rs. 142.07 million for the year. Launched just three years ago, this company is expanding its services to drive growth of fund-based and fee-based activities in an uncertain environment. This is a strategic venture for People's Leasing, serving as a launch pad for its regional growth aspirations.

Performance Highlights

	2020/21	2019/20	Change %
Net interest income (Rs. million)	366.42	305.90	19.78
Segment result (Rs. million)	222.60	155.20	43.43
Segment assets (Rs. million)	6,327.94	4,484.08	41.12
Segment liabilities (Rs. million)	3,420.76	1,863.79	83.54



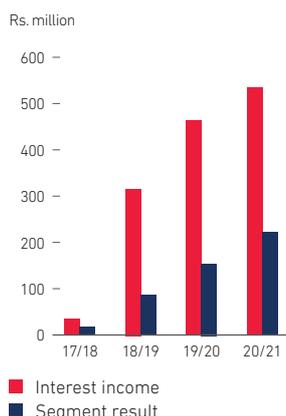
Creating Value	
Segment result Increase by 43.43%	Loans and Investments Increase by 73.31%
Deposits Increase by 97.92%	Increase in ROE



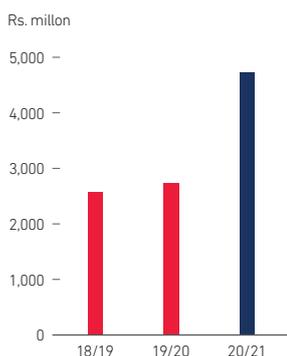
funding to the SME sector was done through the NBFIs but the the NBFIs have been cautious due to elevated credit risks and high levels of uncertainty. Despite availability of the vaccine, uncertainty regarding the duration of the pandemic and its impacts remain concerns.

With two active stock exchanges and over 700 listed companies in the country, there are opportunities to launch new deposit and loan products and to expand services to advisory, large project financing, Public Private Partnership (PPP) and mergers and acquisitions. The country is on a strong growth trajectory despite the setback in 2020 as the fastest growing economy in South Asia.

Interest Income and Segment Result



Loans and Advances Portfolio



Operating Environment

The Bangladesh economy recorded positive growth of 3.8% in 2020, moderating from 8.2% in 2019 due to the pandemic. Supportive policies adopted by the Government included reducing policy rates and providing loans at concessionary rates which exerted pressure on margins. The image of the NBFI sector suffered a set back due to governance issues and subsequent liquidation of a participant, hampering deposit mobilisation activities. The

Overseas Operations

What we did

LAFI is a relatively new player and needs to grow its balance sheet to compete effectively with larger players. Consequently, LAFI has undertaken a cautious growth strategy of its loan book despite the high level of non-performing loans in the market. LAFI also increased focus on fee-based earnings through innovative products and hybrid financial solutions for the large customers. LAFI is expanding its branch network for increased visibility in the deposit market to support growth of its loan book. Moreover, it launched its structured finance department to increase fee-based earnings through arrangement of funds from capital markets to reduce dependency on interest income.

Talent retention is key for growth in the financial services sector and initiatives have been implemented to attract more talented people in to Internal Control and Compliance, IT, Structured Finance, etc.

Sustainability

LAFI is venturing into arranging green financing to support companies adopt more environmentally friendly methods of manufacture to minimise impacts of industry on the environment and preserve biodiversity. Initiatives have also been implemented to reduce consumption of electricity, water and paper.

Performance

Despite the decline in interest rates in the country net interest income evidenced 19.78% increase over the previous year.

Overall company's performance reflected a significant improvement amid challenges to evidenced 43.43% improvement in segment result.

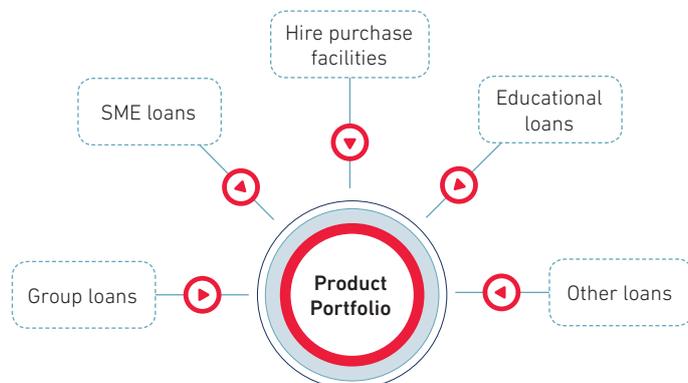
Outlook

The Bangladesh economy is forecast to rebound, growing by 5% in 2021 and 7.5% in 2022. The Government has implemented pro-growth policies and launched initiatives to boost economic activity. Further, Bank of Bangladesh has reduced the Cash Reserve Ratio and the Statutory Liquid Ratio requirements to assist Banks and NBFIs while also issuing circulars to defer classification of loans as non-performing despite non-payment till December 2020.

LAFI continues to adopt a cautious approach to credit growth due to high levels of uncertainty and will support earnings with investment in the capital market and Government bonds to optimise its return on investments. LAFI expanded its services to provide structured financing, syndication and agency services and has built up the necessary capability to provide an efficient service, strengthening its fee based income revenue sources.

Micro Finance

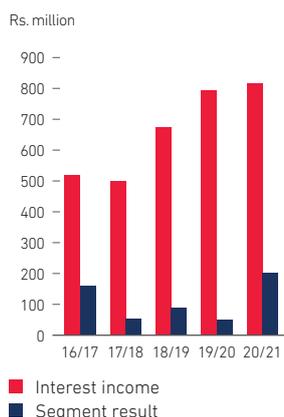
People's Micro-Commerce Ltd. (PML) provides micro finance solutions and hire purchase facilities to the low income segment in Sri Lanka



What we did

Import restrictions on motor vehicles that came into effect during the year challenged our traditional business model of granting micro loans and hire purchase facilities for unregistered motor bicycles and three wheelers, a market in which we lead. Our focus, therefore shifted to expand the core business offerings of PML, by including loans for registered four stroke three wheelers and various tools and equipment. To cater to the increasing market for laptops, PML introduced a new product, Laptop Loans, by partnering with three major laptop suppliers in the industry. Equipment loans to small entrepreneurs were mainly for agricultural equipment, photocopy machines and ice-cream machines.

Interest Income and Segment Result



Although not mandated by any authorities, PML provided moratoriums for clients affected by COVID-19, considering repayment capacity. Moratoriums were extended to 4,151 hire purchase customers, representing 34.5% of the total hire purchase portfolio.

PML operated in 32 branches of People's Leasing island wide, including two stand-alone branches. In 2020/21 PML opened a branch in Katugastota, Kandy, its second stand-alone branch, a testament to PML's financial strength and sustainability within the industry.

Key challenges of PML included lack of access to platforms such as CRIB to perform reliable credit evaluations of

Portfolio and NPA Ratio



Performance Highlights

	2020/21	2019/20	Change %
Interest income (Rs. million)	818.52	794.80	2.98
Segment result (Rs. million)	201.31	49.89	303.48
Segment assets (Rs. million)	2,684.03	2,877.35	(6.72)
Segment liabilities (Rs. million)	2,316.59	2,641.91	(12.31)
NPA (%)	5.54	5.94	(0.40)

Creating Value

Achieved the highest ever profit after tax

Moratoriums provided for 4,155 customers representing 34.5% of hire purchase portfolio

Expansion of product portfolio

Opening of 2nd stand-alone branch at Katugastota

Rs. 1,162 million loans granted in 2020/21 (87.44% of target)

customers, intense competition for asset backed facilities within financial institutions, limited sources to identify customers that borrow, over trading or indebtedness of customers and a general perception of negativity towards the Microfinance industry.

Performance

Amidst the many challenges of the year, PML recorded a historically high profit for the year 2020/21, compared to the previous year. The total segment assets were Rs. 2,684.03 million, including the net hire purchase and loan portfolio of Rs. 2,546.22 million.

The low interest rate regime during the year positively affected margins. PML also carried out a stringent cost rationalisation programme, without affecting employee benefits, which also contributed to profitability. PML also had its customers benefit from low interest rates by charging reduced interest rates on their facilities.

PML's focus on recoveries enabled them to maintain a recovery ratio of 90% throughout the year. The NPA ratio at the end of the year was 5.54% a decrease of 0.40% from the previous year. Loan disbursements were lower during the early part of the year with the nationwide lockdown imposed to curb the spread of the COVID-19 pandemic. However, there was rapid growth by the end of the year, and total loans granted amounted to Rs. 1,162 million, achieving 87.44% of PML's target.

Outlook

To navigate through a challenging external environment, PML is looking at digitalising its operations and widening its reach to grant microfinance facilities to uplift the livelihood of the low income segment of the country.

Other Business Segments

This segment comprises the operations of three subsidiaries of the People's Leasing Group as given below. Strategies of these agile companies were quickly aligned to the operating environment to improve returns and liquidity, supporting growth of the bottom line.

Subsidiary	People's Leasing Fleet Management Ltd.	People's Leasing Property Development Ltd.	People's Leasing Havelock Properties Ltd.
Nature of Business	Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicles repairing	Carrying out mixed development projects and property development activities	Operates an office complex

People's Leasing Fleet Management Limited

Performance

The company right sized the operation to align with the prevailing business opportunities and improve the liquidity and profitability. As motor vehicle prices escalated due to import restrictions, the company disposed vehicles which were at historical heights. While there is a long term impact on hiring income for the future, it opens up new opportunities for growth and profitability.

Revenue declined by 16.74% as demand declined due to subdued economic activity. However, other income increased from Rs.4.80 million in 2019/20 to Rs. 52.72 million in 2020/21 due to the sale of vehicles. This boosted Operating Profits by 74.45% to Rs.57.92 million which was also supported by tight control over operating expenses. This enabled the company to deliver a 72.24% increase in PBT despite an increase of 187.19% in net finance costs to Rs.2.4 million due to the sharp decline in Finance Income. Effective tax rates declined supporting an

increase of 106.52% in profit after tax which amounted to Rs.46.05 million for FY 2020/21.

Financial stability and liquidity improved during the year as indicated by the current ratio movement from 2.12 to 4.66 times and the debt equity ratio movement from 10.82 times to 6.42 times. Net assets also increased by 16.05% to Rs. 333.01 million during the year.

	2020/21	2019/20	Change %
Revenue	192.95	231.75	(16.74%)
PBIT	57.92	33.20	74.45%
Profit before tax	56.08	32.56	72.24%
PAT	46.05	22.30	106.52%
Assets	443.77	441.05	0.62%
Liabilities	110.75	154.09	(28.12%)
ROE (%)	13.82	7.77	6.05

Outlook

The vehicle prices have increased significantly due to the import restrictions in place and this is highlighted in the valuations provided by the company. Due to the subdued demand for vehicle rentals, the company plans to divest in the vehicle hiring operation and expand vehicle valuation business while streamlining operations.

People's Leasing Property Development Limited

Subdued economic activity during the year resulted in a contraction of the construction sector by 13.2% as business disruptions and lower disposable incomes dimmed the prospects of the sector. However, the declining interest rates supported profitability as finance costs declined significantly.

Performance

FY 2020/21 was a challenging year for the company as new construction projects from People's Bank did not materialise during the financial year with an adverse impact on revenue. Additionally fair value gains on investment properties which amounted

to Rs. 144.39 million in FY 2019/20 were limited to Rs. 50.00 million in FY 2020/21 which also moderated profit growth. Lower interest rates enabled the company to reduce finance costs by Rs. 5.03 million resulting in PBT of Rs. 218.02 million. Lower taxation rates supported the company to record Rs. 182.59 million as profit after tax, though it's 24.84% below the previous year.

While the debt equity ratio improved from 0.67 times to 0.56 times with repayment of debt, the current ratio was also increased during the year from 1.19 times to 3.01 times indicating sound liquidity position. Further, the cashflow provides sufficient headroom after repayment of debt.

	2020/21	2019/20	Change %
Revenue	282.26	300.47	(6.06)
PBT	218.02	312.87	(30.32)
PAT	182.59	242.92	(24.84)
Assets	2,601.21	2,661.62	(2.27)
ROE (%)	10.95	15.22	(4.27)

Outlook

We are cautiously optimistic that there will be a return to normal activity levels in the medium term and have strengthened our balance sheet and liquidity to manage the lean times. Additionally, we are negotiating with the parent, People's Bank for new projects for identified business needs and expecting to expand operations beyond the Group.

People's Leasing Havelock Properties Limited

Performance

Underutilisation of building due to the diminished demand amidst the COVID-19 pandemic during the financial year resulted in a decline in the top line. However, lower interest rates and repayment of debt saw finance costs decreasing by 28.22% to Rs.108.97 million supporting profitability.

	2020/21	2019/20	Change %
Revenue	205.38	221.31	(7.20)
PBIT	189.92	202.12	(6.04)
Profit before tax	80.95	50.32	60.87
PAT	80.95	50.34	60.81
Assets	2,660.04	2,681.68	(0.81)
ROE (%)	6.51	4.34	2.17

Outlook

The company will pursue new tenants when the market improves sufficiently to generate interest. Meanwhile, we will continue to reduce the borrowing costs as much as possible to manage cashflow and profitability.

The Capitals Report

HOW WE NURTURED
OUR CAPITALS
DURING THE YEAR





People's Leasing navigated a year shadowed by the pandemic to record the highest Group profit of **Rs. 5,596.33 million**, reflecting strengthening of its credit processes, disciplined management of expenses and improved performance across all business segments. It is noteworthy that this was achieved despite a waiver of default interest for nine months which exceeded the CBSL mandate of six months and moratoria extended to customers. The quarterly performance reflects the resilience of the Group during the first and second waves of the pandemic and its ability to drive change and growth as it recorded the highest quarterly profit of **Rs. 3,225.33 million** in the 4th quarter as we focused on growth and reaped the rewards of strengthened recoveries and credit processes.



Rs. 103.74 billion deposits
The largest deposit base in the NBFI sector



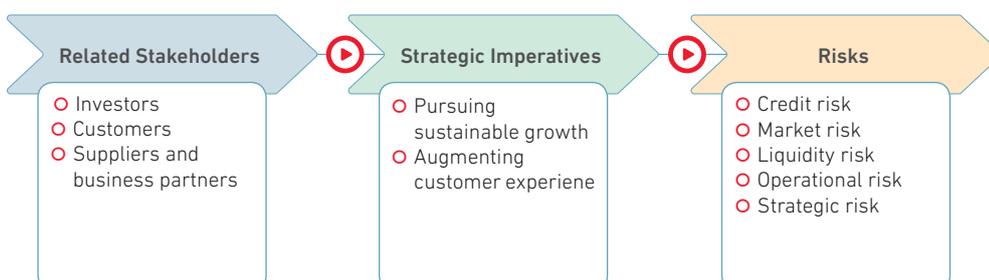
Rs. 149.34 billion loans and advances
The largest loans and advances portfolio in the NBFI sector



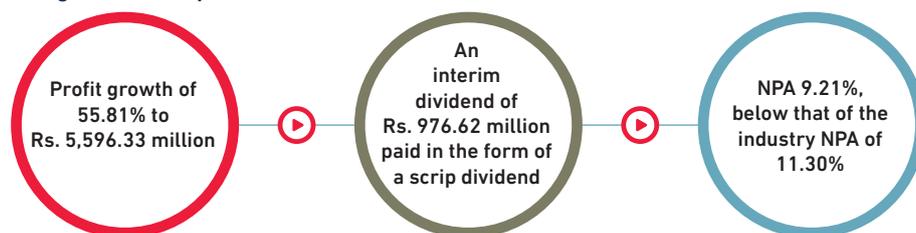
Capital ratios
>Regulatory minimums



Performance
>NBFI sector

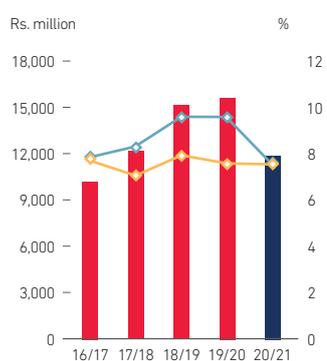


Nurturing Financial Capital in 2020/21



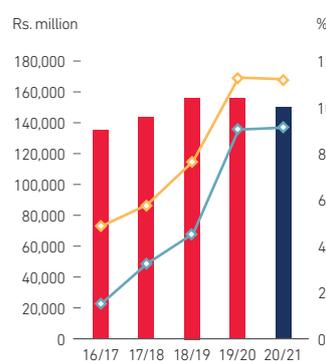
Measuring Success

Net Interest Income (NII) - Company



■ NII - Company
◆ NIM% - Company
◇ NIM% - Industry

Loans and Receivables - Company



■ Gross portfolio
◆ NPA% - Company
◇ NPA% - Industry

Profitability - Group



■ PAT - Group
◆ ROA% - Group
◇ ROE% - Group

Overview

People's Leasing recorded its highest Group profit for the year under review, affirming our ability to successfully overcome the hurdles in our way. The first quarter of the year, when we experienced the first wave of the COVID-19 pandemic, we focused on customer service and the safety of our

employees and customers. In the second quarter our emphasis was on providing relief to our customers through moratoriums, loans at concessionary rates, rescheduling/restructuring facilities and waiving of default interest. The changes that were brought upon us by the pandemic, such as the way we work and do business, were

reviewed in detail in the third quarter. Internal controls were strengthened to support credit processes, WFH, digitalisation and our online portal. It was during the fourth quarter, with increasing business volumes and improved recoveries, that we recorded the highest monthly disbursements in March 2021 and the highest quarterly profit in the history

of the Company of Rs. 2.76 billion. This was a significant contribution, and together with the exceptional results by our subsidiary People's Insurance, we achieved the highest profit in Group history of Rs. 5.60 billion.

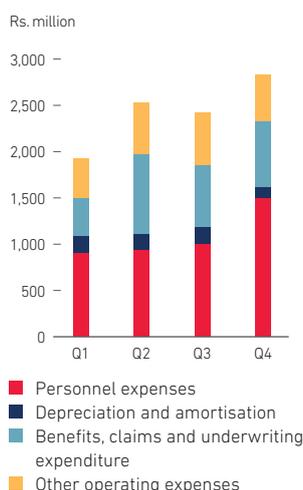
Financial Performance - Group

Rs. million	2020/21				2020/21	2019/20	Change %
	Quarter 1 30.06.20	Quarter 2 30.09.20	Quarter 3 31.12.20	Quarter 4 31.03.21	Year Ended 31.03.21	Year Ended 31.03.20	
Net interest income	2,797.06	3,042.29	3,468.75	4,138.54	13,446.64	17,171.94	(21.69)
Net earned premium	1,291.84	1,258.53	1,267.56	1,210.62	5,028.55	5,202.03	(3.33)
Other operating income	194.18	544.34	448.22	608.14	1,794.88	1,569.93	14.33
Total operating income	4,283.08	4,845.16	5,184.53	5,957.30	20,270.07	23,943.90	(15.34)
Impairment charges	1,170.24	349.99	1,773.08	(1,841.61)	1,451.70	5,007.02	(71.01)
Net operating income	3,112.84	4,495.17	3,411.45	7,798.91	18,818.37	18,936.88	(0.63)
Operating expenses	1,516.02	1,667.64	1,747.28	2,119.44	7,050.38	7,762.09	(9.17)
Benefits, claims and underwriting expenditure	404.91	863.41	677.05	717.98	2,663.35	3,441.94	(22.62)
Profit before tax	1,191.91	1,964.12	987.12	4,961.49	9,104.64	7,732.85	17.74
Taxes on financial services	165.39	306.38	182.66	619.54	1,273.97	2,030.53	(37.26)
Income taxes	288.75	559.05	269.94	1,116.60	2,234.34	2,110.57	5.86
Profit for the period	737.77	1,098.69	534.52	3,225.35	5,596.33	3,591.75	55.81

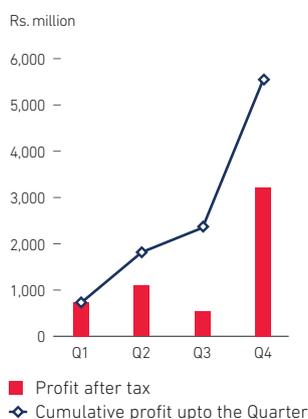
Quarterly Operating Income 2020/21 - Group



Quarterly Operating Expenses 2020/21 - Group



Quarterly Profitability 2020/21 - Group



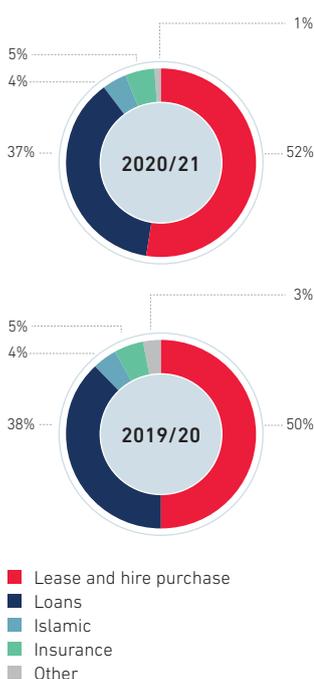
Net Interest Income (NII)

Rs. 13,446.64 million

As People's Leasing is a specialised finance and leasing company, NII is the main source of revenue for the Group. NII decreased to Rs.13,446.64 million in FY 2020/21 due to low interest rates, decrease in loans and advances portfolios and the waiver of default interest of customers in the first nine months of the year. The decline in default interest income was 69.06% from Rs. 2,373.03 million in 2019/20 to Rs. 734.19 million in the year under review.

Interest expense also decreased by 16.98% cushioning the impact as CBSL reduced its policy rates several times during the early part of the year in line. Although NII increased steadily as we progressed through the year, overall NII decreased by 21.69% in 2020/21. With lending rates declining more rapidly than deposit rates, the NIM of the Group narrowed to 8.07% compared to 10.09% in 2019/20.

Net Interest Income by Segment



Non Interest Income

Rs. 6,823.43 million

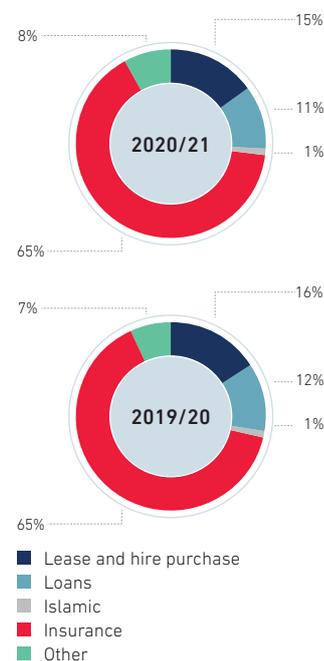
Non-interest income comprised of net earned premium, fee and commission income, net gain on financial assets - FVTPL and other income of which net earned premium formed 73.70% and fee and commission income formed 17.56%. Despite the decline in net interest income, fees and commission income increased by 2.78%. Net earned premium decreased by 3.33% to Rs. 5,028.55 million, outperforming but reflecting the general insurance industry premium growth trend.

Impairment Charges

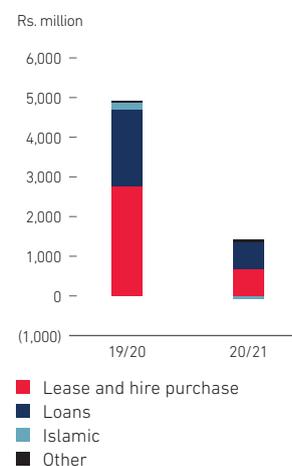
Rs. 1,451.70 million

Impairments for loans and receivables, goodwill and right of use assets are included under impairment charges, which declined 71.01% during the year. Impairments for loans and receivables constituted 93.17% of the expense. Timely strategic decisions taken to drive business growth in the 4th quarter led to an outstanding turnaround in recoveries, resulting in impairments for loans and receivables decreasing by 72.41% to Rs. 1,352.49 million; a remarkable achievement considering that this was after fully recognising the impairment charges caused by the economic downturn and loans in high risk sectors. As a result of the improved recovery measures, the NPA of People's Leasing was contained at 9.21% which was lower than that of the industry.

Non Interest Income by Segment



Impairment for Loans and Receivables - Group



	Company 2020/21	Industry 2021*
NPA%	9.21%	11.30%
Provision coverage ratio	63.53%	64.16%

*Industry data as of 31 March 2021 published by CBSL

The Group's intangible assets comprised the goodwill and customer list which were acquired in business combinations and value of computer software. The impairment of these intangible assets amounted to Rs. 99.21 million this year.

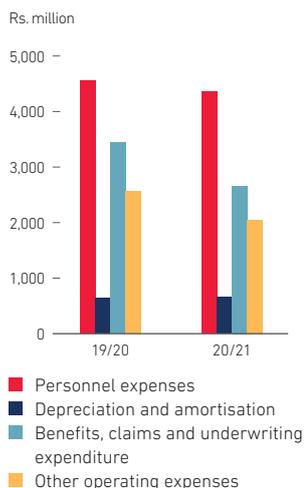
Operating Expenses

Rs. 9,713.73 million

Total operating expenses decreased by 13.30% to Rs. 9,713.73 million during the year. Personnel expenses and other operating expenses declined by 4.53% and 20.16% respectively compared to previous year. Effective cost management without resorting to salary reductions or elimination of jobs and cautious reassessment of staff requirement to limit recruitments coupled with the decline in business promotion expenses contributed to the overall drop in expenses. Benefits, claims and underwriting expenses, the main expenses of the insurance segment, decreased by 22.62% to Rs. 2,663.35 million due to a significant reduction in motor claims as lockdowns and travel restrictions reduced mobility.

The cost to income ratio for the Company increased to 41.32% (2019/20: 36.53%) as the decline in operating expenses was less than the decline in operating income.

Operating Expenses - Group



GRI 207-1

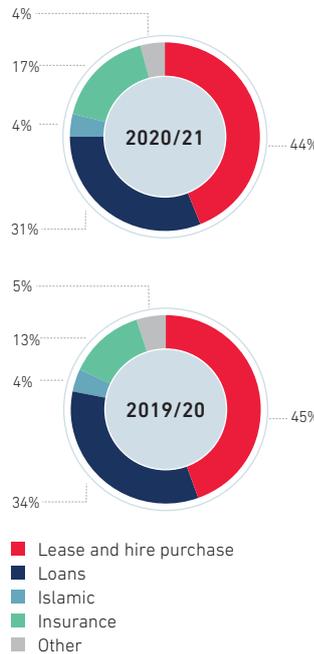
Profits

PAT Rs. 5,596.33 million

Although total operating income decreased by 15.34% during the year, outstanding progress in recoveries that significantly reduced impairment losses of loans and receivables, decreases in both personnel and other operating expenses and a substantial reduction in benefits, claims and underwriting expenditure resulted in increasing the operating profit before taxes on financial services by 17.74% to Rs. 9,104.64 million. Taxes on financial services declined 37.26% as Nation Building Tax (NBT) (abolished with effect 1 December 2019) and Debt Repayment Levy (DRL) (abolished with effect 1 January 2020) were not in effect for the 2020/21 financial year. This caused profit before income tax* to increase by 37.32% to Rs. 7,830.67 million. The income tax expense grew by 5.86% to Rs. 2,234.34 million as the effective tax rate decreased from 37.01% in the previous year to 28.53% in the current year on higher profits. The Group profit for the year was Rs. 5,596.33 million, a historical high, representing a growth of 55.81% over the previous year.

**It has been proposed to reduce the income tax rate on companies from 28% to 24% pending formal approval from the Parliament to amend the Inland Revenue Act No. 24 of 2017. As per the guideline issued by the Institute of Chartered Accountants of Sri Lanka on 23 April 2021, it was considered as substantially enacted as at the reporting date. Substantively enacted means the Bill introducing the change being taken up at the Parliament for the first reading. The Bill was placed on the order paper of the Parliament for the first reading on 26 March 2021. Accordingly, Financial Statements having a period end after 26 March 2021 should use such proposed tax rules and rates in the bill for determination of current tax and deferred tax. Therefore, the tax rate of 24% was adapted for the*

Segment Results



Several Segments/ Subsidiaries Recorded its Highest Profits in 2020/21

- Loans, leases and hire purchases
- Islamic Finance
- People's Insurance
- People's Micro Commerce

computation of current tax and deferred tax except for People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited and LAFL.

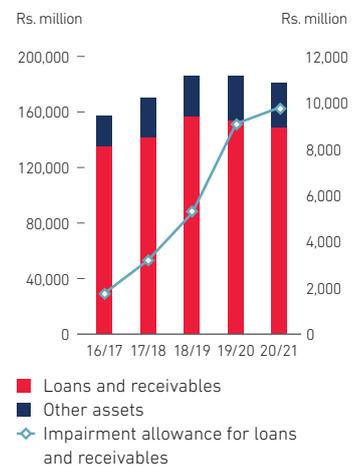
Financial Strength

Total Assets
Rs. 181,291.47 million

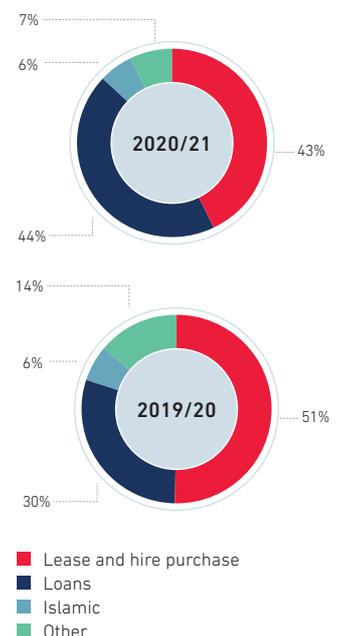
The strong asset base of the Group is the second largest in the NBFI sector. The total assets of the Group decreased by 2.53% to Rs. 181,291.47 million as the loan and receivables portfolio declined by 3.11% to Rs. 149,342.33 million. Low business volumes in the first nine months of the year, due to the general economic slowdown caused by the pandemic and import restrictions imposed on motor vehicles, contributed to the decrease in the loans and receivables portfolio.

However, business growth in the last quarter of the year that recorded the highest monthly disbursements of People's Leasing in March 2021, supported the steady growth of loans and receivables from December 2020. Maintaining the quality of the loans and receivables portfolio is key to the Group, and de-risking has become a strategic area of focus going forward. The loans and receivables portfolio of the Group is the largest among the NBFI sector.

Total Assets - Group



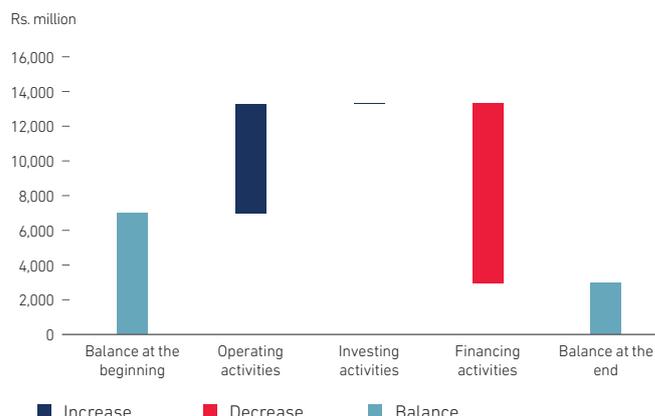
New Disbursements - Company



Monthly Disbursements - Company



Cashflows 2020/21 - Group



Total Liabilities

Rs.140,169.51 million

Due to Customers

Downward trend in the deposit base is attributable to the reduction in the CBSL policy rates. Within the deposit base, fixed deposits decreased by 5.50% as increase in savings benefited the Company more in terms of rates against fixed deposits. Accordingly, low cost savings deposits increased by 23.82%. The deposit base of the Company continued to remain the largest in the NBF1 sector.

Dues to Banks and Debt Securities Issued

Due to banks and debt securities issues declined by 17.98% and 25.38% respectively as the Group funded its business mainly through deposits during the year. Excess liquidity, as the

CBSL amended directions on liquid assets due to slowdown of market conditions resulting from the COVID-19 pandemic, was utilised to fund new business.

Equity

Rs. 41,121.95 million

The Company declared an interim dividend of Rs. 976.62 million, which was paid in the form of a scrip issue. As a result, the stated capital increased by 7.02% to Rs. 14,892.04 million. Retained earnings grew by 25.21% due to profit growth and decrease in dividend payments during the year. The Board has also declared a final dividend of 0.75 per share for financial year 2020/21 to be paid in the form of a scrip dividend upon receiving the approval of shareholders at the AGM to be held on 5 August 2021.

During the financial year total net cash generated from operating activities reflected a significant drop compared to financial year 2019/20 mainly due to decline in deposit cash inflows as well as reduction in rental collections amidst of the vulnerable business environment.

Investment activities were also limited during the financial year 2020/21 whilst the Group strategically sold its under-utilised vehicle fleet considering the price hike in the vehicle market. Accordingly, investing activities generated a net cash inflow of Rs. 47.29 million during the year. In addition, use of excess liquidity within the Company to settle borrowings resulted in a net cash outflow from financing activities of Rs. 10,387.55 million for the Group. These strategic initiatives collectively enabled the Group to bring down opening excess liquidity position to an optimal level by the financial year end without compromising regulatory liquidity requirements.

Financial Stability A Strong Capital Base

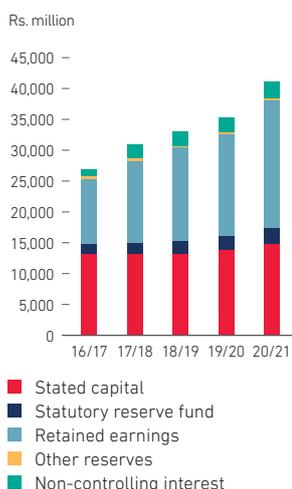
The primary objectives of the Company's capital management policy is to ensure compliance with externally imposed capital requirements, maintaining strong credit ratings and capital ratios to support its business and maximising shareholder value.

Our Tier 1 and Total Capital Ratios of 17.72% and 18.58% respectively were well above the new capital adequacy requirements set out in the Finance Business Act Direction No. 03 of 2018, reflecting the Company's financial strength.

Total Liabilities - Group



Equity - Group



Rs. million	2020/21	2019/20
Tier 1 capital	33,109.15	29,269.43
Total capital	34,712.91	30,941.75
Total risk weighted assets	186,811.10	193,545.73

	Company		Industry 2021*	Regulatory Minimum
	2020/21	2019/20		
Tier 1 capital ratio	17.72%	15.12%	14.27%	7%
Total capital ratio	18.58%	15.99%	15.55%	11%

*Industry ratios are as of 31 March 2021 published by CBSL

Measuring Performance

People's Leasing had consistently outperformed the industry throughout the years. This year was no exception. Our ROA and ROE, which increased to 3.49% (2019/20: 2.64%) and 12.49% (2019/20: 10.00%) respectively, were also above industry averages as People's Leasing recorded a profit growth of 37.06% in 2020/21.

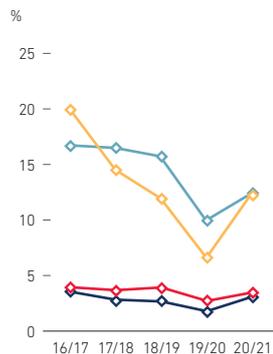
Performance measures for the Group were also strong on the back of the highest profit recorded in its history.

	2020/21	2019/20
ROA %	4.26	3.07
ROE %	14.83	10.71
Net Asset Value per Share (Rs)	22.56	20.25

Liquidity Position

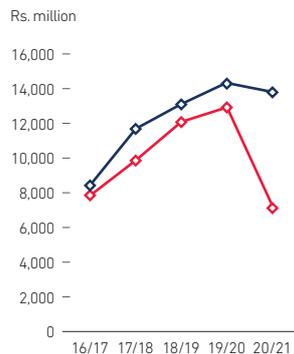
With the CBSL relaxing the liquid asset requirement for NBFIs in addition to slow growth of credit due to the economic slowdown resulting from the COVID-19 pandemic, our liquidity position was well above regulatory minimum levels. The excess liquidity at People's Leasing, a characteristic observed of the overall market, resulted in a negative carry situation, which was overcome to an extent during the last quarter of the year as business volumes grew and recalibrated.

Company Performance vs Industry



◆ ROA% - Company
◆ ROA% - Industry
◆ ROE% - Company
◆ ROE% - Industry

Liquidity - Company



◆ Regulatory Minimum Liquid Assets
◆ Available Liquid Assets

Financial Capital - Outlook

Short Term: 2021/22

- To achieve asset growth over 15%
- Maintain NIM over 6%
- Reduce cost to income ratio below 40%

Medium Term 3 years

- Improve market share in terms of assets to 15%
- Maintain 10% YoY growth in deposits

Long Term

- Sustained position as the leading NBFIs with increased market share
- Reduce NPA ratio below 5%

Financial Capital Trade-offs

Financial Capital has a linkage with all other capitals

Manufactured Capital

- Investments on enhancing digital as well as physical infrastructure at branch level strengthen the Manufactured Capital.

Intellectual Capital

- Financial stability and strength of the Company along with investments on brand enhancing initiatives improve Intellectual Capital.

Human Capital

- Investment on training and development of employees enhances skills of employees and develops talented workforce.

Social and Relationship Capital

- Investments on digitalisation measures enable a better customer service.
- Investments on corporate social responsibility initiatives reinforce the Company's community engagement.

Natural Capital

- Investment on energy saving measures, digital presence, green initiatives contributes positively to Natural Capital through low carbon footprint.



Our investment in Manufactured Capital was limited during the year as the uncertain environment due to the COVID-19 pandemic lingered. Investments were made in ICT hardware to enable employees to WFH and support our digital drive.

WE ALSO UPGRADED AND RELOCATED SEVERAL OF OUR BRANCHES TO PRIME LOCATIONS WITHIN THE SAME LOCALITY.



Rs. 104.69 million
Investment in property, plant and equipment



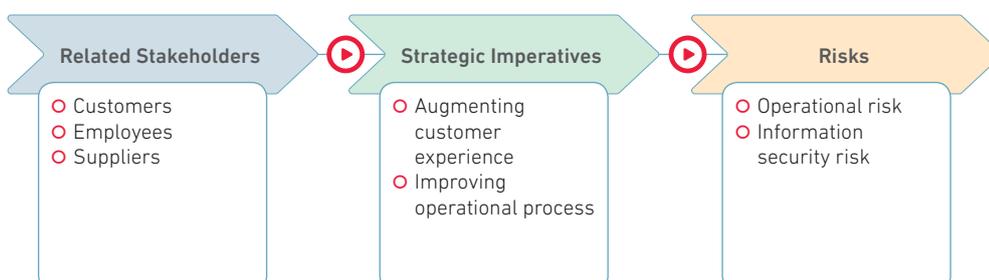
104
Branches



99
Service Centres



41
Gold Loan Centres



Nurturing Manufactured Capital in 2020/21



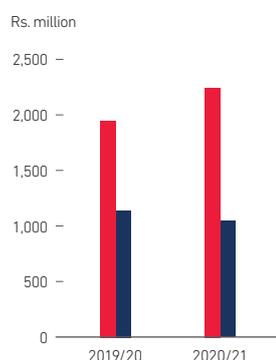
GRI 102-6

Our Reach

Our physical presence was maintained in each of the nine provinces in Sri Lanka. At the end of the year, 104 branches, 99 service centres and 41 gold loan centres were available for our customers islandwide. Several branches were upgraded and relocated to more spacious and prime locations within the same locale during the year.

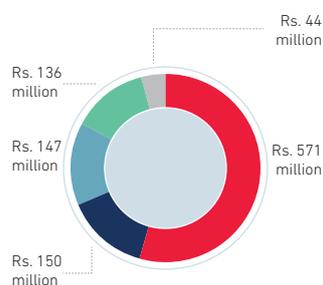
Measuring Success

Our Manufactured Capital



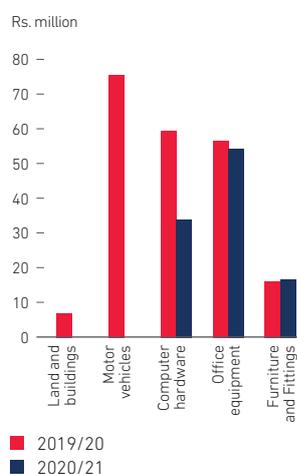
■ Right of use assets
■ Property, plant and equipment

Property, Plant and Equipment Composition



■ Land and buildings
■ Motor vehicles
■ Computer hardware
■ Office equipment
■ Furniture and fittings

Addition to Property, Plant and Equipment



■ 2019/20
■ 2020/21

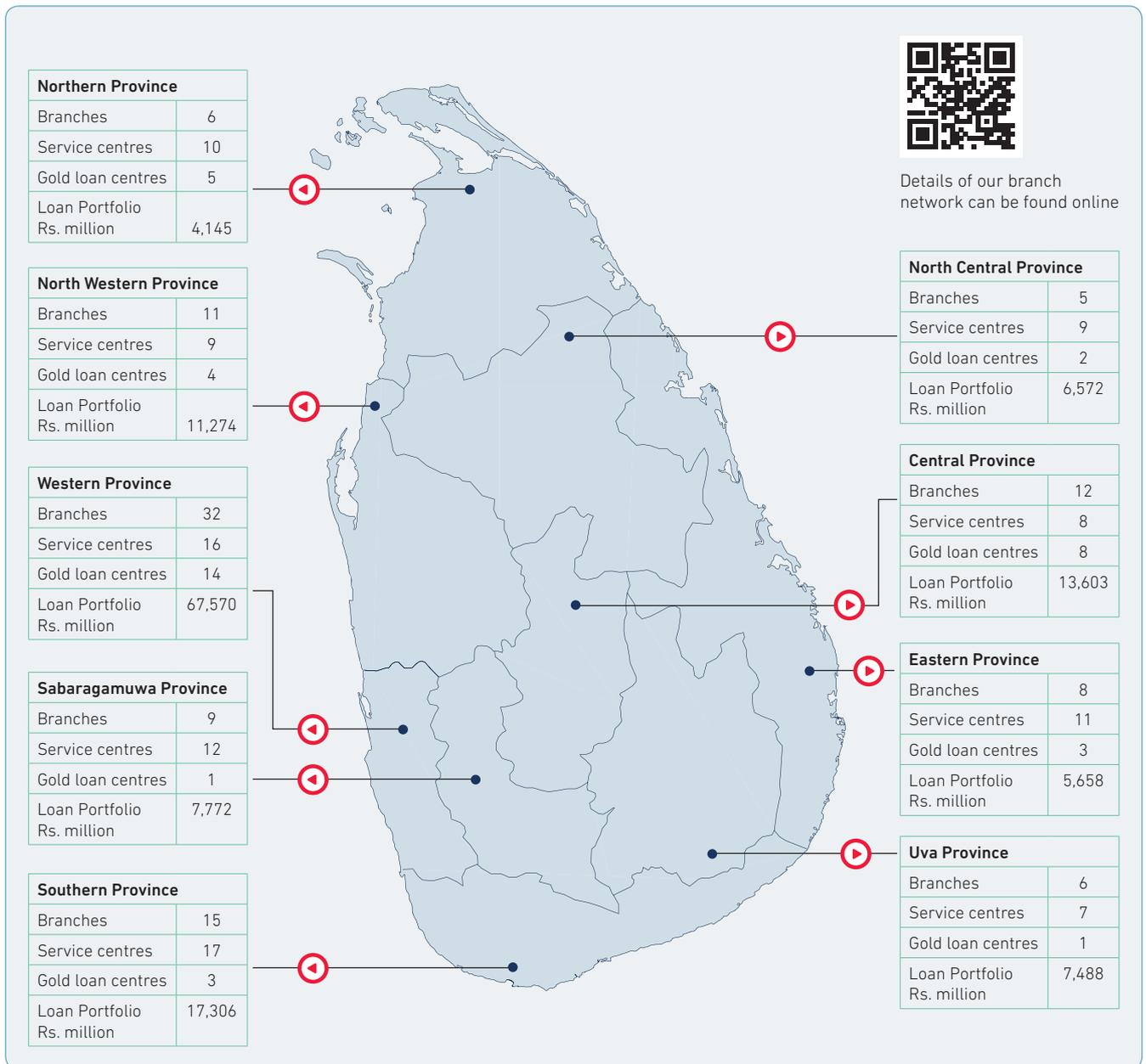
Overview

Manufactured Capital includes investment property, right-of-use assets and property, plant and equipment (PPE).

	Rs. million	As at 31 March 2021	Rs. million	As at 31 March 2021	Rs. million
Investment Property - Group The land and building owned by People's Leasing Havelock Properties Ltd located at Nos. 7 and 9 Havelock Road, is rented out to People's Bank, People's Insurance PLC and People's Leasing & Finance PLC. The portion of the property rented out to People's Bank, based on the square footage, is the value of the Group's investment property.					
Right-of-use Assets Right-of-use assets comprised prepaid lease rentals to acquire land use rights and leasehold property containing land use rights.					
PPE PPE consisted of freehold land and buildings, improvements to leasehold properties, motor vehicles, computer hardware, office equipment, furniture and fittings.					
Balance on 1 April 2020	1,131.65	Cost	3,349.11	Cost	2,760.53
Transfer	(310.99)	Accumulated amortisation	1,106.67	Accumulated depreciation	1,711.28
Balance on 31 March 2021	820.66	Net book value	2,242.44	Net book value	1,049.25

With the onset of the COVID-19 pandemic, our digitalisation drive accelerated, as health and safety concerns restricted customers' movements. Due to the uncertainties posed by the pandemic, we continued to limit expansion of our branch network this year. Our strategy in expanding our reach was to consolidate our existing network of branches and service centres, together with increased digital reach via strengthened digital offerings not requiring branch visits.

Ensuring the health and safety of our customers and staff at our Head Office and branches was vital this year. All our branches and service centres adhered to the health and safety regulations mandated by the Government to curb the spread of COVID-19.



IT Infrastructure

The physical components of our IT system, which forms our ICT hardware, enabled support for major functions such as input, processing, output, secondary storage and communication. Our IT strategy, together with the software that drives our systems, is detailed in pages 67 to 68 under Intellectual Capital.

With the onset of the COVID-19 pandemic, WFH was facilitated to enable uninterrupted operations and to comply with health and safety guidelines issued by the Government. During the year we invested Rs. 33.99 million to purchase laptops and other equipment required for employees to seamlessly WFH. We also invested Rs. 0.36 million as software investment of several processes and the strengthening of our online offerings during the year.

Manufactured Capital - Outlook

Short Term: 2021/22

- Right-sizing of branches
- Maximise floor space to improve operational efficiency

Medium Term 3 years

- Decentralise some functional areas and give branches more autonomy to provide speedy service to customers.
- Update the Company's products with technological features to ensure customer convenience.

Long Term

- Promote environment friendly measures in the establishment and maintenance of the branch network.
- Establish green offices

Manufactured Capital Trade Offs

Financial Capital

- Investment in Manufacturing Capital reduces Financial Capital; however in the long run generates more profits. There is relational trade-off need to be carefully managed.

Human Capital

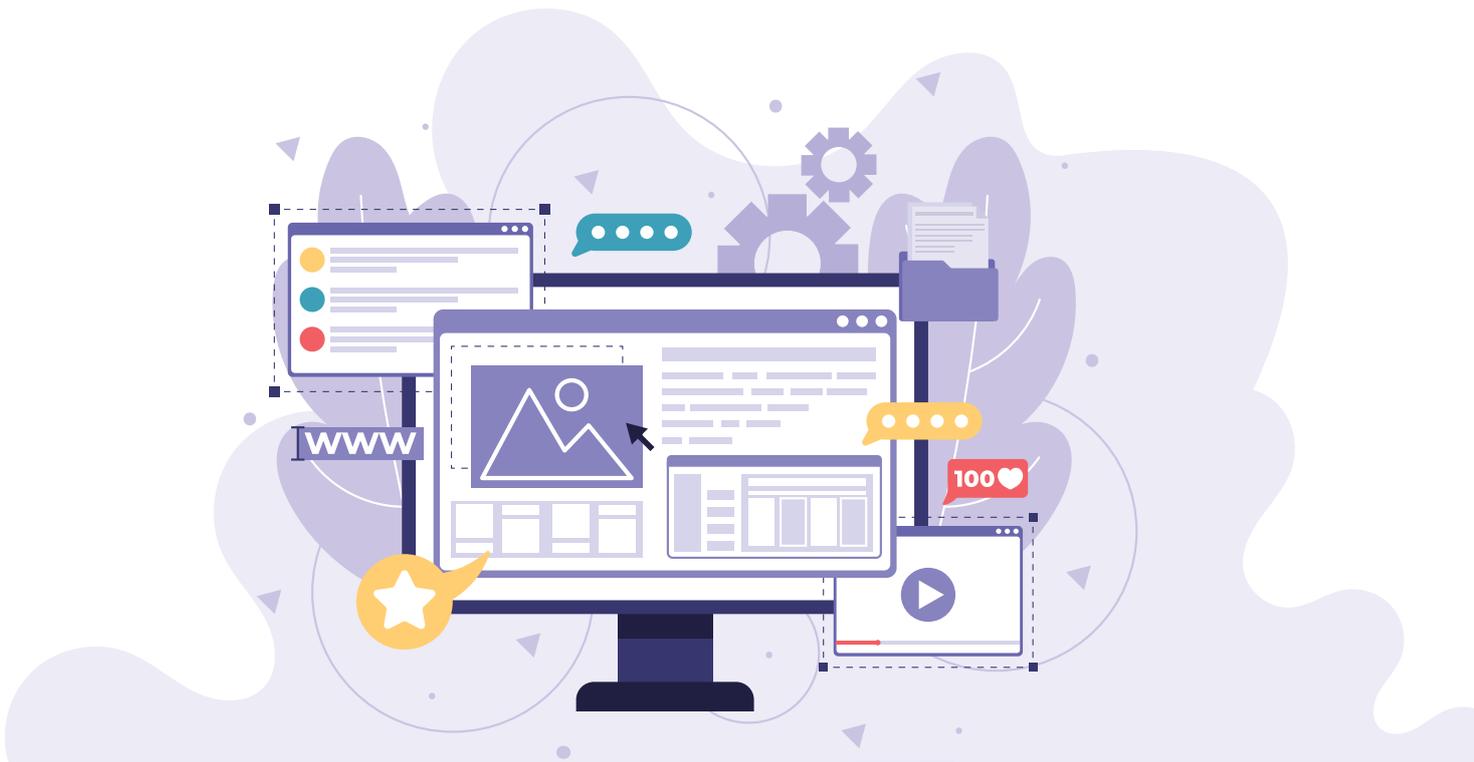
- Process automation increases the efficiency and productivity of employees.

Social and Relationship Capital

- Continuous expansion in digital presence enhances the customer experience and accessibility. Further relationship with the customer grows.

Natural Capital

- Reduced direct impact on environment through contactless transactions and workflow automation.



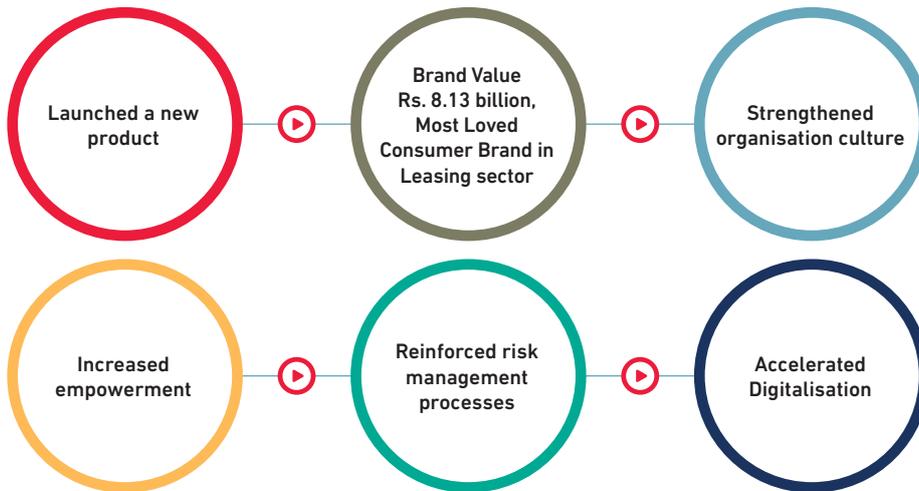
AS A SERVICE ORGANISATION, INTELLECTUAL CAPITAL IS A KEY STRENGTH AND A COMPETITIVE DIFFERENTIATOR FOR PEOPLE'S LEASING.

The key components of our Intellectual Capital are set out alongside and we continue to nurture these to enhance our ability to create value.

- Our Intellectual Capital
- Product Portfolio
- Brand Equity
- Organisation Culture
- Tacit Knowledge
- Systems & Processes
- Software Licenses



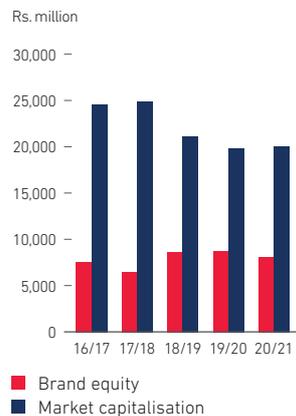
Nurturing Intellectual Capital in 2020/21



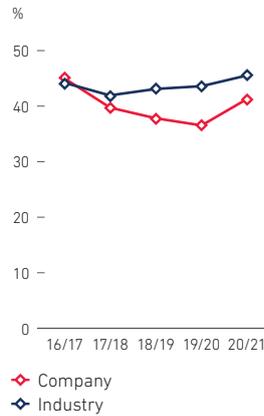
Measuring Success

Movements in the indicators given through the graphs reflect the creation, preservation or diminishing of People's Leasing's Intellectual Capital which cannot be measured using a single indicator due to the multifaceted nature of this capital.

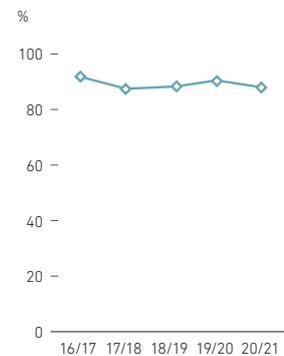
Brand Equity and Market Capitalisation



Efficiency (Cost to Income)



Tacit Knowledge (Retention Ratio)



GRI 102-2

Product Portfolio

A wide-ranging product portfolio to meet varied requirements of our customers is a key component of our Intellectual Capital as these embody the deep insights into our market gained by professionals in the business with years of experience under their belts. More details on our products are available at our web site www.plc.lk.

Access to Finance Products	People's Friendly Lease 	Auto Loan 	Shakthi Business Loan 	Shashtra Educational Loan
	Sanasum Piyasa Housing Loan 	Ran Naya Gold Loan 	Margin Trading 	Factoring
	Self-e-cash 	Quick Cash Personal Loan 	Wonder Loan 	Fast Track
	Islamic Finance Products			
	Ijarah 	Murabaha 	Musharakah 	Wakala

Deposits and Savings Products	Savings Account	Senior Citizen	Senehasa Minor Savings Account	People's Leasing Fixed Deposits
	Premier Reward Plan			
Islamic Banking Products				
Mudharabah Savings Account	Usfoor Minor Savings Account	Short Term Mudharabah Investment Account	Short Term Mudarabah Investment Account	

Brand Equity Indicators

Brand Value

Market Capitalisation

Parent Franchise

Rankings and Rating

Awards and Accolades



National Rating
A+ (Ika)
Stable Outlook
from Fitch Ratings Lanka

Brand Equity

Nurturing brand equity is a key priority and a number of factors support the accretion of brand equity and the valuation is just one possible measure of the brand equity of People's Leasing.

Our brand value stood at Rs. 8.13 billion as at 31 March 2021. Over two decades, People's Leasing has nurtured and strengthened robust relationships with multiple stakeholder groups. Our brand values are derived from market opinion – we have made a name for ourselves as a stable, customer friendly, trusted and reliable organisation. Initially bolstered by the strong brand image of our Parent Company, People's Bank, we soon came into our own.

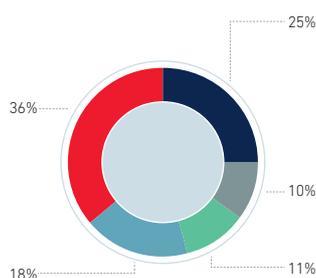
Our rating was revised downwards to reflect the economic downturn in the immediate aftermath of the lockdown. We expect the rating to be reviewed and revised upwards based on our performance since then. During the year we withdrew Fitch International rating as there is no requirement for foreign funding sources in the immediate future considering the available funding sources in the local market at competitive rates.

Customer surveys which are another indicator of brand equity were temporarily discontinued due to the pressures on customers and staff with the onset of the pandemic as the priority of the overall finance sector was to ensure that customers were supported to access the moratoriums to overcome the crisis. However, we maintained our focus on handling customer complaints and the statistics for these are given below.

Summary	People's Leasing	CBSL Ombudsman
Total complaints	28	91
Total attended	28	91
Total completed	26	44
Total pending	2	47

Awards and accolades strengthen the brand as well, reflecting our strengths relative to peers in various aspects of our operations. It should be noted that a number of award programmes were deferred due to the pandemic and also that our priorities were aligned to supporting customers navigate an extremely difficult year.

Analysis of Complaints Received



■ By letters ■ Contact Centre
■ Web ■ Email
■ Facebook

Market capitalisation edged upwards recovering from the freefall of markets in the aftermath of the pandemic reflecting resilience of the share and the overall perception and reputation of the Company. It is among the top five Non-Banking Financial Institutions in terms of market capitalisation as at 31 March 2021.

Rankings

Business Today's Top 30

- Ranked 18th among Sri Lanka's best performing listed companies

Brands Annual by Brand Finance Lanka

- Ranked 21st
- Most Valuable Consumer Brand in Financial Services Sector
- Most Loved Consumer Brand in Leasing Sector

LMD Rankings

- Ranked 30th in the LMD 100
- Ranked 5th among Most Awarded Companies in Sri Lanka
- Ranked 51st among the Most Respected companies in the country

Awards



Best Corporate Citizen Awards by the Ceylon Chamber of Commerce

- Certificate for Consistent Commitment and Continuous Improvement on Community Relations

Integrated Reporting Awards by the Institute of Certified Management Accountants (CMA Sri Lanka)

- Winner, Leasing and Finance Sector
- Ranked among the 10 Best Integrated Reports

Islamic Finance

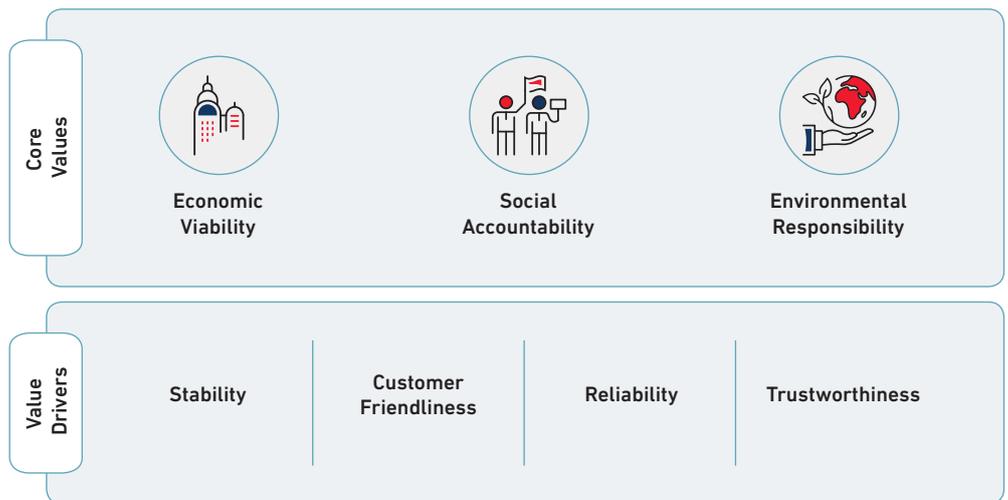
- Islamic Leasing Company (on Ijarah Portfolio) of the year 2019. Silver Award; Awarded by Sri Lanka Islamic Banking and Finance Industry (SLIBFI)
- Islamic Leasing Company of the year; Bronze Award; Awarded by Islamic Finance Forum of South Asia (IFFSA)

Our Culture

Our corporate culture is underpinned by vision, mission and our core values. At People's Leasing we actively promote a culture that is open, supportive and collaborative because we are fully aware of the benefits of a working environment where people feel valued and engaged. We encourage our people to voice their opinions, suggest changes and be proactive in driving innovation. The Company's strategic plan is just one example which ripens from the ideas in the form of employee suggestions during the year under review. A virtual platform was provided for employees to submit their ideas, empowering employees to contribute their suggestions to this vital process. Another is the intranet which provides employees with all the resources they need to take advantage of the troves of knowledge gained. It is this highly-engaged, performance-driven culture that enables People's Leasing to follow through on strategic imperatives, meet targets, satisfy customers and maintain its leading position in the market while increasing its future potential.

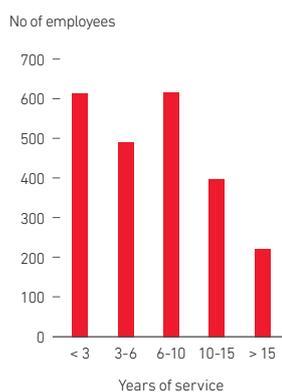
Tacit Knowledge, Skills and Experience

Over two decades of experience in the market and continuing focus on training and development of our staff supports nurturing of Intellectual Capital. Tacit knowledge underpins every aspect of the business from product innovation to customer service to maintaining relationships to communication to management of the financial position of the Company. Competitive remuneration to support retention, performance management and training and development activities are fully integrated, nurturing the implicit knowledge of our people. Although training activities were disrupted during the year due to the pandemic, the agile mindset acquired

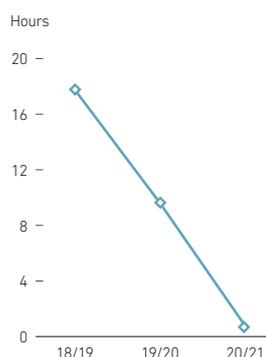


in finding solutions for the disruptions experienced during the reporting year, the increased workload and sharpened skills required to make the necessary judgements have supported the accretion of knowledge that is difficult to express or transfer to others. The following metrics indicate the underlying value of People's Leasing's tacit knowledge, skills and experience.

Total Employees Based on Number of Years of Service



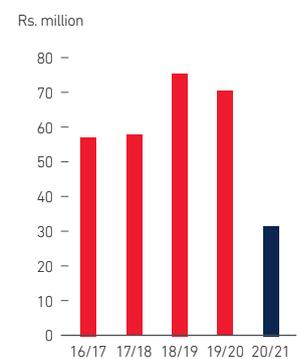
Average Training Hours



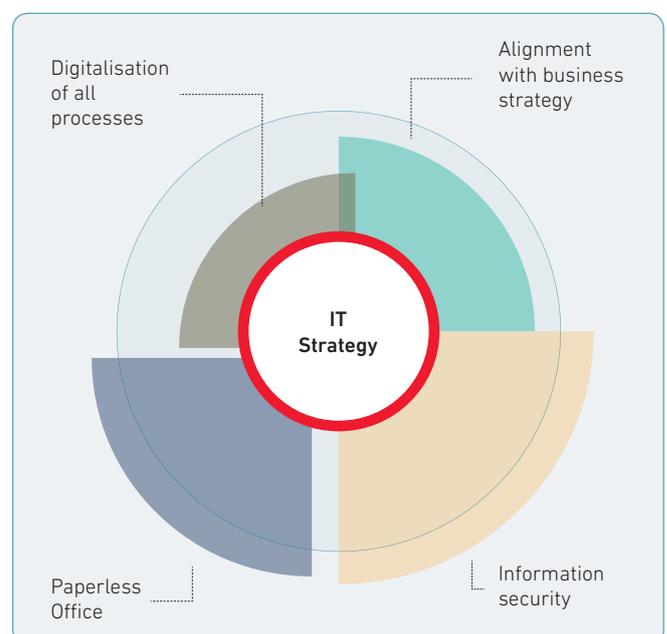
Systems and Processes

As a modern financial services organisation, our systems and processes are reliant on Information Technology. IT strategy formulation and implementation is the responsibility of the IT Department. While the ICT hardware forms part of People's Leasing's Manufacturing Capital, the software that drives our systems are part of intellectual capital comprising software licenses included in intangibles as well as annual license costs included as part of operating expenses.

Software Licenses



The IT strategy is summarised below.



An IT policy framework facilitates IT governance which is the responsibility of the Board. All major capital expenditures including intangibles are approved by them. The IT department comprises 50 IT professionals who drive implementation of the strategy.

Information security is a key component of IT strategy. An Information Security Officer (ISO) has been appointed to ensure the security of People's Leasing's information assets and systems. An Information Security Policy supports this key pillar and the highlights are given alongside. Key responsibilities of the ISO cover a wide range of activities including documentation, risk management, training and awareness, asset management and information, security incident management and disaster recovery. In addition, as Information System Auditor has been also recruited to strengthen the IT operations. Our systems have ISO 27001:2013 Information Security Management System certification reflecting compliance with international standards in this regard.

These initiatives supported growth in the volume and value of digital transactions of People's Leasing as we were able to migrate many customers to digital platforms due to social distancing measures in place.

Highlights – 2020/21

COVID-19 Responses

- Facilitating deposits of funds to People's Leasing via People's Bank Cash Deposit Machines supporting Group synergies
- Facilitating Work From Home (WFH) for employees
- Strengthening IT security for WFH environment
- Supporting virtual meetings at all levels and all locations

Planned Digitalisation

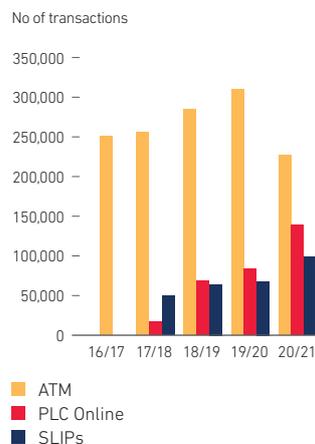
- New document scan - Inbank
- RMV process automation
- Documentation process automation to enhance operational efficiency
- E-memo new format development to reduce paper usage
- Impairment process development
- CEFT process for factoring
- Margin trading paper-less system enhancement.
- General utility bill payments transfer to supplier's PLC savings transfer system modification.
- Improving management accounting process



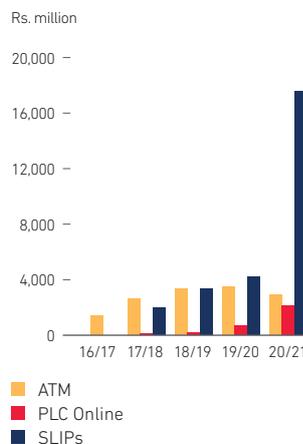
Information Security Policy Highlights

- Protecting information against any unauthorised access;
- Facilitating confidentiality of information
- Integrity of information will be maintained;
- Availability of information for business processes
- Incorporating legislative and regulatory requirements
- Development, maintenance and testing of disaster recovery plans
- Information security training for employees;
- Physical access controls
- Reporting of all actual or suspected information security breaches

Digital Transaction Volumes



Digital Transaction Values



Effective use of IT infrastructure

Over 450 virtual meetings hosted (since Jan 2021 to 31 March 2021)

WFH facilities to employees

Over 75,000 e-memos circulated

Savings of 200,000 papers amounting to Rs. 960,000

Intellectual Capital - Outlook

Short Term: 2021/22

- Re-engineering all business processes
- Paperless operations

Medium Term 3 years

- Implement operations support system to facilitate tracking and resolution of operational issues
- Introduce business intelligence tools to support objective data based decision making and automation of MIS
- Strengthen delinquency management solutions offered to support efficiencies in recovery and improve management of credit risk management
- Implement a learning management system to support online and on demand learning

Long Term

- Artificial Intelligence (AI) powered machine learning system to assign customer credit ratings to borrowers using

Intellectual Capital Trade Offs

Financial Capital

- Brand value and customer perceptions enhance the financial benefits
- Increase in financial capital enabled the Company to invest further in systems and process developments and brand enhancements

Human Capital

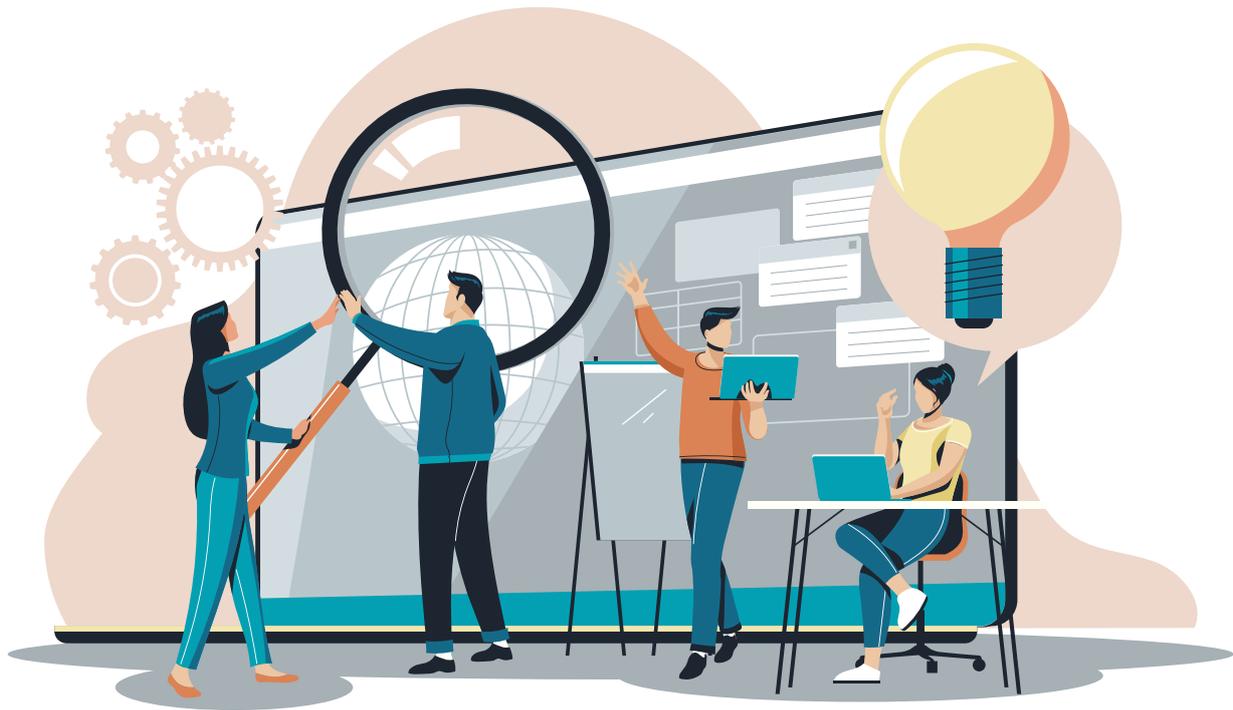
- Healthy working culture caused to enhance the retention ratio
- Increase in investment on training and development will increase the tacit knowledge of employees and thereby the Intellectual Capital of the Company

Social and Relationship Capital

- Enhanced brand reputation, core values will enhance customer confidence and strengthen relationship with them
- Increased investment in IT infrastructure, digitalisation will enhance the customer experience
- Our commitment towards social commitments and environment sustainability will help the Company to maintain its corporate citizenship

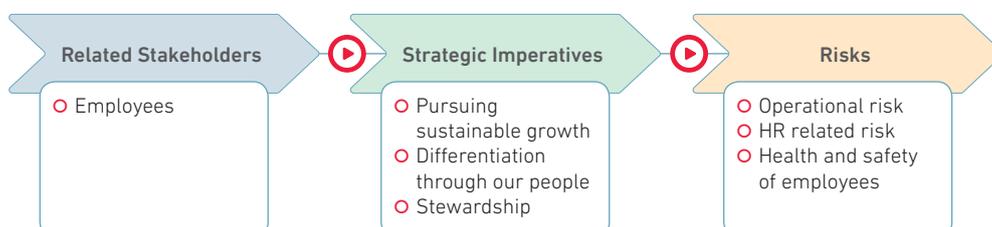
Natural Capital

- Reduced direct impact on environment through contactless transactions and workflow automation.



A PASSIONATE TEAM FOCUSED ON DELIVERING VALUE TO STAKEHOLDERS DRIVES OUR GROWTH FROM 204 LOCATIONS COVERING THE ENTIRE ISLAND.

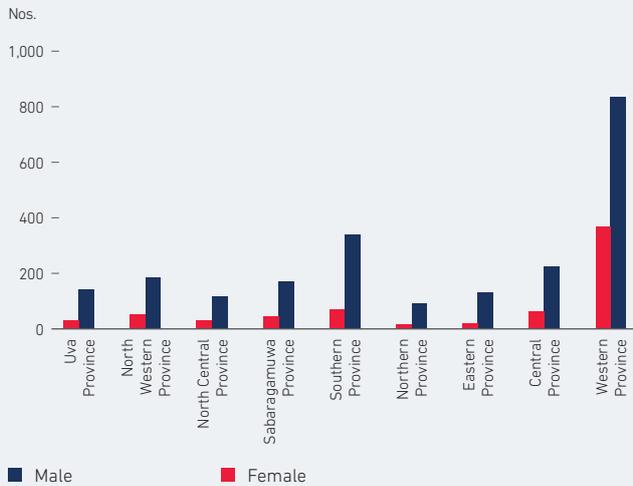
People's Leasing has in place structured processes for attracting, engaging, rewarding, retaining and developing our employees. Their contribution in 2020/21 has been invaluable as they kept our offices open even during lockdown enabling people around the country to access finance which were lifelines for SME and Micro businesses impacted by the economic downturn.



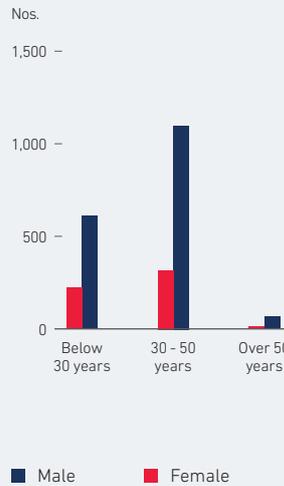
GRI 102-8

Our Team Profile

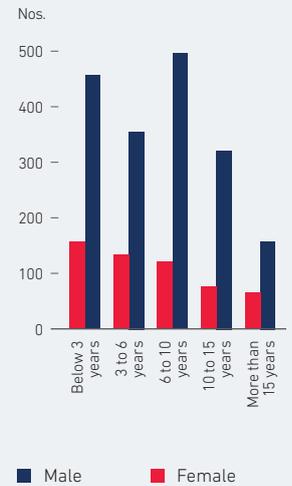
Region and Gender Analysis



By Age and Gender



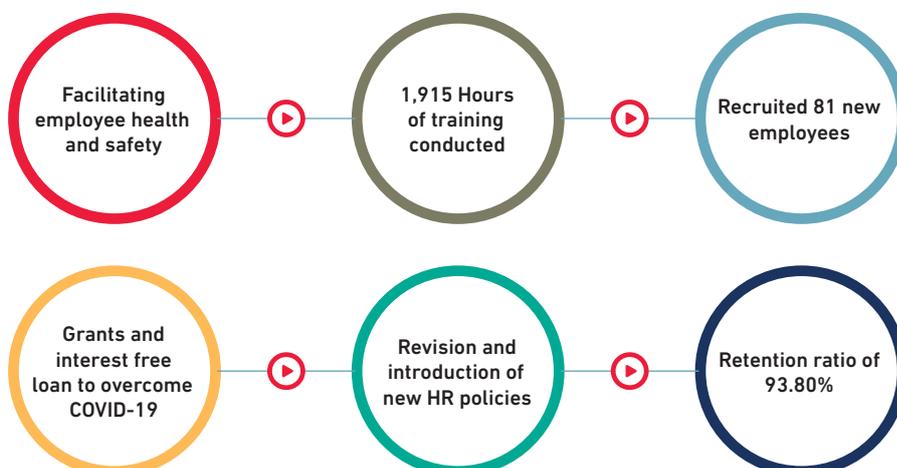
By Tenure and Gender



Permanent and Temporary Employee Count by Gender

Region	No of Branches/Unit	Permanent		Temporary	
		Male	Female	Male	Female
Western Province	75	660	292	8	2
Central Province	10	175	50	5	-
Eastern Province	5	103	16	1	-
Northern Province	9	70	13	2	-
Southern Province	14	271	56	2	1
Sabaragamuwa Province	7	136	35	1	-
North Central Province	8	91	24	1	-
North Western Province	6	145	42	2	1
Uva Province	7	113	24	1	-
Total	141	1,764	552	23	4

Nurturing Human Capital in 2020/21

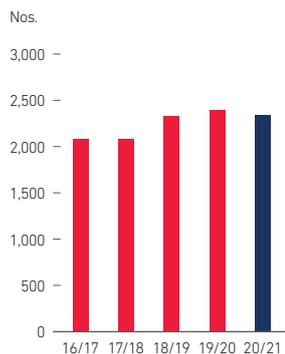


Measuring Success

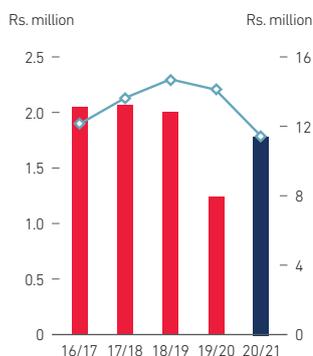
Movements in the following key performance indicators facilitate measuring the effectiveness of a multifaceted strategy to create value for employees and also to derive value for People's Leasing.

Total value to employees decreased as we reassessed our staff requirements and limited new recruitments accordingly. Employee salaries were paid in full together with a special year end bonus in view of the significant improvement in performance despite the challenges faced during the year. Employee productivity measured by profit per

Total Employees



Employee Productivity



■ Profit /Employee
◆ Revenue /Employee

employee improved over the previous year as profitability improved. People's Leasing did not reduce the salaries or allowances of our employees as we believe that they will be the source of creative ideas and the implementors of strategy to drive the resurgence of People's Leasing to a new and inclusive growth paradigm.

GRI 403-1, 403-2 403-3, 403-4, 403-5, 403-6, 403-7, 403-9

Health and Safety of Employees

Due to the nature of our business operations we do not have a formal Health and Safety Committee in action but we implemented the following measures during the year.

Although not included in the KPIs, the de facto measure of success this year was the health and safety of our employees. A COVID-19 Special Task Force was formed to monitor developments and implement precautionary measures to ensure a safe work environment for staff, emergency response to mitigate COVID-19 related risks and business continuity. We worked along with local Government health officials to ensure the safety of our business locations, implementing health and safety protocols as recommended throughout all our business locations. Employees were split into teams and encouraged to Work From Home where possible. Vulnerable staff including pregnant employees were provided with relaxed work arrangements to manage risks. Outstation staff boarded in different locations were allowed to report to branches closest to their homes. Head Office staff were randomly subjected to antigen tests. An interest free loan facility was set in place to enable employees to seek care at approved private healthcare facilities if their immediate family members were infected by COVID-19. In case of an employee infected, a special grant was provided to meet expenses related to medical care. Staff were provided with essential household items to support the family in quarantine or if they were infected. During the year under review the Company provided 286 essential household items packs at a cost of Rs. 1.99 million to families of staff members who were under quarantine. These arrangements have strengthened the disaster preparedness of People's Leasing enabling the Company to enable continued operations through potential disruptions in the future.

Ethnicity	Male	Female	Total
Sinhalese	1,580	518	2,098
Tamil	135	26	161
Muslim	72	12	84
Total	1,787	556	2,343

During 2020/21, two staff members met with road accidents during work hours and 58 staff members were reported as COVID infected.

Team Profile

The number of employees declined marginally by 58 to 2,343 employees as the year was one of the most challenging in our history. The analysis by gender, region, age, tenure of service and ethnicity are given alongside reflecting the diversity of the People's Leasing team. A sustained high rate of retention supports development of people and the fostering of a mentoring culture which facilitates the realisation of career aspirations, the key to motivating our team. All our employees are full time employees who are absorbed into the permanent cadre on completion of a period of probation.

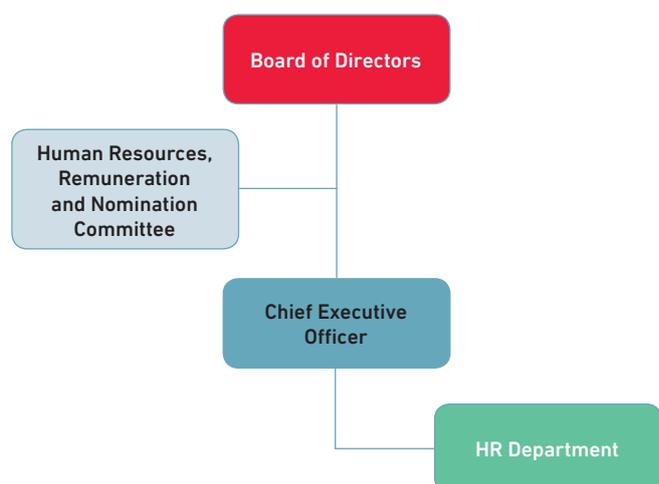
A Framework for Managing Human Capital

The Board approves the policies relating to management of human capital, codes of conduct, employee cadre and budgets for employee related costs. The Remuneration and Nomination Committee of the Board supports the Board in these activities, making recommendations based on reviews. The CEO is responsible for implementation of overall strategy and the AGM Human Resources who

heads the Human Resources Department (HRD) receives direction and reports on progress on predetermined key performance indicators. The Remuneration and Nomination Committee work with HRD to make recommendations to the Board on remuneration matters.

HRD also develops policy, systems and processes to facilitate management and development of human capital. During the year, HRD improved the policy manual consolidating a number of policies and introducing new ones covering the following aspects.

Existing policies
○ Recruitment
○ Transfer
○ Training and Development
○ Communication
○ Compensation and Benefits
○ Retirement
○ Foreign Travel
○ Insurance Benefits
○ Performance Management
○ Promotions
○ Rewards and Recognition
○ Matters relating to Code of Conduct
○ Supporting Loans
○ Disciplinary Management
○ Separation from Employment
○ Human Rights
○ Confidentiality
○ Remote Access Policy
New policies
○ Work From Home Policy
○ Social Media Policy
○ Mobile Phone Usage Policy
○ Disciplinary Code



GRI 401-1

Building a Strong Talent Pipeline

A talent pipeline or pool is necessary for continuity of the business as we are a service organisation that relies on trusted relationships for growth. People's Leasing recruited 81 new employees during FY 2020/21 mostly to replace 147 employees who retired or resigned during the year. Business interruptions

during the year hampered recruitment resulting in a decrease in the team.

People's Leasing is an equal opportunity employer and its strong domestic franchise and reputation for developing employable skills enables it to attract some of the brightest talent in the country. The screening of potential candidates is a structured process including written tests

and interviews where abilities and values are assessed to determine those that meet the criteria for the vacancies as well as culture and values of the Company. A strong preference for recruiting at entry level grades and facilitating career progression has enabled the nurturing of an organisation culture aligned to corporate values of People's Leasing.

GRI 102-16, 102-41, 407-1, 410-1

Creating an Inspiring Workplace

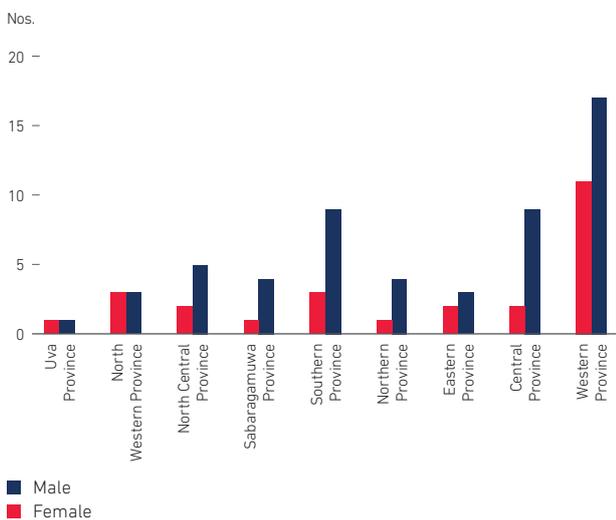
The foundation to a great place to work is a holistic employee value proposition which enables employees to work with dignity. The HR policy manual and the Code of Conduct supports this while also clearly setting out the expectations of the employer in addition to the written employment contract that is provided to all employees on commencement of employment. Medical, accident, and life insurance, Critical illness fund for illnesses not covered by medical insurance, Fully-equipped gymnasium at the Head Office, Awareness programmes and training on health, nutrition, and preventive care of serious diseases are some of the benefits provided to staff for their wellbeing.

A policy of recruiting only people who are over 18 ensures that there is no child labour in the organisation as well. Security services at the head office and branches are outsourced from reputed outsourced service providers ensuring that security practices uphold the dignity of employees and other stakeholders. Although no programme was conducted specifically, security staff members were educated on safeguarding basic human rights in general including responsible visitor/customer management at our Head Office and Branches.

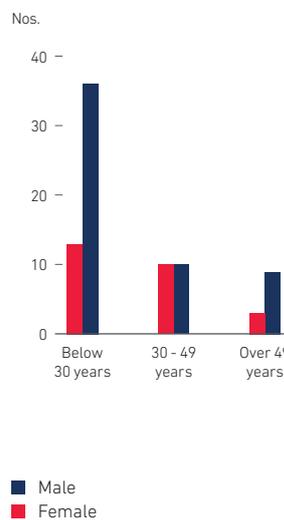
Equal opportunity policies of People's Leasing also ensure that there is no gender, ethnic or other form of discrimination in its remuneration, recognition and rewards schemes and structures which are based on the performance, skills and values exhibited by the individual. People's Leasing has adopted pay scales that are in line with the minimum wages standard set by National Minimum Wage of Workers Act No. 03 of 2016 and minimum budgetary allowance set by Budgetary Relief Allowance Act No. 04 of 2016.

New Hire

Region and Gender Analysis

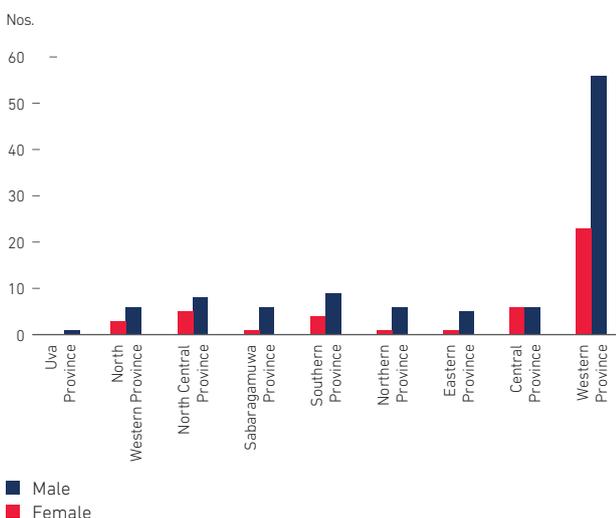


By Age and Gender

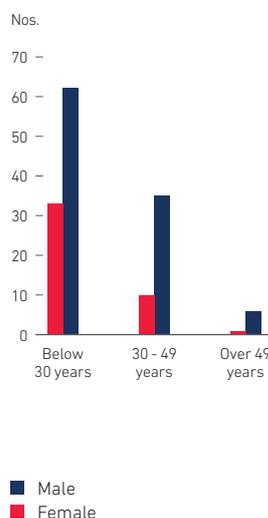


Employee Turnover

Region and Gender Analysis



By Age and Gender



Grievance mechanisms in place support the policy framework as employees understand expected behaviours and also are aware of the processes in place to raise their concerns. Employees are able to talk to their line managers, the HR department or anonymously online, depending on the sensitivity of the matter being raised.

People's Leasing strives to move beyond the hygiene factors of non-discrimination, upholding human rights and the right of freedom of association to provide an inspiring workplace that supports employees to realise their career aspirations. During the year under review, 64.04% employees joined our Employee Union. During 2020/21, no significant incident was reported related to operations and suppliers where the right to freedom of association and collective bargaining were at risk. Also during the year no significant incident was reported on discrimination. With the impact of the pandemic, many of the employee engagement and training and development activities were limited due to social distancing/ restrictive gathering requirements, but these were replaced by virtual/on-line engagement and training activities.

The Company recognised the outstanding performers during the challenging period in the midst of COVID-19 pandemic at a felicitation ceremony organised adhering with strict health guidelines.



Recognition of outstanding performance

GRI 401-2

Engaging Employees

Employee engagement is key to building a strong team that works together. In normal years, a number of employee engagement activities are organised to build camaraderie amongst employees and their families. The pandemic changed this and activity was minimal during the year.

Subsequent to the appointment of new CEO in November 2020 Townhall meetings and skip level meetings were introduced to enhance interaction with staff and give them an opportunity to directly engage with CEO to address their queries and operational matters. Corporate management undertook frequent branch visits to engage with the staff. All employees were encouraged to participate in virtual strategic forum to provide their valuable inputs for the strategic planning process of the Company. However, employee gatherings were limited due to health and safety concerns.

Employee Benefits

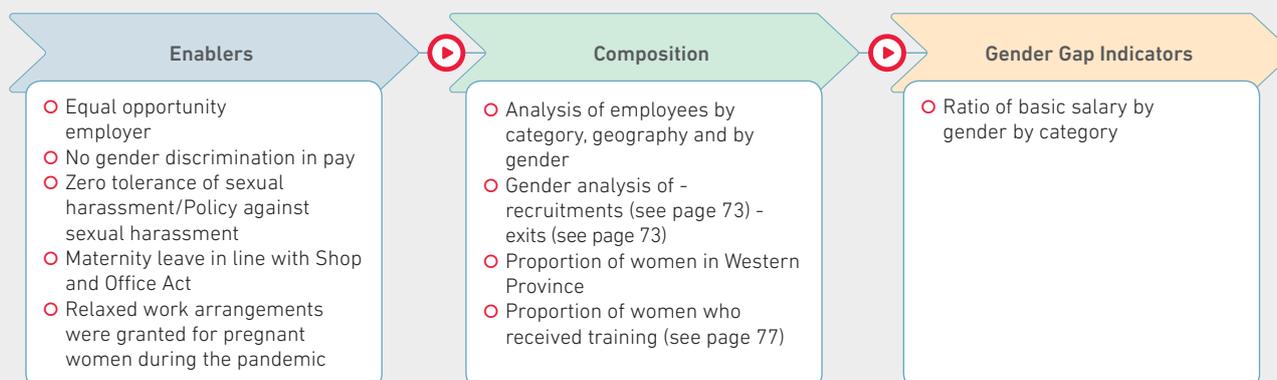
- Medical, accident, and life insurance
- Critical illness fund for illnesses not covered by medical insurance
- A concessionary loan scheme for the purchase of vehicles for relevant categories
- Housing loan interest reimbursement scheme
- Reimbursements on the cost of mobile phones for designated staff
- Death donation to staff on demise of immediate family member
- Reimbursement of exam fees for professional examinations from reputed institutions
- Holiday Bungalow facility at Bandarawela, and residential facility at Maradana and Maharagama for visiting outstation staff members at concessionary rates.
- Fully-equipped gymnasium at the Head Office
- Awareness programmes and training on health, nutrition, and preventive care of serious diseases

Key Benefits	2020/21 Rs. million	2019/20 Rs. million
Salaries and bonus	2,190.18	2,443.61
EPF	188.76	182.75
ETF	47.46	45.67
Overtime	29.02	50.38
Leave encashment	1.80	60.67
Allowances and incentives	731.06	652.58
casual wages	1.17	5.11
Medical insurance	164.18	149.33
Gratuity	111.74	111.28
Total	3,465.37	3,701.38

GRI 405-1

Gender Report

This section seeks to comply with the Gender Reporting Framework of the Institute of Chartered Accountants of Sri Lanka. Although People's Leasing has been reporting on GRI Indicators in relation to gender, this is the first attempt to consolidate the information to provide a consolidated review of the same. We have used the first three pillars of the framework and plan to extend it to cover all four pillars in the future. While there is more work to be done to achieve gender parity in the workplace, we believe that the foundation is strong to build on for the future.



Gender Representation

As stated above, a sound policy framework supports the attraction, development and retention of female employees. However, the geographical dispersion of our operations and transferability to outstation locations discourage females from joining resulting in lower female representation in the workforce of 23.70%, below the 32.87%¹ female representation in the country's workforce. However, during the year recruitments reflected an improvement in this ratio with 32.10% of new recruits being female.

Employee category	Gender	60	50-59	40-49	30-39	< 29
Senior Leadership	Male	-	17	18	-	-
	Female	1	2	-	1	-
Middle Managers	Male	-	7	31	3	-
	Female	-	-	3	-	-
Line Managers	Male	-	6	73	37	-
	Female	-	1	12	11	-
Executives	Male	1	10	83	283	7
	Female	-	5	46	47	3
Non-Executive	Male	18	2	37	486	575
	Female	4	-	8	191	220
Minor Staff	Male	-	9	20	31	33
	Female	-	1	-	-	-
Total	Male	19	51	262	840	615
	Female	5	9	69	250	223

¹Computed using the Sri Lanka Labour Force Survey, Fourth Quarter 2020 published by the Department of Census and Statistics, Sri Lanka.

The proportion of women representation of the Company in the Western Province is higher at 52.88% of the total compared to the total reflecting the preference of female employees to remain in this province. The Company is committed to provide training opportunities for female employees without discrimination.

Maternity Leave

We continue to observe female employee exits both post maternity leave and within 12 months after return from maternity leave as given below which are due to a combination of cultural and childcare issues.

	2020/21	2019/20
Entitled to maternity leave	557	572
Employees who took maternity leave	50	48
Returned to work after maternity leave	44	41
Employed for the last 12 months after return from maternity leave	41	31
Return to work rate of employees who took maternity leave	88.00%	85.42%
Retention rate of employees who took maternity leave	85.42%	65.96%

Gender Pay Gap Indicators

Employee category	Gender	20/21	19/20	The ratio of basic salary by gender is given below and reflects a marginally lower rate of 0.85:1 for women compared to men overall. While it is more than 1 at levels from Minor Staff up to Line Managers, it reverses at higher levels of employment. It is clear that efforts are being made to close this gap as it has improved over the year.
Senior Leadership	Male	1.00	1.00	
	Female	0.79	0.72	
Middle Managers	Male	1.00	1.00	
	Female	0.89	0.89	
Line Managers	Male	1.00	1.00	
	Female	1.08	1.08	
Executives	Male	1.00	1.00	
	Female	1.13	1.13	
Non-Executive	Male	1.00	1.00	
	Female	1.04	1.02	
Minor Staff	Male	1.00	1.00	
	Female	1.08	1.13	
Total	Male	1.00	1.00	
	Female	0.85	0.82	

Gender Gap in Training

Average training hours for female employees is consistently lower than for male employees across all employment categories and is a clear area for improvement as seen from the information set out on page 77.

Conclusion

While People's Leasing makes conscious progress towards gender parity, there are clearly areas for attention at national, Company and individual levels. We are committed to supporting gender parity and will continue to explore ways in which this can be achieved at People's Leasing in alignment with our business needs.

GRI 404-1

Developing Our People

Developing our people is a key imperative for People's Leasing as we typically recruit talented youth in batches and train them in the business of a finance and leasing company. Majority of them will accept risk on behalf of the Company in the normal course of business and as we operate in a regulated industry that requires a knowledge of the regulatory requirements, such training is important. People's Leasing has focused on rolling out internal training programmes customised to the business needs in the past few years. This is supplemented with external training to introduce fresh perspectives, concepts and ideas to our team, ensuring that we are aligned to a rapidly evolving business landscape in a digital era. The following table summarises the training coverage and average training hours per employee.

Employee Category	Gender	Training Mode				Total Staff Trained	Training Hours	Average Hours
		Internal	External	Online/Virtual	Total			
Senior Leadership	Male	-	2	7	9	54	211.5	6.04
	Female	-	-	5	5	7	14.5	3.63
Middle Managers	Male	1	1	2	4	6	59	1.44
	Female	-	2	1	3	3	35	11.67
Line Managers	Male	1	1	2	4	20	202	1.74
	Female	1	2	4	7	10	58.5	2.44
Executives	Male	2	1	3	6	78	481	1.25
	Female	1	2	2	5	10	61.5	0.61
Non-Executive	Male	4	-	4	8	101	657.5	0.59
	Female	2	-	3	5	27	134.5	0.32
Minor Staff	Male	-	-	-	-	-	-	-
	Female	-	-	-	-	-	-	-
Total	Male	8	5	18	31	259	1,611	0.90
	Female	4	6	15	25	57	304	0.55
Overall Total		12	11	33	56	316	1,915	0.82

While dedicated training facilities are available, the reporting year saw a decline in both the average training hours and the investment in training due to the pandemic. However, plans are being made to roll out a Learning Management System which will empower employees to manage their own training.

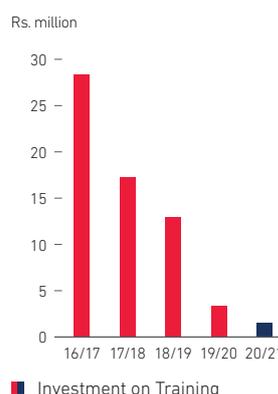
Training needs are identified mainly through the performance appraisal process and the training is planned based on the job knowledge requirements (technical skills) and other competencies and soft skills. The training programmes are conducted involving the internal resource personnel as well as external resource personnel. Customised programmes/nominations for external programmes are identified based on individual

or departmental requirements. Post training evaluations are conducted to assess the outcome.

Training Subject Areas

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

Investment on Training



Human Capital – Outlook

Short Term: 2021/22

- Digitalisation of the HR department will commence through the implementation of a new Human Resource Information System
- Continue the training and development of staff
- Complete the preparation of job descriptions for staff and commence development of key performance indicators for Head Office staff
- Enhancing the content on the Learning Management Systems which will support self learning and continue efforts to deliver training via virtual platforms
- Structural changes/restructuring of staff to suit with the present business exigencies as well as to encourage staff to take up new responsibilities

Medium Term 3 years

- Continue the digitalisation process of HR department
- Revise the performance appraisal system with changing business context
- Revise the reward policy
- Develop a talent pool

Long Term

- Revamp all HR processes including recruitment, transfers, extensions, etc
- Transparent recognition and rewarding scheme
- Succession planning
- Training and development based on the requirement

Human Capital Trade Offs

Intellectual Capital

- Investment in training and development to increase employee knowledge

Financial Capital

- Investment in training reduces Financial Capital in short term, however in the long run it will enhance through the improved employee productivity and efficiency

Social and Relationship Capital

- New recruitments/new jobs strengthens Social and Relationship Capital
- Employee commitment towards projects that uplift lives will enhance the Company's community engagement
- Enhanced customer service through automation and trusted employee interactions

Natural Capital

- Employees commitment towards rejuvenating the environment will enhance the Company's community engagement and Natural Capital



The COVID-19 pandemic affected all our stakeholders. **OUR COMMITMENT TO SUPPORT OUR CUSTOMERS, BUSINESS PARTNERS, GOVERNMENT AND COMMUNITY THROUGH THIS TUMULTUOUS PERIOD WAS UNWAVERING.** Offering relief to our customers through Government mandated and our own schemes, providing uninterrupted service throughout the pandemic, championing the Government’s plan for economic revival, timely payments to our suppliers and continuation of our work with the community was carried out amidst the many challenges of the year.



Over 350,000 Customers



Over 35,000 strategic Business Partners



Government and Regulators



Local Communities

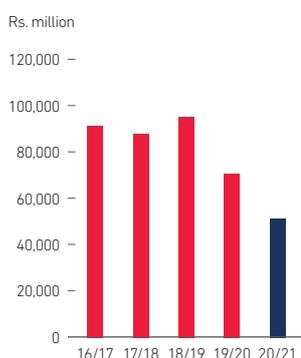


Nurturing Social and Relationship Capital in 2020/21

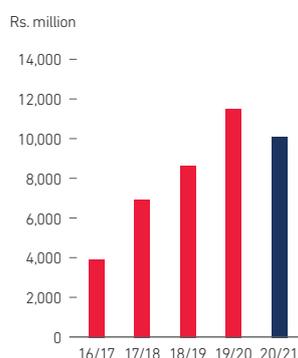


Measuring Success

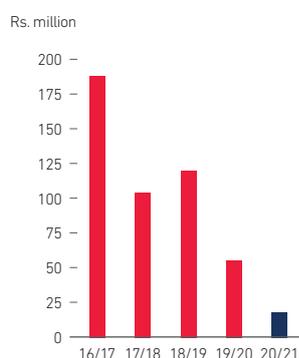
Disbursements Over 5 Years



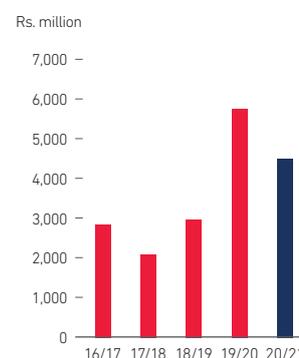
Interest Expense to Depositors



CSR Investment



Tax Paid to Government



Customers

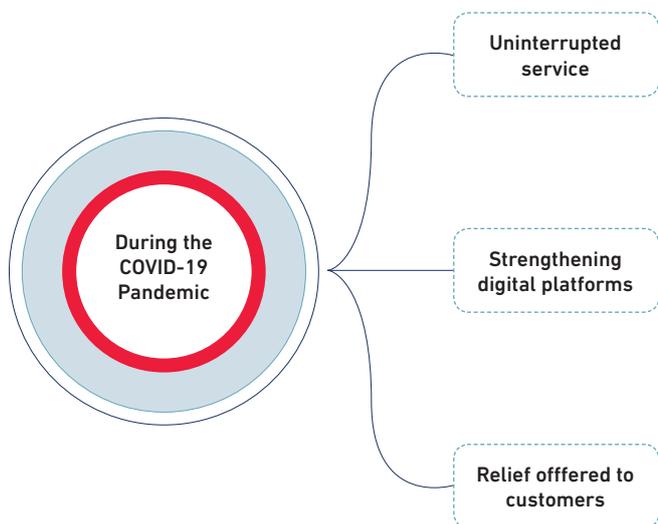
Our customers numbering 353,414 have contributed to our Company having the largest loans and receivables portfolio of a NBFi at Rs. 141,387.91 million and the largest deposit base of a NBFi at Rs. 101,502.93 million. Drawing on the strength of our Parent, People's Bank together with the customer value proposition we offer, we forged over 25,000 new customer relationships during the year. Our repeat customers form nearly 30% of new business generated, indicating high customer satisfaction.

Our Customer Value Proposition

Access to Finance	Versatile Product Offering	Service Standards	Trusted Relationships	Mutual Growth
<ul style="list-style-type: none"> Island-wide network of channels and outlets 104 branches 99 service centres People's Bank ATM network and CDM facilities PLC Online 	<ul style="list-style-type: none"> Lending products including leases and loans Deposit products Margin trading Factoring Islamic finance products Secure digital experience 	<ul style="list-style-type: none"> Accessibility of products and services Speed of delivery Atmosphere of security and professionalism in which transactions are conducted Service quality and excellence Friendly service Investment in digitalisation and innovation Rigorous compliance practices A faster and better service through the E-memo system 	<ul style="list-style-type: none"> Values-led purpose driven cultural change We listen to our customers and understand their needs, offering customised solutions that builds long lasting mutually beneficial customer relationships Responsible debt collection 353,414 customers 30% repeat customers 	<ul style="list-style-type: none"> Aid customers in meeting their funding needs and help them in debt management/restart economic activities Rescheduling interest payments for customers facing genuine difficulties to service their obligations Customers' commitment to timely payments aids improved financial performance of People's Leasing

GRI 416-1

This year was dominated by the COVID-19 pandemic. Most of our customers were challenged by its effects. People's Leasing ensured continuity of services amidst nation-wide and area wise lockdowns, facilitated online payments and offered relief to our customers through moratoriums, loans at concessionary rates, waiving of default interest and rescheduling facilities.



Uninterrupted Service and Customer Care during the COVID-19 Pandemic

Throughout the pandemic we continued as an essential service, although on a limited scale. A dedicated team responded effectively to questions and queries of customers during this time and customers were connected to employees working from home to ensure continuity of services. The Company website and social media were also used extensively to communicate with customers. Branches that were open to the public, operated within strict guidelines issued by the Health Ministry, to ensure the health and safety of our customers.

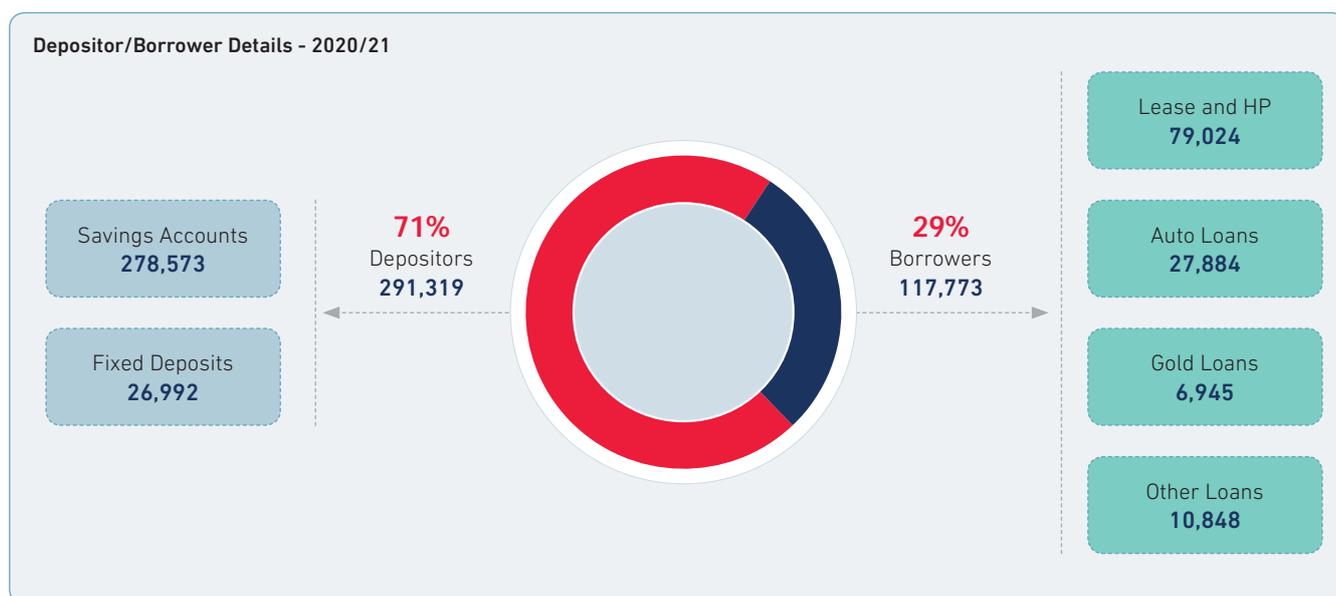
Financial Inclusivity

Our island-wide branch network, together with the synergies that we offer customers through our parent, People's Bank via its expansive ATM and CDM network and digital reach through PLC online, supports People's Leasing to be financially inclusive.

FY	Disbursement via Branch Footprint	Transaction Volume via Digital Platform	Transaction volume via CDM Network of Parent Bank
	Rs. million	Rs. million	Rs. million
2019/20	70,696.89	4,947.90	-
2020/21	50,881.00	19,788.04	598.51

Geographical Distribution of Customers				
Province	Depositors	Borrowers	Branches	Service Centres
Central	29,222	15,306	12	8
Eastern	14,579	5,678	8	11
North Central	16,126	6,637	5	9
North Western	21,864	10,973	11	9
Northern	7,289	4,143	6	10
Sabaragamuwa	19,783	7,782	9	12
Southern	34,244	17,316	15	17
Uva	23,802	8,495	6	7
Western	124,410	41,443	32	16
Total	291,319	117,773	104	99

*Cross selling exists



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

Strengthening Our Digital Platform

'PLC Online' was enhanced during the year to meet the growing demand for online payments as social distancing became a part of our daily lives. Customers were also reluctant/unable to visit branches due to lockdowns, travel restrictions and fear of contracting COVID-19. Payments were also facilitated through CDM machines at People's Bank and the SLIP process. Moratorium requests could also be applied online. During the year "Pay Way" rental payment via People's Bank self-bank unit was initiated and the "QR" code payment platform promoted in collaboration with the CBSL.

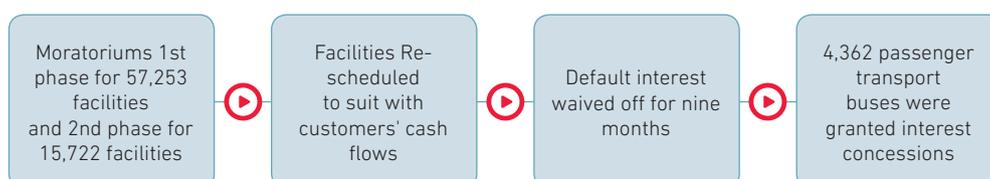
Number of digitally-enabled customers	5,336
Growth of "PLC Online" transactions compared to previous year (%)	62.39
Digitally-active customers	3,486
Number of digital transactions	238,891
Growth of digital transactions compared to previous year (%)	54.44
Volume of digital transactions (Rs. million)	19,788.04
Number of People's Bank CDM based transactions	22,910
Volume of CDM based transactions (Rs. million)	598.51



Southern region awareness programme to educate entrepreneurial customers and public on Quick Response QR digital payments collaborating with the Central Bank of Sri Lanka (CBSL) through "RataPurama Lanka QR" campaign.

Relief Offered to Our Customers in Challenging Times

Government and CBSL mandated concessions, that included a moratorium for capital and interest payments for individual and businesses affected by COVID-19, was offered to our customers. In addition, People's Leasing offered customers who did not qualify for the Government mandated moratoria its own relief packages. Default interest on facilities for all our customers was waived from April to December 2020. We also facilitated rescheduling of loan and lease facilities to accommodate an individual customer's cash flows, negatively impacted by COVID-19. For passenger transport services, a concessionary interest rate of 4%, across all loan/lease categories was granted.



Customer Satisfaction

A formal customer satisfaction survey was not conducted during the year. We maintained regular engagement with our customers and the general public through branches, mobile education units and hotline to understand market conditions. Feedback received from customers on the range, usefulness and quality of products and services we offer made us aware of satisfaction levels. A comprehensive system based software was developed to handle customer complaints/grievances and the information received from this system gave us useful insights to improving products/services, processes, procedures and system improvements with additional staff training as required. Customer complaints/grievances details are given in page 65 under Intellectual Capital.

Our Portfolio of Products and Services

The range of products available at People's Leasing had been developed by understanding customers' needs and by observing trends and developments in the market. Our lending product portfolio was expanded this year with the introduction of a new product; "Wonder Loan". We also facilitated gold loans to meet the demand for quick cash from individuals facing financial difficulties in the immediate aftermath of the COVID-19 pandemic. A comprehensive list of our product portfolio is available on pages 64 and 65.

People's Leasing offered customers who did not qualify for the government mandated moratoria its own relief packages. Interest on overdraft facilities for all our customers was waived from April to September 2020.

Roda 3 Athamaruwa

- A unique product promotion specifically designed for the three wheeler leasing market.
- A pre-approved instant loan facility up to 10% of the original lease value will be available for those leasing their three wheeler from People's Leasing

Wonder Loan

- A new hybrid loan containing features of both a conventional loan and a fast track facility
- The objective being to offer customers a rental which is lower than the standard interest calculation

E-vehicle Auctions

A pioneer in conducting 'Online Auctions' in Sri Lanka, People's Leasing conducted two successful online auctions during the year. We partnered with a leading auctioneer and linked nine provinces to the staple auction in Colombo. Bidders benefited from valuations and integrity-checks were carried out by independent third-party organisations to ensure listed vehicles are in good condition and transacted in a secure, safe and reliable environment.



Our customers also benefitted from the partnership formed during the year with Indra Traders and the synergies that flowed from sales counters opened at 'Family Car Niwasa' Malabe and 'Punchi Car Niwasa' Malabe.



"Lease Street" promotional campaign in Colombo, Kandy and Anuradhapura



"Auto-Ex" promotional campaign islandwide



Strategic alliance with car sales, a win win situation

People's Leasing, and its affiliate company, People's Insurance together with People's Bank further facilitates the busy life of its customers by launching a multi-service Cash Deposit Machine (CDM) network for all customer payments.



People's Pay Way campaign launched to grant CDM facility



Strategic alliance with Indra Traders (Pvt) Ltd

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

A Responsible, Ethical and Transparent Business

At People's Leasing we strive to develop our products and services responsibly. We prioritise engaging with our stakeholders to understand their concerns about a product and ensure our products and services comply with the statutory and legal requirements of CBSL and other public announcements.

Our product information is published in English, Sinhala and Tamil, considering the diverse and multi-cultural population of Sri Lanka. We also employ multilingual employees from local areas, to facilitate greater interaction with the community and minimise communication barriers.

During the year there were no significant incidents on non-compliance reported or fines and cases filed regarding our marketing communications or products and services information labelling. And also during the year there were no significant incidents of substantiated complaints concerning breaches of customer privacy and losses of customer data.

Our commitment to fair and transparent product offerings underpins providing the right information in a clear manner and, in the preferred language of the customer.

People's Leasing complied with the provisions in applicable codes and directions of Corporate Governance by adhering to Central Bank laws

and regulations on products and services advertising/other public announcement and ensured that all our marketing communications remained within the boundary of the regulator. No significant fines/ non-monetary sanctions were imposed for non-compliance with laws/regulations in socio economic area and no significant cases were filed for violations of country laws and regulations.

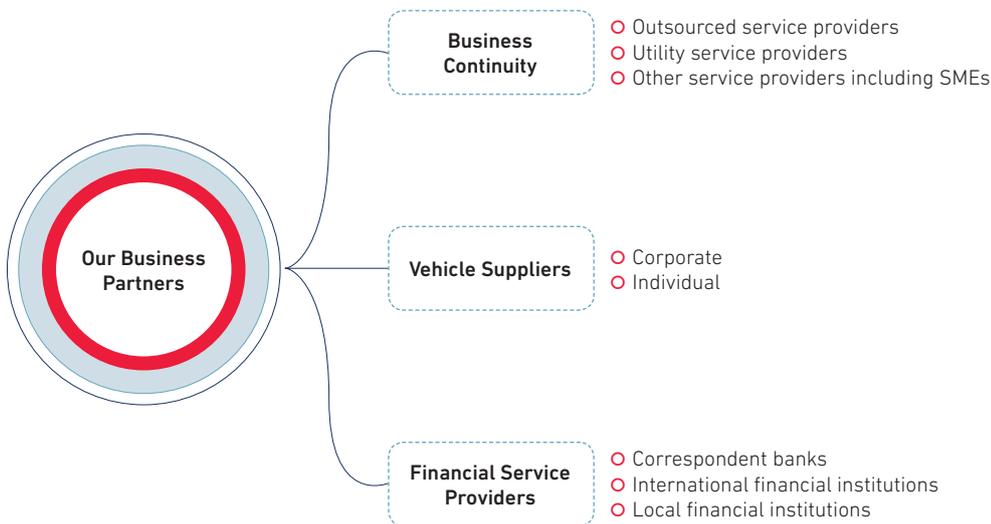
Encouraging Customers to be Environmentally Friendly

We are aware of the impact of vehicular emissions on global warming. As a finance company engaged mostly in leasing of automobiles, our specific procedures to mitigate and offset such adverse impacts included; offering green products such as Eco Lease and E-friends to customers, by promoting the leasing of green vehicles, encouraging our customers to opt for digital transactions and introducing paperless operations.

GRI 102-9

Business Partners

Our business partners are essential to the smooth functioning of operations. Our key suppliers are motor vehicles and vehicle dealers. Financial service providers such as correspondent banks, local and international financial institutions are also integral to our business. Other service providers, mostly unseen, are nevertheless vital to the continuity of operations.



	2020/21	2019/20	Change (%)
Active business partners (Nos.)	38,890	40,910	(4.94)
Vehicle suppliers (Nos.)	31,665	32,406	(2.29)
Procurement expenditure (Rs. million)	82,880.45	88,788.44	(6.65)

Building and Nurturing Relationships

Building and nurturing relationships with our business partners is embedded within the culture of People's Leasing. The trust that People's Leasing has built through time with its business partners can be attributed largely to complying with industry regulations and discharging debt obligations on a timely basis. Even during the COVID-19 pandemic, when most businesses were negatively affected, People's Leasing honoured its payments to suppliers on a timely basis. We value the 'trust' built in to relationships, which forms the foundation for our mutually beneficial relationships, enabling us to deliver effective, uninterrupted services to internal and external customers.

Our procurement process emphasises ethical practices and cost effective purchase of quality products. Although we give opportunities to local and SME suppliers, all suppliers are given an equal opportunity to respond to our requirements. We also engage with the business community by being active members in associations and business organisations.

GRI 102-13

Memberships in Associations

Our memberships in industry and other associations ensures our presence and voice in the business community. During the year, we held memberships in the following associations.

- The Leasing Association of Sri Lanka
- The Finance House Association of Sri Lanka
- The Financial Ombudsman Sri Lanka

- Credit Information Bureau of Sri Lanka
- The Association of Margin Providers
- Biodiversity Sri Lanka (Patron Member)

Memberships in Associations Contributed to:

- Build and strengthen relationships with other member entities
- Facilitate industry unity and networking
- Promote best practices and enhance industry standards
- Employees benefitting from association activities

Building and nurturing relationships with our business partners is embedded within the culture of People's Leasing.

Dealing Fairly with Business Partners

People's Leasing registers its suppliers on an annual/bi annual basis and monitors all agreements with its business partners to ensure all obligations and Supplier Code of Ethics are met. This is fundamental to maintaining sound and ethical relationships with business partners including local and international financial service providers in the long term. We ensure payments are made promptly, regular contact is maintained and issues relating to responsible sourcing are addressed.

Supplier Selection and Procurement of Goods and Services

The objective of the Procurement Policy is to ensure that goods and services purchased are of the quality required, received in a timely manner, complies with laws and regulations and the selection of suppliers follows a transparent process.

People's Leasing considers the following criteria when selecting suppliers.

- Locally available material
- Quality specifications
- Cost-competitiveness
- On-time delivery
- Reliability
- Adaptability
- Expertise and experience
- Capacity
- Compliance with applicable laws and regulations

- Licensing requirements, certifications and standards
- Sustainable practices of sourcing raw materials
- Adherence to environmental and social considerations
- Fair labour management practices

Major procurements such as vehicles, equipment, ICT Hardware and Software are the responsibility of the Logistics Department at the Head Office. Minor procurements are undertaken by the respective branch/department. An independent technical evaluation committee selects suppliers based on above criteria and a tender panel, chaired by the Senior Deputy General Manager – Operations and represented by members of the Management Committee, validates the selection.

People's Leasing obtains most of its supplies from local suppliers. Local suppliers based in the country are given preference. Overseas suppliers are engaged only if local suppliers are unable to meet the procurement specifications.

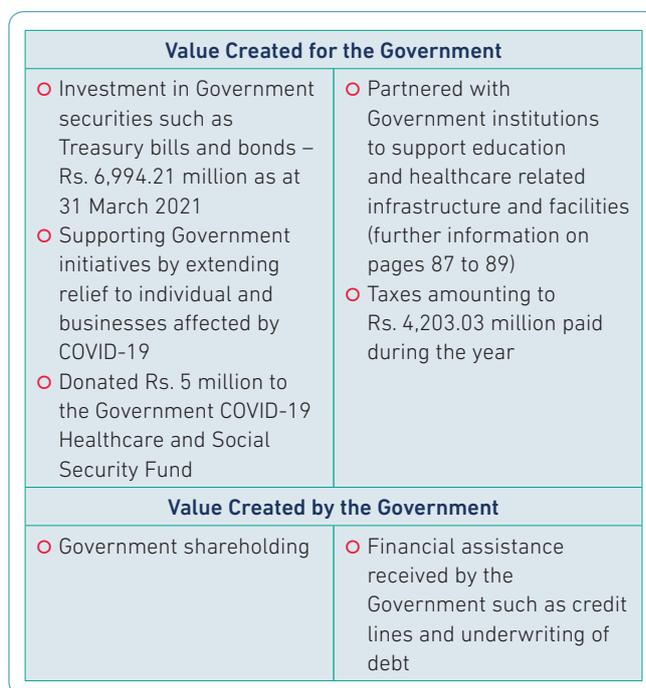
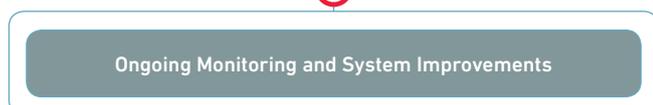
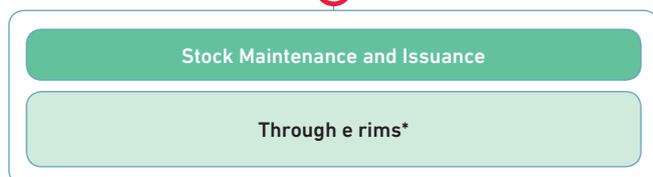
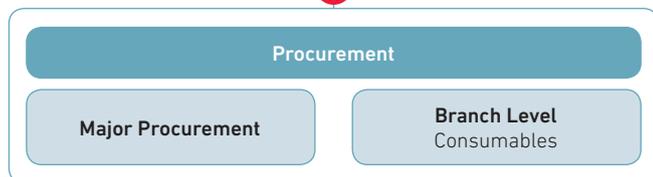
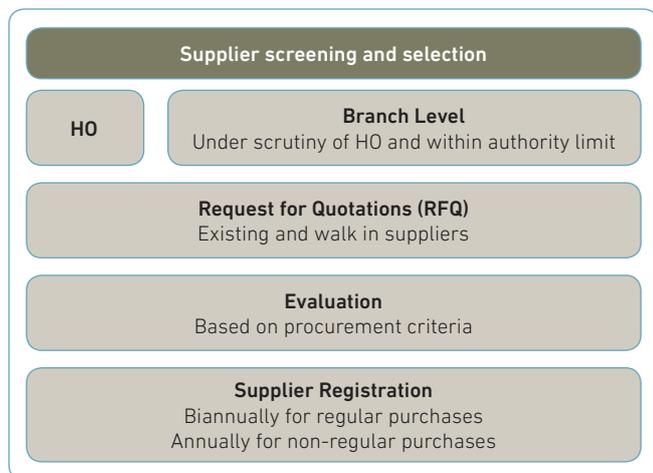
GRI 414-1

Environmental and Social Assessments of Suppliers

Our Procurement Policy considers environmental and social risks in procurement. At the point of registration, suppliers are assessed against an exclusion list. Verifications of suppliers are carried out through desk reviews and field visits. Non-adherence to required standards including, environmental and social considerations, will result in a supplier being de-listed from the Company's supplier list. There were no significant instances of non-compliance with respect to environmental and social concerns in the supply chain in 2020/21.

Government

As the economy reeled from the effects of the COVID-19 pandemic, People's Leasing supported the Government's efforts at economic revival by adhering to CBSL guidelines on granting and extending moratoriums on loans and leases to its customers, granting loans at concessionary rates and continuing operations throughout the year under safety and health guidelines issued by the Ministry of Health. We also contributed Rs. 4,203.03 million in taxes to the Government during the year as set out in Note 17.8 to the Financial Statements on page 202.



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

GRI 413-1

Community

Our value proposition to the community is twofold. As a finance company, we support growth of the community and the country through access to finance, financial inclusion, facilitating transactions and promoting financial literacy. Our commitment to strategic philanthropy encompasses building entrepreneurship, uplifting education and improving public healthcare. Although there were some limitations to volunteer activities carried out by staff due to health and safety concerns surrounding the COVID-19 pandemic, we were able to progress with most of our ongoing projects during the year at a total cost of Rs. 17.60 million only for the community.

Value Created for the Community

Supporting growth:

- Access to finance – via branch footprint, service centres and digital presence via "PLC Online"
- Financial inclusion – empowering individuals and businesses, with greater emphasis on SMEs, to grow through customised, friendly and convenient financial solutions
- Facilitating transactions – flexible, alternative payment plans for customers in genuine financial difficulty, especially affected by the COVID-19 pandemic
- Financial literacy – programmes conducted as CSR events and via mobile education units that conducts campaigns island wide. Due to the pandemic programs were also conducted through social media and customer education screens at branch offices.

Strategic philanthropy:

- Building entrepreneurship skill development and financial literacy building – Rs. 0.3 million.
 - Continued vocational scholarships for economically disadvantaged youth to pursue a Diploma in Green Automobile Technology
- Education upliftment – Rs. 10.24 million
 - Continuation of "Senehasa" scholarship scheme
 - Supporting the establishment of post COVID-19 school infrastructure
- Donation of Rs. 5 million. for Itukama COVID-19 fund to improve healthcare and social security
- Financial assistance to improve COVID treatment and care at Government hospitals.
 - Presentation of wireless stethoscopes to National Hospital – Kandy
 - Presentation of infrared thermometers to Trincomalee Hospital – Trincomalee
 - Presentation of essential medical equipment to the ICUs at the Colombo East Base Hospital

Community Outreach Projects

Continued Vocational Scholarships for Green Automobile Technology Course

The Company continued its partnership with the Wayamba Technical College to support continued vocational education for 21 economically disadvantaged youth from six batches to complete their Diploma in Green Auto Mobile Technology. Cumulative cost: Rs 1.9 million. 2020/21 cost: Rs. 0.11 million.



Testimonial

We are so glad that People's Leasing partnered with us in supporting vocational education of youth from households with financial limitations. Sixteen youth successfully completed course work including practical sessions and currently 13 youth are undergoing internships in reputed workplaces. Our college offered the opportunity for the youth who got best results to start his career as an instructor with us. Two students awaiting to complete the final examination were unable to do so due to the pandemic situation. If not for the scholarship most of these youth would opt for odd jobs or be unemployed. We believe that the People's Leasing not only supported youth employment but also facilitated generation of trained human resources towards the betterment of the green automobile industry in Sri Lanka, helping to groom competent mechanics specialised in green technologies to support transition towards sustainable mobility solutions. We are also thankful for being a source of encouragement in our efforts to update our future ready curricula.

Ms R A A R Ranwella

Registrar, Wayamba Technical College

Provided Financial Assistance for Business-Start-ups

People's Leasing provided financial assistance for business start-ups in collaboration with the University of Sri Jayewardenepura. 21 business plans were selected for financial grants. During the year under review People's Leasing had invested Rs 0.1 million and cumulative investment was Rs. 1.61 million.



Testimonial

After leaving school I enrolled in the Diploma in Entrepreneurship and Business Management Program conducted by the University of Sri Jayewardenepura (USJ). I was also a beneficiary of the short course conducted by People's Leasing in collaboration with USJ on Entrepreneurship and Business Start Up. I prepared a business plan to create a business space for SMEs, farmers and self-employed people to sell their products and find new markets as a partial requirement of the course. My father is a farmer and I understood the challenges faced by farmers in selling their produce by experience. Thanks to the financial grant received from the People's Leasing, I could launch an online delivery platform to connect suppliers with the farmer community and other SMEs. During the COVID-19 pandemic there was a high demand for vegetables and I could facilitate goods from the farm to the customer doorstep. I also started spice export in partnership with a leading corporate connected through this platform. Today I am the proprietor of a single-ownership business and the platform also facilitates to the "OURS Super Center" which is a one-stop-shop for all Sri Lankan Made products to promote and develop the local entrepreneurs established under the direction of Centre for Entrepreneurship and Innovation, Department of Entrepreneurship, University of Sri Jayewardenepura. I am grateful to both the university and People's Leasing for the guidance and great encouragement towards the success of my entrepreneurial initiative.

Sumedha Lakmal Bandaranayake

Entrepreneur, Galgamuwa

Continuation of "Senehasa" scholarship scheme

The company continued "Senehasa" educational scholarship programme launched in 2017 to mark the Company's 20th Anniversary. Based on a need assessment, 53 'Senehasa' scholarship beneficiaries who did not have a suitable device to pursue online education were provided tab devices at a cost of Rs. 1.19 million. engaging the PLC branch network. Cumulative spend on long-term scholarships was Rs. 26.73 million.



Testimonial

I could complete my A/L s well, thanks to the educational scholarship. I got through the exam with 9 As. Now, I got the privilege to do my Advanced Level in the Maths stream at a leading school in Colombo. Due to pandemic situation, my A/L classes are conducted online. I used to connect to my classes through my father's mobile. Many times ended up missing my morning session as my father goes to work with his mobile, as he is a taxi operator for a taxi hailing app-based company. I am now relieved as I can continue my studies without any interruption.

18-year-old scholarship recipient student from Hanwella

The Company provided support for the improvement in health services during the COVID-19 pandemic.



Testimonial

"Our hospital is designated as a key hospital for inward treatment of patients with COVID-19 by the Ministry of Health. Currently we are the main centre that undertakes COVID infected critically ill patients including maternity and paediatric surgeries from all over the country. We are thankful for the sincere collaboration by way of presenting a portable echo machine to perform optimised medical investigations and comprehensive clinical management that save lives at the Intensive Care Unit.

Dr. Priyantha Karunarathna

(MBBS. MSc. MD)

Consultant in Medical Administration

Director - Colombo East Base Hospital

Supporting Improvement of Post COVID School Infrastructure Development

In partnership with the Ministry of Education, People's Leasing supported 21 schools to increase preparedness in line with COVID-19 prevention guidelines provided by the Ministry of Health. Upon a needs assessment, 21 schools were provided financial assistance to upgrade a sick room to include an isolation area and hand washing station facilities in two stages with engagement of the nearest PLC branch.



Testimonial

Due to the COVID pandemic the school required COVID preparedness to re-open in the new normal as per the guidelines issued by the Government circular. We are appreciative of the support given by PLC in improving our sick room facilities with a pre-identified isolation area and pedal-operated washing stations to improve preparatory measures at our school. We wish your company all the best in your endeavours.

Mr M L D Jayadewa

Principal

H/Debarawewa National School

Ward Refurbishment at Apeksha Hospital, Maharagama

The Company also continued to maintain aquaria at Apeksha Hospital, Maharagama and further completed refurbishment work at 3 and 4 Male Ward, 15-B and 16 paediatric Ward to the value Rs. 1.49 million.



Testimonial

We are thankful to People's Leasing for refurbishing No. 3 and 4 Male wards at our Hospital. We receive patients from all over the island and we have the highest occupancy rate of 60. Our patients undergo radiotherapy and chemotherapy treatment from three weeks

to three months. It was not refurbished or colour washed for the last five years. Now the inward patients can undergo their treatment in a pleasant ambience that elevates their mentality. Patient administration process has improved with the furniture presented. Diary and fruit supplements meant for the cancer patients can be stored better with the new refrigerator.

Mr Bandula Herath

Ward in Charge – Ward No. 3 and 4

'Apeksha' Hospital, Maharagama



Testimonial

Ward 15 – B provides residential treatment and care for approximately 30 paediatric cancer patients, most of them suffering from leukemia. Located on the third floor, children are at the risk of falls as they move around due to stress and pains associated with the

disease and their inherent playfulness. A proper safety measure has been a long-felt need. In response to our request, we are thankful for People's Leasing for meeting our requirement so that children receive good ventilation and safety at the same time during their stay with us at the ward by fixing the railing and window frames.

Ms W A A D S Kumuduni

Nursing Sister, 15 B Paediatric Ward

'Apeksha' Hospital, Maharagama

Social and Relationship Capital - Outlook

Short Term: 2021/22

- Continued to empower businesses and livelihoods through digitising our products and services and activating our customers to use more of our digital financial solutions
- Continued to assess our suppliers through an internally-developed checklist at the registration
- Supported national response and preparedness to pandemic in terms of developing public infrastructure and services

Medium Term 3 years

- Introduce more customer-centric innovations towards a delightful customer experience with us
- Introduce a comprehensive supplier management framework including a Supplier Code of Conduct to promote responsible sourcing
- More collaboration and partnerships with governments, academia, Community Based Organisations (CBOs) and other social partners to identify national priorities and provide sustainable solutions

Long Term

- Ensure trusted customer interactions with the right mix of our human and self-service channels
- Assess significant suppliers on sustainability criteria, and encourage and support continued improvement in their sourcing practices
- Embed values-driven culture and introduce new ways of working, creating an ethical and responsible business culture whilst strengthening relationships with local communities

Social and Relationship Capital Trade Offs

Financial Capital

- Reduction in Financial Capital as resources utilised to enhance the relationships with customers, business partners as well as with the local community

Manufactured Capital

- Enhanced digital inclusivity, thereby reducing the need for physical branches

Human Capital

- Upskilled staff to offer trusted, safe, secure and responsible customer centric service

Intellectual Capital

- Better value creation and enhanced stakeholder relations for business sustainability

Natural Capital

- Lower operational impact on environment through contact-less service



Amidst restrictions in mobility, health and safety concerns and an economic downturn, we continued in our endeavours to be an environmentally responsible corporate. **OUR ENVIRONMENTAL FOOTPRINT REDUCED THIS YEAR DUE TO LIMITED OPERATIONS, PAPERLESS PROCESSES AND REDUCED FUEL USAGE.** Guided by the Board and led by the corporate management, environmental sustainability internalising through more capacity building among all levels of staff and dedicated sustainability champions continued, responsible financing was sustained and programs to conserve nature carried out.



Green awareness



Green operations



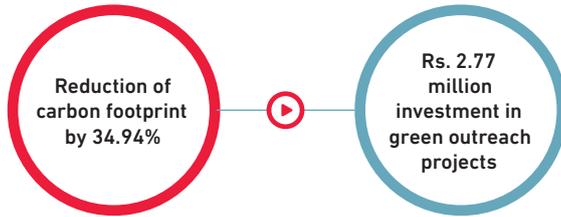
Responsible finance



Green outreach CSR



Nurturing Natural Capital in 2020/21



22,910 CDM based paperless transactions resulted in a Rs. 598.51 million transaction volume since October 2020.

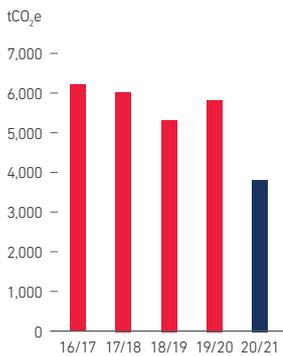
Carbon conscious operations and limited operations resulted a lower carbon footprint by 34.94% amounting to 2,365.04 tonnes of CO₂ equivalents

Despite our commitment, pandemic resulted a decline in green finance disbursement by 37.43%.

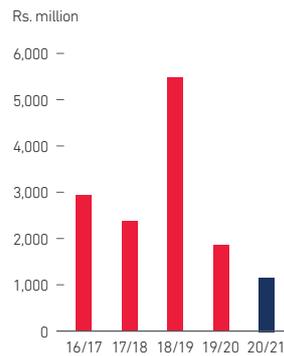
Enhanced work flow automation resulted a 32% saving in A4 bundles

Measuring Success

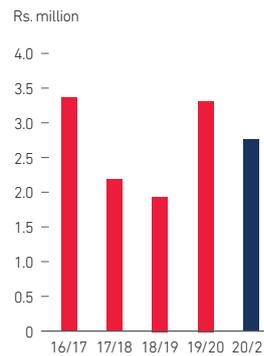
Company Carbon Footprint



Green Finance Disbursement



Investment in Environment Conservation



GRI 306-1, 306-2

Management Approach

Environmental sustainability at People's focuses on promoting responsible and environmentally friendly business practices that supports the United Nations Sustainable Development Goals (SDGs).

4 QUALITY EDUCATION

Education is critical to build societies' resilience promoting sustainable development and improving the capacity of people to address environmental and development issues and to create greener jobs and a greener industry.

11 SUSTAINABLE CITIES AND COMMUNITIES

Resource efficient cities combine greater productivity and innovation with lower costs and reduced environmental impacts, while providing increased opportunities for customer choices and sustainable lifestyles.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Integration of environmental sustainability with economic growth promotes sustainable consumption and production patterns to make the transition towards a greener and more socially inclusive global economy.

13 CLIMATE ACTION

Integration of climate change measures into corporate strategy is important as climate change increases frequency and intensity of extreme weather events reducing agricultural production, damaging critical infrastructure, and interrupting the provision of essential services.

17 PARTNERSHIPS FOR THE GOALS

Stronger partnerships contribute to environmental protection and sustainable development by mobilising resources, sharing knowledge and building capacity for making financial system more sustainable with integrated environment dimension.

GRI 102-11, 307-1

The Board spearheads formulation of the Company's environmental strategy and has delegated the responsibility for coordinating and monitoring sustainability initiatives to the Sustainability Governance Steering Committee that sets direction for the environmental strategy of People's Leasing. Led by the corporate management team, Head Office Departments and Branch Network drive green performance. Noteworthy results generated through technology infusion to drive green business. Compliance to environmental laws and regulations, responsible sourcing, precautionary approach in the development and offering of new products and services and

CSR initiatives to conserve environment contributed to environmental performance. There was no significant incident reported on non compliance with environmental laws and regulations during the reporting year.

Our environmental strategy is implemented through four pillars starting from creating green awareness among staff which is then extended to the supply chain. We consciously strive to reduce the environmental footprint of our operations and the indirect environmental impact of products and services offered to our customers. CSR projects that educate the community on safeguarding the environment and help regenerate natural

resources are an integral part of our environmental conservation efforts.

In-house environmental management system (EMS) supports the real time tracking of the key environment inventories. The data supports the quantification of greenhouse gas emissions in accordance with the ISO 14064: 2018.

GRI 305-1, 305-2, 305-3

Scope of Carbon Footprint Assessment

Direct Emissions;

Company owned vehicles, stationary combustions (standby generators), fire extinguisher refilling/ replacement, refrigerant

leakages, employee commuting - paid by the Company, business travel (land), rented vehicles - paid by the Company.

Indirect Emissions;

Grid electricity, Transmission and distribution losses, employee commuting (not paid by the Company), waste disposal, municipal water consumption, business air travel, rented vehicles (not paid by the Company), hired vehicles, waste transport, locally purchased items transport.

The carbon footprint for the financial year 2020/21 for the Group and Company were 4,404.28tCO₂e and 3,833.50tCO₂e respectively.

Four-pillar Environmental Strategy



Green Awareness
Promote green consciousness across value chain

Commitment

Develop an environmentally conscious workforce, and supply chain through –

- Regular green training/awareness

Green Operations
Manage and optimise our direct positive impact on environment

Commitment

Reduce carbon footprint through –

- Green practices
- Efficiency improvements and responsible waste management
- Invest in green technology
- System improvements

Responsible Finance
Optimise green impact of our products and services and reduce indirect negative impact

Commitment

Embed responsible finance as the core of our business through –

- Accountable, ethical and transparent financial services
- Green financing
- Responsible procurement
- ESG considerations in credit screening

Green Outreach CSR
Conserve the environment

Commitment

Improve our conservation efforts through –

- Reforestation/long-term planting
- Employee volunteering in green CSR
- Educating stakeholders
- Supporting environmental research



Green Awareness

Educating our employees and other key stakeholders on People's Leasing's environmental priorities had been the foundation of our environmental strategy. Training programmes were conducted for staff with emphasis on individual and team responsibility towards the environment.

Embedding environmental KPIs to Company performance metrics have helped to create a considerable awareness among our employees of the Company's commitment to environmental goals that has had in turn a positive impact on implementing environmental strategies. Guided by the corporate management and branch managers, the sustainability champions drive responsible use of resources, quantified tracking of environmental KPIs which are an integral part of daily decision making at People's Leasing.

Several measures were taken during the year to further guide our employees on green practices.

- Communication on sustainability topics with sustainability champions of the Company was continued.
- An environmental management system was established that supported tracking of KPIs.
- Communication on paperless initiatives spearheaded by the ICT team activated more automated workflows company wide to a paperless office.
- An independent sustainability review was carried out by Interbalance where materiality topics, policies relating to material topics and existing KPIs were evaluated and a gap assessment was made to further embed sustainability into the corporate strategy of the Company.

Green Operations

The measures taken to reduce the Company's environmental footprint include, further internalising automated workflows, facilitation of Work From Home (WFH) arrangements for strategically identified operations, efficiency and system improvements, responsible sourcing, waste disposal and more investment in green technology, which are integral to green our operations. In our annual supplier registration the suppliers that incur significant environment impact are excluded. However, in the financial year 2020/21, new suppliers screened were not reported.

	Environment Inventory	Unit of Measure	2020/21 Value (Group)
	Waste	tonnes	91.08
	Energy (Fuel and Electricity)	Joules	2.03x10 ¹³
	GHG Emissions (Carbon footprint)	tCO ₂ e	4,404.28

Sustainability champions driving change at PLC



Being a sustainability champion has changed my way of interacting with things at day-to-day work. I try my level best to internalise sustainability. A breakdown or a leaky tap is quickly attended to. Electricity bill is a discussion topic at our branch meetings. Service providers turn up for agreed

periodic services on time. We have a successfully segregated the solid waste system at our branch. Most importantly, the pandemic has triggered our paperless drive. Guided by our Branch Manager, I do my best to engage every one of our team for maximum impact! The system-based Environment Management System has made us seriously re-connect with environment as we do business. With each knowledge sharing e-post I receive, I feel like my company is actively helping me to be more informed. With the carbon conscious certificate we received for our branch, we realised the importance of collectively working towards a lower carbon footprint. It is self-motivating to be a sustainability champion being able to drive a quantifiable difference and it gives me a good feeling that I am contributing to save our Earth.

Stanly Thisera
Cash Officer
People's Leasing & Finance PLC
Kuliyapitiya Branch

A dynamic paperless platform towards a greener governance

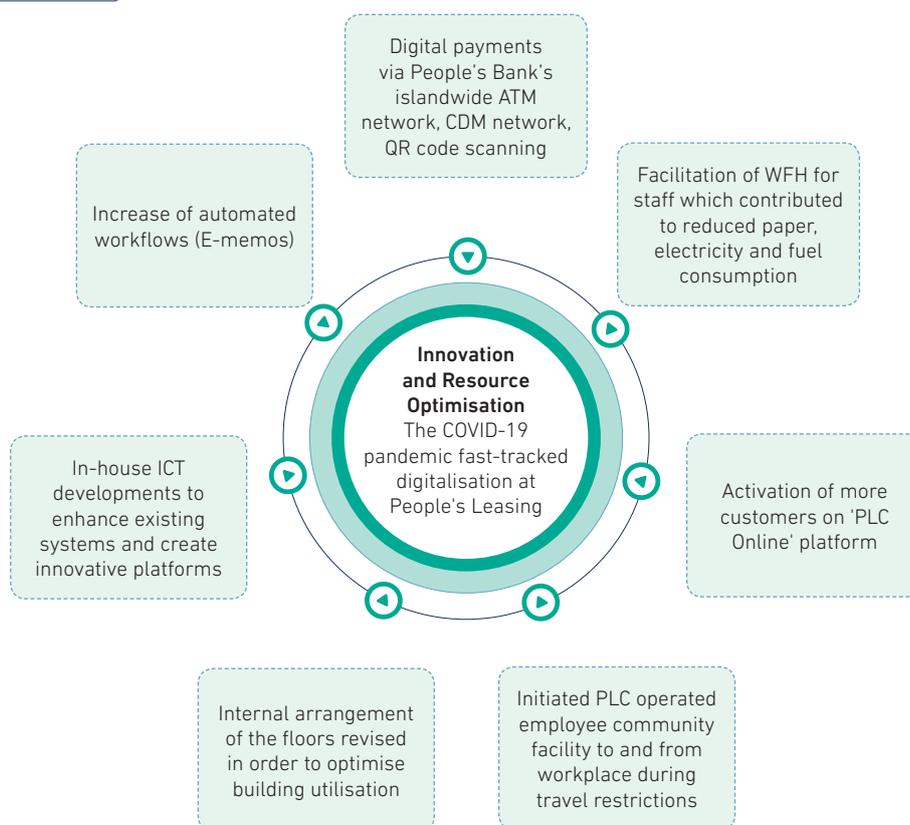


We started paperless Board meetings, leading to impactful meeting management. No more is the need for A4 paper packs as use of hard copies is eliminated saving paper and cost. Delivery of Board papers to doorstep is also no longer required with the e-papers at fingertip. Added to this is the

convenience for the Board members having the papers digitally stored in their devices for easy reference as and when required. This paperless platform contributed towards an annual A4 paper reduction of 55,440, contributing to lower our organisational carbon footprint through reduced paper and fuel usage. During uncertain times where the conduct of a Board meeting is required virtually or compelling some members to attend remotely, this solution has proven very beneficial. E-signing and approval facilities are just great. The process enhancement took place with effect from March 2021 and has immensely helped us to manage workflow as the relevant department could upload the Board paper/s by independently logging-in and submitting the papers in a timely and organised manner. I would say managing the Board meetings has never been a delightful experience before.

Lakmini Kottege
Company Secretary

GRI 302-1, 305-1, 305-2, 305-3, 306-3



Emissions	Group
Direct (Scope 1) GHG emissions (tCO ₂ e)	791.93
Indirect (Scope 2) GHG emissions (tCO ₂ e)	2,325.99
Other Indirect (Scope 3) GHG emissions (tCO ₂ e)	1,286.36
Total Emissions (tCO ₂ e)	4,404.28
Reduction of GHG emissions	2,365.04
GHG emissions intensity (per employee)	0.16

During 2020/21, total Carbon Footprint of People's Leasing was calculated as 3,833.50 tCO₂e at a reduction by 2002.96 tCO₂e. GHG emissions intensity (per Employee) for the company was reported as 0.14 (per employee)

People's Leasing practices a segregated waste management group wide and during 2020/21, type of waste by method of disposal at People's Leasing Head Office was reported as follows.

Type of Waste	Quantity (kg.)
Recycled paper	9,116
Recycled electronic waste	56
Reused food waste as animal feed	4,924

Responsible Finance

We increasingly promote Environmental Social Governance (ESG) considerations in our lending decisions which includes creating awareness and working with customers to minimise the negative environmental effects of their business operations. Our corporate guiding principles as a purposeful business incorporates economic viability, environmental responsibility and social accountability as the core values inherent in all our business operations as we strive to minimise our impact on the environment through responsible lending.

	2020/21	2019/20
Green outreach CSR activities (Nos)	6	12
Green outreach investment (Rs. million)	2.77	3.32

Green Outreach CSR

Due to the uncertainty, safety and health concerns that characterised the year, the number of our outreach activities and staff engagement were limited. Key initiatives included the following:

<p>"Life" <i>Our commitment to restore a degraded fern land adjacent to the Kanneliya forest in Opatha</i></p> <p>People's Leasing continued its commitment for the third year, to restore the 1ha degraded fern land adjacent to the Kanneliya Forest Reserve, Halgahawala, in Opatha. Through the restoration of this native low land rain forest vegetation, a biodiversity credit accrual system for Sri Lanka will be launched; a first for the country. The project is implemented by Biodiversity Sri Lanka, guided by the Forest Department. Technical assistance is provided by the International Union for Conservation of Nature (IUCN) engaging 10 corporates to develop a replicable restoration model to restore degraded forest landscapes in the wet zone of Sri Lanka. During 2020/21, development of the reforestation plan for the forest patch was completed. Planting of shady plants and forest species, soil conservation and a three-metre fire belt establishment to prevent occasional grassland fires were also carried out. Further during the year 4,905 plants including 300 sticks of glyricidia were planted, increasing the plant density to over 8,000 individual plants at the restoration site.</p>		
<p>Tree Planting</p> <p>A planting initiative was implemented by the Nawalapitiya branch for customers who obtained leasing and loan facilities. The Zonal Education Office, Harangala Department of Agriculture in the Central Province collaborated on this project.</p>	<p>Recognition of Outsourced Staff</p> <p>Responsible housekeeping practices of janitorial staff were recognised for the seventh consecutive year. 41 outsourced staff were recognised with monetary incentives and provisions in an event in which the Corporate Management participated.</p>	<p>PLC 'Haritha Sithuwam'</p> <p>Regional winners of 'PLC Haritha Sithuwam' all island poster art competition were recognised with attractive prizes on six sub themes related to environmental conservation. People's Leasing invested Rs. 1.17 million during the year for this, continued from the year before. A total of Rs. 2.38 million was incurred on celebrating child creativity and their environmental consciousness.</p>

Outlook

Short Term: 2021/22

- Raised the digital competencies of our staff with automated workflows
- Activated customers to use more of our digital financial solutions.
- Conducted a feasibility assessment for renewable sources
- Strengthened governance and management structures to embed elements of purposeful business

Medium Term 3 years

- Restructure and further automate processes for greater efficiencies
- More investment in customer-centric digital offering enhancements
- Introduce renewable energy for electricity generation
- Instill an environment risk-aware culture covering key environment sensitive sectors

Long Term

- Establish a lean and agile operating model
- Advance as a digitally-enabled data intelligent business
- Ensure 75% of electricity required is generated from renewable energy
- Streamline responsible sourcing by educating suppliers on environmental code of conduct , supplier checklist for onboarding suppliers

Natural Capital Trade Offs

Financial Capital

- Financial investment in the purchase and related development towards business continuity and contactless working in the new normal

Manufactured Capital

- Purchase of assets and related development towards business continuity and contactless working in the new normal

Intellectual Capital

- Enhanced reputation as a responsible brand for business continuity in the new normal

Human Capital

- Enhanced technical skills of staff in remote working
- Pandemic caused limitations resulted a reduced workforce at service points

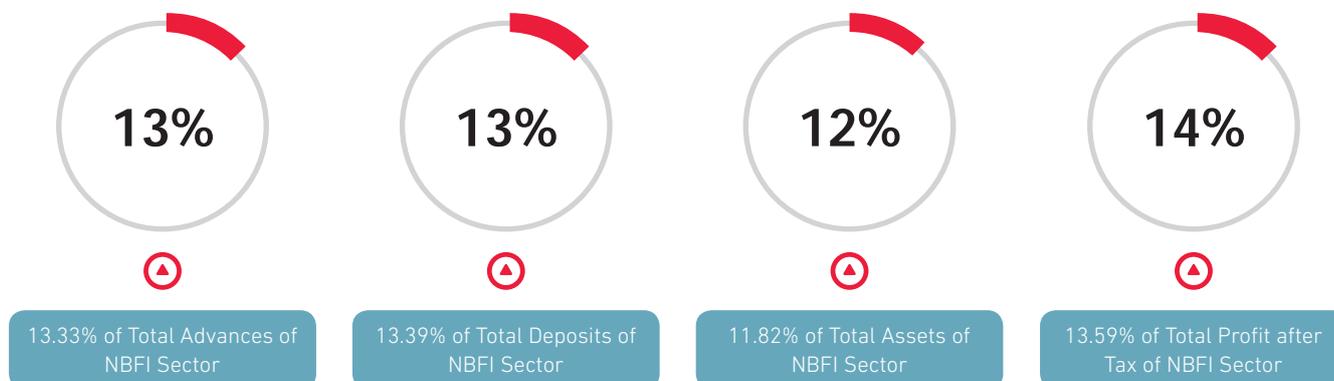
Social and Relationship Capital

- Customer satisfaction on the COVID relief, advisory and continued operations through contactless service

GRI 307-4

As a leading Non-Bank Financial Institution in the country, our operations have a significant impact on the country.

Impact on NBFI Sector



GRI 201-1

Economic Value Created

Economic Value Created

The Economic Value added by People's Leasing is Rs. 1,492.32 million for FY 2020/21 considering an economic charge equivalent to the Average 365 Day Treasury Bill rate plus a 2% risk premium. This affirms that we have created value for shareholders above the economic rate of return appeasing shareholders with a return in excess of the economic cost of capital.

Economic Value Added

	2020/21 Rs. million	2019/20 Rs. million
Shareholders' funds	34,341.43	30,246.63
Add: Accumulated provision for impairment charges	9,267.94	8,750.24
Add: Cumulative market building expenses	560.43	696.75
Less: Deferred tax assets	(415.84)	(376.29)
	43,753.96	39,317.33
Profit Attributable to Shareholders	4,033.02	2,942.51
Add: Market building expenses for the year	39.06	196.56
Add: Impairment provision	517.70	3,805.90
Add: Deferred tax charges for the year	(69.51)	(1,213.52)
	4,520.27	5,731.45
Economic cost % (Average Treasury bill rate + 2 % risk premium)	7.29%	10.22%
Economic cost	3,027.95	3,768.68
Economic value addition	1,492.32	1,962.77

Market Value Added

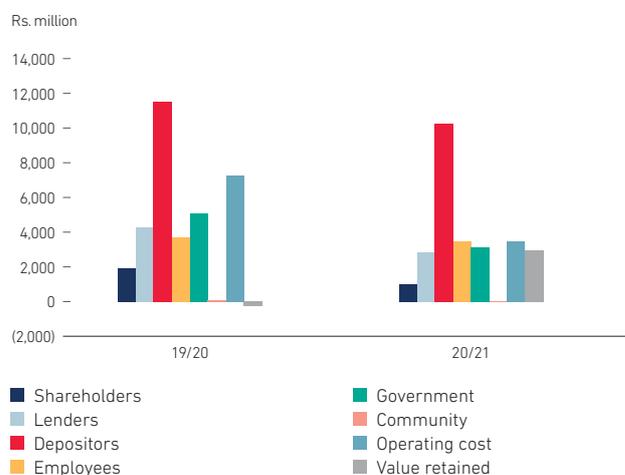
The market value added by the Company remains negative as market capitalisation is below the value of net assets.

	2020/21 Rs. million	2019/20 Rs. million
Market capitalisation/market value of equity	20,114.31	19,857.98
Less : Shareholders' funds	34,341.43	30,246.63
Market value added/(declined)	(14,227.12)	(10,388.65)

Distribution of Value Added

The economic value generated during the year declined due to the decrease in interest income. Consequently, the value distributed to all stakeholders declined during FY 2020/21. However, the value distributed among the stakeholders and value retained changed as graphically depicted below:

Distribution of Economic Value



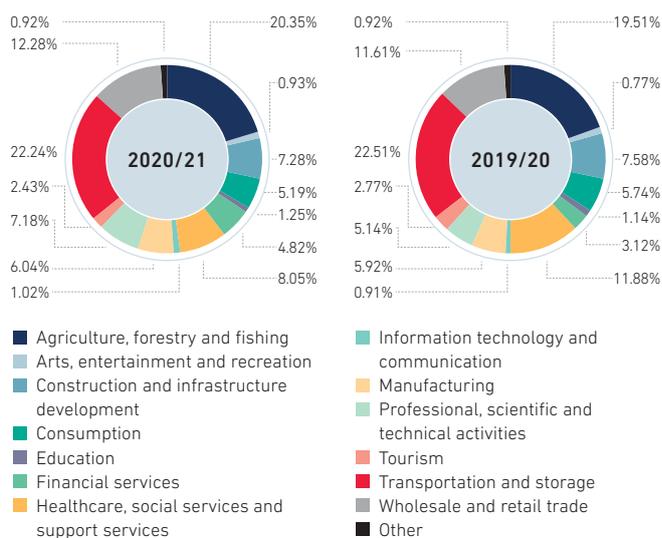
The Company was able to retained 10.95% of the economic value generated during the year under review though the economic value distribution exceeded the economic value generated in last year. Portion of value distributed to depositors increased to 37.74% in 2020/21 compared to 2019/20 whilst portion of value distributed to lenders during the year has declined as interest rates and borrowings declined. The value distributed to GOSL declined due to the reduced tax rates. Dividend to shareholders also reduced due to the need to strengthen the balance sheet in view of the heightened uncertainty. However, the proposed final dividend of Rs. 0.75 per share which is to be paid in the form of a scrip dividend upon receiving the approval of shareholders at the AGM is not captured in this value added statement. Value distributed to community reflected a decline in 2020/21 given to limitations on carrying out community related initiatives given to the pandemic.

	2020/21 Rs. million	2019/20 Rs. million
Direct economic value generated		
Interest Income	24,983.45	31,459.11
Fees and commission income	1,818.68	1,694.01
Other operating income	301.68	446.20
Economic value generated	27,103.81	33,599.32
Economic value distributed		
To providers of capital		
Dividend to equity holders	976.62	1,929.32
Interest to borrowings	2,835.85	4,255.98
Interest to deposit holders	10,228.46	11,530.60
	14,040.93	17,715.90
To Employees		
Salaries and other benefits	3,465.37	3,701.39
	3,465.37	3,701.39
To Government		
Income tax expenses	1,909.08	2,822.84
Tax on financial services	1,222.63	2,002.46
Other taxes paid	18.37	266.54
	3,150.08	5,091.84
To Community		
On corporate social responsibility CSR and donation	23.15	58.85
	23.15	58.85
Operating Cost		
Depreciation and amortisation	722.99	717.02
Impairment charges for loans and receivables and other losses	1,143.05	4,751.8
Other operating expenses	1,590.08	1,808.64
	3,456.12	7,277.46
Economic value distributed	24,135.65	33,845.44
Economic value retained	2,968.16	(246.12)

Access to Finance

Our main purpose is to provide access to finance for SMEs, micro entrepreneurs, corporates, and individuals connected to various industries supporting progression towards realising their aspirations. We aim to support them throughout their lifecycle with relevant structured products that are readily understood by our customers. During the year, we made 36,780 disbursements amounting to a total of Rs. 50,881.01 million during the year.

Portfolio Distribution Among Industries



A Custodian of Value

As a finance company, we provide investment opportunities for the public who require a trusted custodian and a return. People's Leasing has been a trusted player within the NBF1 sector and is the custodian for Rs. 101,502.93 million deposits of nearly 300,000 customers.

Direct and Indirect Employment

People's Leasing provides direct employment for 2,343 people, which reduced during the year through natural attrition due to streamlining of operations.

During the year, our operations continued to support over 35,000 business partners who provide employment to others. Stressed customers were assisted with moratoria which amounted to Rs. 71.42 billion portfolio, 4% interest rate concession granted for 4,362 buses involving in passenger transport and concessions on default interest during the year which resulted significant reduction in default interest income for the year to Rs. 678.89 million reflecting our commitment to support their livelihoods and the indirect employment in the country.



STEWARDSHIP

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1. Mr Sujeewa Rajapakse

Chairman/ Non-Executive Non Independent Director

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

Qualification

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

Positions Held/Experience

During his professional career that spanned nearly four decades, he held the honorary positions of President, Vice President and Council Member (elect) of the Institute of Chartered Accountants of Sri Lanka (ICASL), Former Chairman of Auditing Standards Committee of ICASL, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer for Cricket World Cup 2011, Board Member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation

of Asia Pacific Accountants (CAPA). He has also served in the directorates of National Development Bank PLC, NDB Capital Ltd – Bangladesh, The Finance Company PLC, Uni Dil Packaging Ltd and Uni Dil Packaging and Solutions Ltd.

Current Positions

Mr Rajapakse is a Managing Partner of BDO Partners which is the local representative of BDO - the fifth largest accounting network in the world. At present he serves as the Chairman of People's Bank, and as the Deputy Chairman of Softlogic Life Insurance PLC. Also, an

Independent Non-Executive Director of Haycarb PLC, Dipped Product PLC, Hayleys Agriculture Holdings Ltd and Director – Lankan Alliance Finance Limited, Bangladesh. Mr Rajapakse is a Council member of the University of Sri Jayewardenepura.

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



2. Ms Coralie Pietersz

*Non-Executive
Senior Independent Director*

Ms Coralie Pietersz was appointed as Director to the Board on 19th February 2020. The effective date of appointment is 01st March 2020.

Qualification

Ms Pietersz is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka. She

holds a B.Sc (Honours) degree in Physics from the University of Sussex and an MBA from Heriot-Watt University, Edinburgh.

Positions Held/Experience

Ms Pietersz joined Finlays Colombo in 2010 as Finance Director and was also appointed Finance Director of Hapugastenne Plantations PLC and Udapussellawa Plantations PLC in 2016 and held these roles until 2020. She has also held the role of Group CFO at Richard Pieris and CFO at Nations Trust Bank PLC.

Current Positions

Ms Pietersz is an Independent Non-Executive Director of Seylan Bank PLC, Bogala Graphite Lanka PLC, R I L Property PLC, United Motors Lanka PLC and Hemas Pharmaceuticals (Private) Limited and a Director of Compass Advisory Services (Pvt) Ltd. She is a Member of the Council of the Institute of Chartered Accountants of Sri Lanka.

3. Mr Rohan Pathirage

Non-Executive

Non-Independent Director

Mr Rohan Pathirage was appointed as Director to the Board on 07 July 2020.

Qualification

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

Position Held/Experience

He counts for over 26 years' experience across Human Resources, Legal and Administration relating to People's Bank. As the Senior Deputy General Manager (Human Resources and Legal) of People's Bank, he managed the Bank's 10,000 plus strong workforce and its Senior Executive recruitments in line with its HR requirements. In addition, he also leads the Bank's 70-member legal team. He also functioned as Deputy General Manager - Secretary to the Board of Directors of People's Bank, a position held from August 2010 up until March 2019, Mr Pathirage provided administrative support to all matters relating to the Bank's Board of Directors and its various sub committees. During his tenure as Secretary to the Board of Directors of People's Bank, he has played a key role to facilitate best practices in governance.

Current Position

Mr Pathirage is currently the Senior Deputy General Manager – Overseas Customer Services of People's Bank. He oversees the Bank's foreign remittances business and foreign currency accounts. He is also functioning as Chairman - People's Leasing Havelock Properties Limited, Director People's Leasing Fleet Management Ltd., Director - People's Micro Commerce Limited, Director - Lankan Alliance Finance Limited, Bangladesh, Director – People's Travels (Pvt) Ltd. Alternate Director – Institute of Bankers of Sri Lanka

4. Mr Sudarshan Ahangama

Non-Executive,

Non-Independent Director

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

Qualification

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

Positions Held/Experience

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

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

Current Positions

Director People's Bank, Director Lankan Alliance Finance Limited, Bangladesh, Director Asiri Hospital Holdings (Pvt) Ltd. and holds several Directorates in MAS Group of companies.

5. Mr Ranjith Kodituwakku

Non-Executive

Non-Independent Director

Mr Kodituwakku was appointed to the Board on 13 August 2020

Qualification

Mr Kodituwakku holds a Master's Degree in Business Administration specialised in Finance from the University of Colombo, Bachelor of Laws (Honours) from the University of New Buckinghamshire, United Kingdom and is an Associate Member of the Institute of Bankers of Sri Lanka and a Certified Member of Sri Lanka Institute of Marketing.

Positions Held/Experience

Commencing a career in 1982 in People's Bank, Mr Kodituwakku progressed to earn a plethora of experience having worked in different capacities, both local and foreign, which in turn allowed him to claim for a solid knowledge base in the spheres of Branch Banking, Consumer Banking, Commercial Banking, Corporate Banking, Off-shore Banking, International Banking, Project Financing, Recoveries and Digitalisation arena, etc.

He is a key figure in driving the Bank towards digitalisation on mapping business requirements to a digital platform by adopting best practices in the industry and re-engineering business processes for which the Bank was awarded many prestigious awards/recognitions both internationally and locally.

Current Positions

He is serving as the Chief Executive Officer/General Manager of People's Bank with effect from 19th June 2020. He also serves as the Chairperson of Financial Ombudsman Sri Lanka (Guarantee) Ltd and Director of People's Insurance PLC, People's Travels Ltd., People's Merchant Finance PLC, Lankan Alliance Finance Ltd. Bangladesh, Credit Information Bureau of Sri Lanka, Lanka Clear (Pvt) Ltd., National Payments Council, Sri Lanka Banks' Association (Guarantee) Ltd., Lanka Financial Services Bureau and Institute of Bankers of Sri Lanka.

6. Mr Chanura Wijetillake

Non-Executive

Independent Director

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

Qualification

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

Position Held/Experience

Mr Wijetillake has over 35 years' experience in the Banking sector, out of which a total of 14 years in the Senior Management and the Corporate Management at the Commercial Bank of Ceylon PLC, covering the areas of Lending, Compliance and Branch Administration. He has been instrumental in implementing a risk-based compliance frame work and risk-based Compliance Audit System at the Bank.

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

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

Current Positions/ Engagements

Mr Wijetillake currently gets involved as a Resource Person in the training programmes conducted by the Centre for Banking Studies of Central Bank of Sri Lanka.

7. Mr Asoka Bandara

Non-Executive, Independent Director

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

Qualification

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

Position Held/Experience

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

Current Positions

Director Litro Gas Lanka Ltd, Litro Gas Terminal Lanka Private Ltd. and Buildmart Lanka (Pvt) Ltd. Currently operates management consultancy services for leading local conglomerates. As a trainer, he specialises in developing team leadership and personality development including overseas assignments and imparts his knowledge via MBA teaching on topics i.e. leadership, strategic management and advanced marketing and sales management. He also acts as a key negotiator by leveraging his issue management skills for leading industry bodies vs. key stakeholders. He is a Vice President of the Dairy Association of Sri Lanka and serves as a committee member for the Lanka Confectionery Manufacturers Association and Chamber of Commerce F & B Committee.

8. Mr Clive Fonseka

Non-Executive, Non Independent Director

Mr Clive Fonseka was appointed as Director to the People's Leasing & Finance PLC Board on 19 February 2020.

Qualification

Mr Fonseka is a fellow of the Institute of Bankers of Sri Lanka and holds a Master's Degree in Business Administration from Postgraduate Institute of Management of University of Sri Jayewardenepura. He has received a Distinction for the ACI Dealing Certificate and counts more than 27 years experience in Treasury Management. He is also a Certified Member (CMA) of the Institute of Certified Management Accountants of Australia.

Positions Held/Experience

Mr Fonseka has served at American Express Bank and Standard Chartered Bank. He has acted as the President of the Association of Primary Dealers during the period

of 2018 to 2020 and was a member of the National Payment Council, Financial System Stability Consultative Committee and the task force to study and design a new alternative benchmark interest rates committee of the Central Bank of Sri Lanka during the aforesaid period. Furthermore he has acted as a Chief Examiner for Institute of Bankers of Sri Lanka's IABF/ DABF Examinations previously.

Current Positions

Mr Fonseka joined People's Bank in 2002 and has been a member of People's Bank's senior corporate management team from November 2011. At present, he acts as a member of the Central Bank of Sri Lanka's Market Working Group on Domestic Financial Market Infrastructure Development Project. He also acts as Director of People's Leasing Property Development Limited and as an Alternate Director to the Chief Executive Officer/ General Manager of People's Bank on the Board of the Credit Information Bureau.

9. Mr Azzam A. Ahamat

Non-Executive, Non-Independent Director

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

Qualification

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

Position Held/Experience

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

Current Positions

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

10. Ms Lakmini Kottegoda

Company Secretary

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

Qualifications

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

Positions Held

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



1. Mr Shamindra Marcelline
(Chief Executive Officer/ General Manager)

Joined People's Leasing & Finance PLC in November 2020

Qualifications

B.Sc. (Hons) City University, London, UK 1996, Financial Advisors' International Qualification (FAIQ), Chartered Insurance Institute, UK 2008.

Positions Held

Senior Vice President / Head of Corporate Banking at DFCC Bank. Member of the DFCC Bank, Executive Management Committee (EXCO).

Country Manger of HSBC Maldives, Head of Financial Institutions Group and Public Sector at HSBC Sri Lanka and Manager - Wealth Management and Insurance at HSBC Sri Lanka.

Experience

23 years of multifaceted experience in Corporate and Global Banking, Investment Banking, Retail Banking, Credit Administration and Operations Management.

Experience in Product Development, Advisory, Structuring and Financing, Credit Administration and Operations relating to the branch and cross border business within HSBC Group entities.

Expertise in designing and implementing new business initiatives, systems/ procedures to enhance the overall efficiency of the organisation in line with corporate business goals.

Current Positions

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



2. Mr Sanjeeva Bandaranayake

Senior Deputy General Manager

Joined People's Leasing & Finance PLC in July 2007.

Qualifications

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

Positions Held

Chairman of the Leasing Association of Sri Lanka, Vice President of the Asian Financial Services Association (AFSA), Committee Member of the Ceylon Chamber of Commerce and a Council Member of the

Sri Lanka Institute of Credit Management (SLICM), CEO of People's Merchant Finance PLC and member of the Financial System Stability Consultative Committee of the Central Bank.

Experience

Over 27 years of post-qualifying experience in top senior level in the finance sector.

Current Positions

Director of the Leasing Association of Sri Lanka and the Credit Information Bureau of Sri Lanka, Council member of the Finance Houses Association of Sri Lanka and Director of People's Leasing Property Development Limited.

3. Mr Lionel Fernando

Senior Deputy General Manager

Joined People's Leasing & Finance PLC in 1995.

Qualifications

ACA, Associate member of the IBSL. Post Graduate Diploma in Business and Financial Administration (CA Sri Lanka). Associate member of Certified Management Accountants of Sri Lanka (ACMA).

Experience

Over 32 years' experience in the Banking and Finance Industries, including People's Bank.

Current Positions

Director/General Manager of People's Leasing Havelock Properties Ltd. Head of Al-safa Islamic Financial Services Unit, and in charge of gold loan operations. Director of National Railway Museum (Guarantee) Ltd.

4. Mr Rohan Tennakoon

Deputy General Manager – Risk and Control

Joined People's Leasing & Finance PLC in 1998.

Qualifications

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

Positions Held

Vice President of the Finance House Association (FHA) of Sri Lanka and Project Chairman of the Sports Sub-Committee for the year 2015 and 2017. Served in panel representing the FHA in Chamber of Commerce. Served as the Head of Al-safa Islamic Financial Services Unit

Experience

31 years of experience in diversified fields such as accounting, manufacturing, exporting and banking prior to joining the Leasing sector, experienced in marketing and business development, branch operations, credit, and presently in risk and control department and over -looking legal, documentation and DMT coordinating unit.

Current Positions

Non-Executive, Non-Independent Director of the People's Insurance PLC, Compliance Officer of the Credit Information Bureau of Sri Lanka. Serving on the panel of Jury in SLIM - NASCO for the last six consecutive years.

5. Mr Damith Malavithanila

Deputy General Manager – Recoveries and Administration

Joined People's Leasing & Finance PLC in 1996.

Qualifications

Finalist of the CA Sri Lanka and Intermediate of the IBSL

Experience

Over 36 years' experience in Banking and Finance and several years of experience in Auditing and Accounting. Served as General Manager of People's Leasing Fleet Management Limited for over nine years. Further, served as the Head of Recoveries for 10 years at People's Leasing & Finance PLC and later joined Branch Operations in 2007 and handled branches covering all island. Presently perform as Head of Recoveries and Administration.

Current Positions

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

6. Mr Laksanda Gunawardena

Deputy General Manager – Marketing

Joined People's Leasing & Finance PLC in 2002.

Qualifications

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

Positions Held

Functioned as the Head of Corporate Leasing for 10 years.

Experience

Over 26 years' experience in corporate and SME financing in the areas of credit, marketing, recoveries, branch development and operations.

Current Positions

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

7. Mr Prabath Gunasena

Deputy General Manager – ICT (Group)

Joined People's Leasing & Finance PLC in 1999.

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

Experience

22 years experience at People's Leasing & Finance PLC.

Current Positions

Member of the British Computer Society, Head of ICT at People's Leasing & Finance PLC.

8. Mr Udesh Gunawardena

*Deputy General Manager –
Internal Audit*

Joined People's Leasing &
Finance PLC in 1999.

Qualifications

ACA, ACMA (Sri Lanka), Dip.
in Treasury, Investments and
Risk Management (IBSL), World
Prize winner of Australian
Computer Society

Positions Held

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

Experience

Over 21 years' experience
at senior levels in finance,
with particular emphasis on
accounting, auditing, financial
management and treasury
operations.

Current Positions

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

9. Mr Ranil Perera

*Assistant General Manager –
Recoveries*

Joined People's Leasing &
Finance PLC in 1999.

Qualifications

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

Experience

Has over 21 years of
experience at People's Leasing
Group.

10. Ms Sujeeva Ranasinghe

Assistant General Manager – HR

Joined People's Leasing &
Finance PLC in February 2021.

Qualifications

LL.B - University of Colombo.

Positions Held

Formerly at Commercial Bank
of Ceylon PLC, as Head of
Human Resources.

Experience

Over 26 years experience at
a private commercial bank,
with over 22 years in Human
Resource Management.

People's Leasing & Finance PLC (People's Leasing) provides a wide range of financial services and, as a result, operates in a highly regulated environment. Thus, compliance with applicable laws, rules, regulations, standards, internal policies/procedures, and codes of conduct applicable to the Company is of high priority at People's Leasing. Maintaining the trust of our customers, and protecting the interests of our stakeholders, is of paramount importance.

People's Leasing has in place a robust Compliance Policy which sets out the principles and standards for managing Compliance Risks across the organisation. Its objective is to uphold compliance in every department of People's Leasing in an effective way as a part of the corporate culture that emphasises standards of honesty and integrity. Overall compliance concerns everyone in the financial institution and is viewed as an integral part of the business.

The policy is designed to meet the requirements of laws, rules and standards which have various sources, including primary legislation, rules and standards issued by statutory authorities and regulators/supervisors, market conventions, codes of practice promoted by industry associations, internal policies/procedures, and codes of conduct applicable to the staff members of the Company.

Our Compliance Philosophy

The organisation shall hold itself to high standards when carrying on business and, at all times, strive to observe the spirit as well as the letter of the law maintaining ideal checks and balances. The key components of the Compliance Philosophy of the Company are as follows;

- **Ownership of compliance;** The tone of compliance is set at the top. The Board of Directors of People's Leasing are responsible for overseeing the management of compliance risk and implementation of the Compliance Risk Management Framework across the financial institution.
- **Shared compliance responsibility;** Compliance is the responsibility of every individual in the organisation and it is necessary for all staff to be aware and adhere to the applicable laws and regulations.
- **Compliance culture;** People's Leasing promotes awareness of compliance obligations and ethical values to maintain an appropriate compliance culture throughout its businesses. Compliance is not seen as an activity of the Compliance Department alone but as a culture that shall pervade across the Financial Institution.
- **Independence;** The Compliance Department is an independent function that has the ability to objectively assess and express its views on the policies and practices of other functions/businesses in relation to compliance.
- **Communication;** People's Leasing has open lines of communication, both upstream and downstream so as to enable the staff to voice their concerns on actual/potential compliance breaches irrespective of the hierarchy.
- **Coordination with other departments and branches;** The Compliance Department works in close coordination with the Functional Departments and branches in order to efficiently and effectively manage compliance risks.
- **Compliance performance assessment;** People's Leasing has integrate Key Performance Indicators relating to compliance risk management in the overall performance management scorecard of employees so that all staff members prioritise compliance.

Key Aspects of Compliance Culture

At People's Leasing, the Board and the Senior Management set the tone of compliance, communicating the importance of compliance and ethical business practices at all times. Internal policies and procedures are constantly reviewed and updated in line with the developing legal and regulatory framework

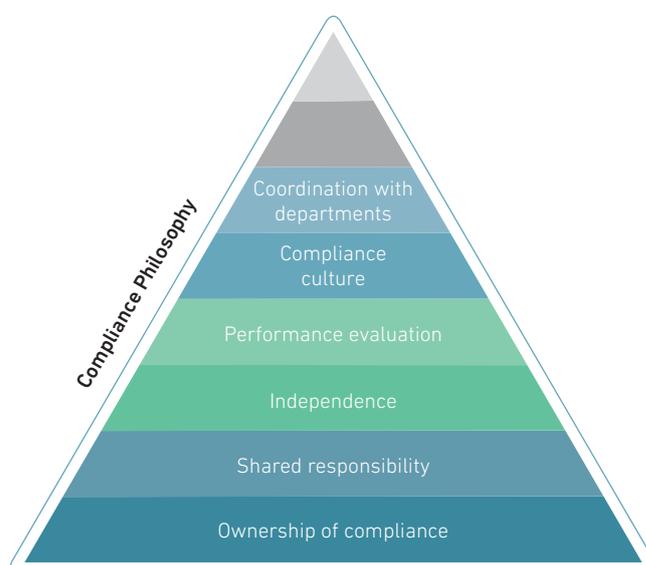
in order to meet compliance requirements. During the year under review several internal policies and procedures were reviewed and updated and several new internal policies, procedures and guidelines were adopted and issued respectively in order to strengthen our compliance standards. Please refer page 112 for new policies introduced during the year.

During the year the compliance culture was strengthened with the adoption of a Board Approved Compliance Policy. Further, as part of the Compliance strategy of the Company, the preparation and submission of a compliance plan/programme to the Board every quarter was also initiated during the year under review. This includes plans for compliance testing, training, implementation of corrective action for any gaps identified during audits and compliance testing, etc.

At People's Leasing, adherence to compliance requirements is integral to the organisation's reward structure. The recent introduction of a compliance related Key Performance Indicators (KPI) for all employees further enhanced their levels of commitment to protecting compliance standards through consciousness and ownership of their actions.

Ethical behaviour and integrity is expected from all staff of the Company. The Code of Business conduct and ethics, and the Whistle Blower Policy of People's Leasing, promote ethical practices in business dealings of the Company.

People's Leasing maintains a clean record with no fines or actions implemented by regulators for the period under review for any instances of non-compliance.



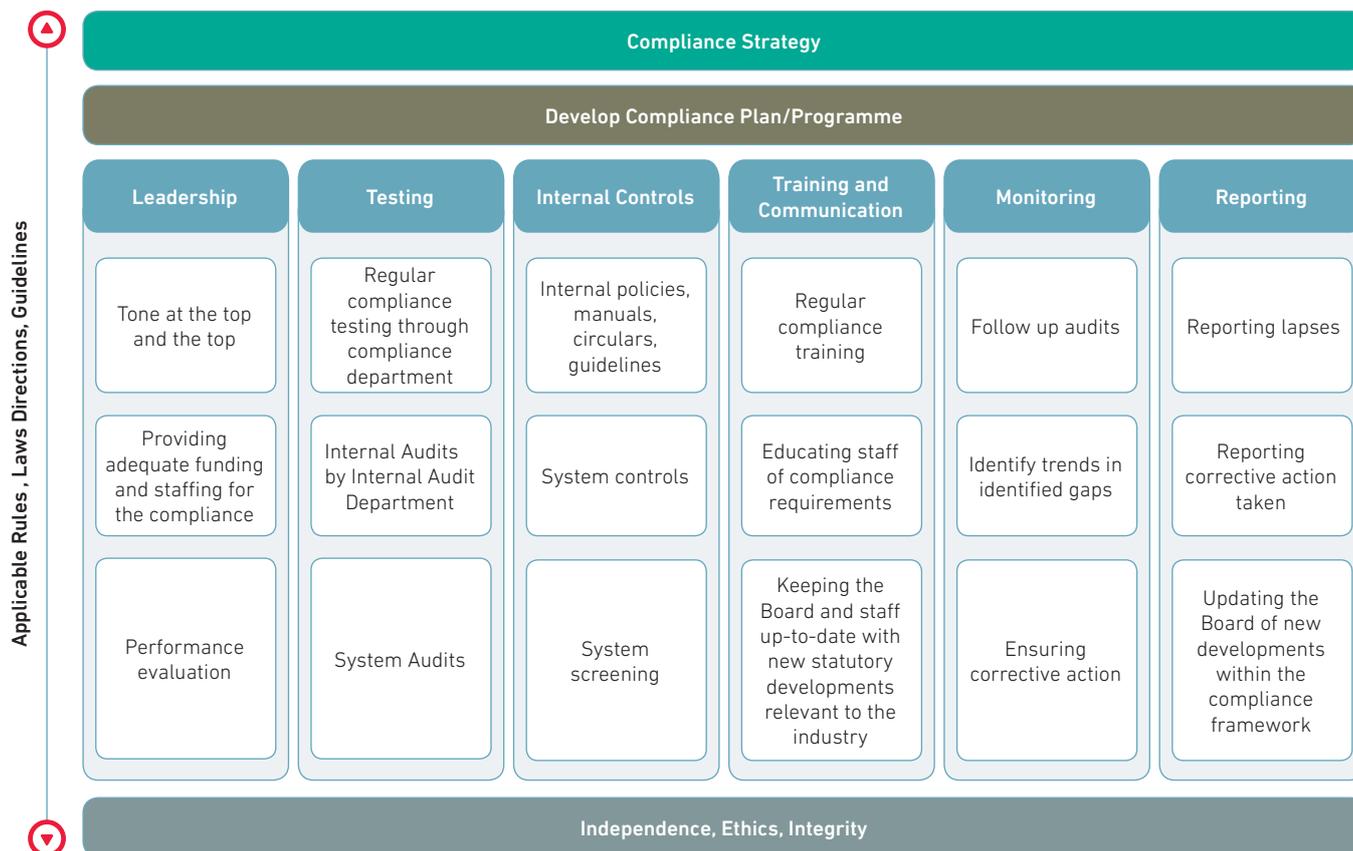
GRI 205-1

The Compliance Function and its Strategy

The compliance function is led by a Senior Manager (Compliance Officer) who reports directly to the Board Integrated Risk Management Committee (BIRMC).

During the year under review, the Compliance Department structure was reviewed and three additional staff members were added to the structure with a view to improve the standard of compliance (five member department).

Compliance strategy of People's Leasing can be summarised as below;



Compliance programme - The Compliance Department functions on a Board-approved Compliance Programme.

Leadership - Support and leadership are provided by the Corporate Management, Board Integrated Risk Management Committee and the Board of the Company through review recommendation and approval respectively of policies procedures, and material compliance related expenses.

Testing - The Compliance Department carries out Compliance testing in order to identify gaps in operating practices.

The Internal Audit Department carries out a Compliance

Audit annually and regularly performs the necessary investigative activities, monitors compliance and carries out random checks including online checks. Recommendations pursuant to these activities are implemented by the heads of respective divisions. Recommendations leading to disciplinary action are dealt with by the Human Resources Department and the Management.

Internal Controls - Each department is responsible for developing internal policies and manuals in relation to their functions within the regulatory framework in order to ensure compliance in their respective areas.

Department heads of People's Leasing are responsible for ensuring that internal policies, circulars, guidelines, regulatory directives and guidelines and also applicable local laws in relation to their functional areas are followed by their departments. They are required to provide a confirmation of compliance at the end of each quarter and any deviations from policies and any violations of laws/regulations are reported to the BIRMC.

System Controls - System controls are applied where possible in order to prevent breaches of compliance and system audits are conducted alongside regular audits to ensure that there are no system breaches or errors.

Monitoring - Follow-up audits are conducted in order to ensure that corrective action has been taken to resolve issues identified. Trends in lapses/gaps are identified and analysed in order to address and correct issues.

A report on the status of the Company's compliance is presented to the Committee at each of its meetings. Further the Compliance Officer presents a report to the Board of Directors at its monthly meetings.

Systems to Monitor

Compliance

Technology is used for collecting information, monitoring, customer screening, and compliance controls in line with the current industry practices. During the year, People's Leasing upgraded its customer screening system to a realtime screening solution and has also taken steps to install a Transaction Monitoring System in order to be better equipped to identify and report suspicious transactions in order to curb money laundering and terrorist financing.

Compliance Training

With the wide use of online technology to keep connected amidst the pandemic that has restricted social gatherings, People's Leasing has been able to keep its staff including the Management and its Board of Directors up to date with the developments of compliance requirements through web applications available. Selected employees/ the Management and Board attended external programmes conducted online during the year under review which encompassed training sessions on Anti Money Laundering and Combating of Terrorist Financing, Special Training on new regulations and Regulatory Reporting Requirements for Licensed Finance Companies, etc. Additionally, all new employees undergo a staff induction programme to get them acquainted with the processes of the Company.

People's Leasing & Finance PLC (People's Leasing) is committed to high standards of governance, integrity, and professionalism. Embracing globally-accepted best practices, the Company believes good governance has been fundamental to growth and has strengthened the trust and confidence of stakeholders. The Board leads by example, setting the tone from the top.

1.1 Our Approach to Governance

As custodians of Corporate Governance, the Board ensures that the Company pursues its strategic goals in accordance with sound corporate governance principles, safeguarding its reputation, values and assets while balancing stakeholder interests. The Board has established a robust governance framework that is aligned to core values and drives a culture of enhanced accountability, strong risk and performance management, transparency, and effective and ethical leadership. The framework is regularly reviewed to adapt to internal and external developments and align to evolving best practice.

1.2 Delivering Stakeholder Value

People's Leasing is committed to understanding and being responsive to the interests and expectations of all stakeholders in delivering shared value. This is evident from our response to the pandemic, as explained on page 32 – Governance through the pandemic, where our first priority at the onset of the COVID-19 pandemic was to ensure the health, safety and wellbeing of our employees, and by extension their loved ones and our clients.

The Board follows an integrated approach, incorporating Environmental, Social and Governance (ESG) factors into strategy formulation and ensuring the organisation's growth is responsible and sustainable. Feedback from stakeholder engagement mechanisms forms a key input in strategy formulation.

Corporate Governance Compliance Summary

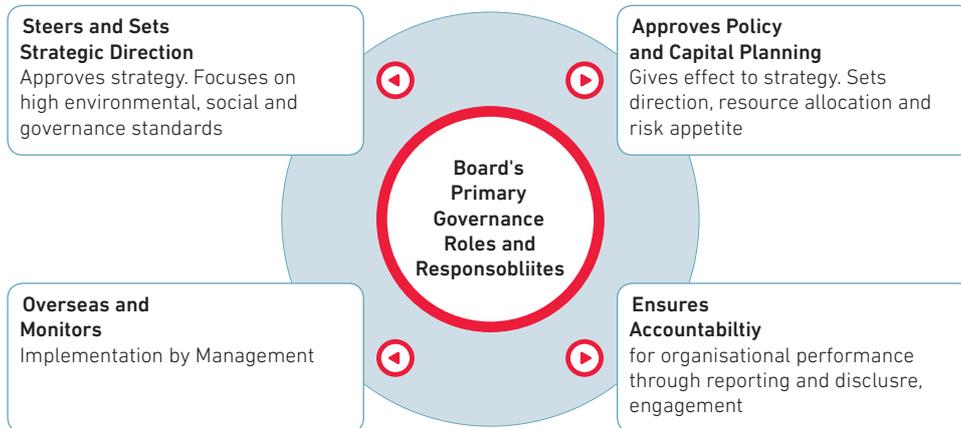
Regulation/Code	Adoption	Adherence	Disclosure Table
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions	Fully Compliant	Pages 123 and 143
Central Bank of Sri Lanka (CBSL), Finance Companies (Corporate Governance) Direction No. 03 of 2008 as amended by Directions No. 04 of 2008, No. 06 of 2013 and No 05 of 2020 *	Mandatory provisions	Fully Compliant	Pages 127 to 138
Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions	Fully Compliant	Pages 125 to 127

* Messrs Ernst & Young appointed by the Auditor General, has performed procedures as set out in the Sri Lanka Related Services Practice Statement 4752 (SLRSPS 4752) issued by Institute of Chartered Accountants of Sri Lanka to meet the compliance requirement of the Corporate Governance directive.

Highlights - 2020/21

- Continued to regularly review the impact and risks to the organisation arising from the COVID-19 pandemic.
- Recalibrated strategy in line with the Group's long-term vision and purpose considering impact of pandemic. Integrated Environment, Social and Governance aspects.
- Complied with all regulations and reporting requirements following heightened AML/CFT surveillance by Central Bank of Sri Lanka
- Continued to give oversight to the effective monitoring, management and recovery of overdue debt.
- Appointment of Mr Shamindra Marcelline as the new CEO/GM wef 25 November 2020.
- Appointment of Mr Ranjith Kodituwakku as a Non-Executive Director to the Board wef 13 August 2020.
- Resignation of Mr Rasitha Gunawardana with effect from 25 June 2020.
- Authorised and Approved an interim dividend in the form of a scrip dividend.

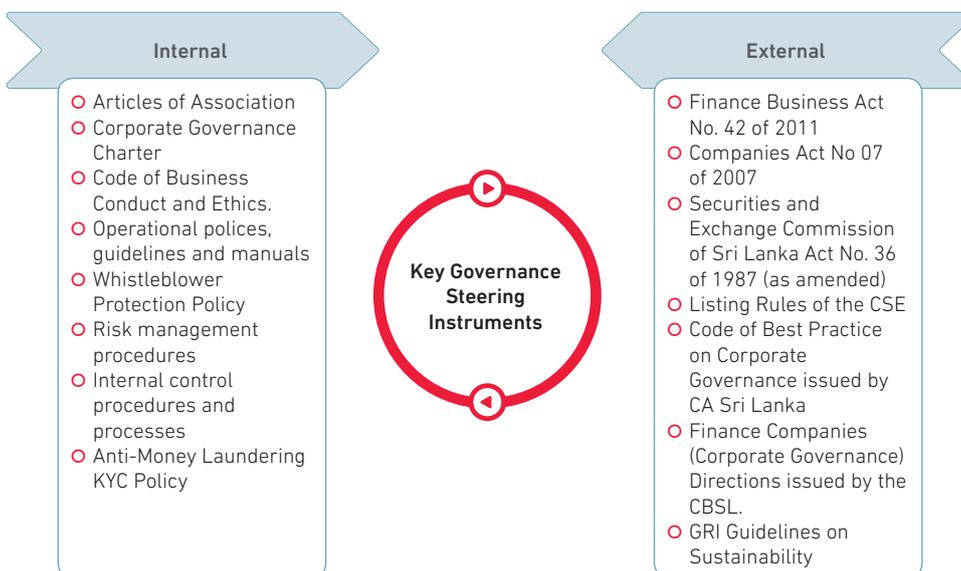
1.3 Governance Framework



The Board provides direction and leadership to People's Leasing and assumes collective responsibility for the overall governance, performance, strategy, and affairs of the Company. The Corporate Governance Charter contains a formal schedule of matters specifically reserved to the Board for its decision.

The governance framework established by the Board comprises of a robust organisation structure, a comprehensive policy framework, reporting mechanisms, internal controls, and risk management processes to ensure the Company is well-managed and -controlled.

The Governance framework is bound by several external and internal steering instruments.



Comprehensive Policy Framework

The Company's comprehensive policy framework serves as a guide to behavior and decision making at all levels of the organisation. The framework facilitates compliance with laws and regulations while managing stakeholders' expectations and risk.

The Board regularly reviews the policy framework. During the year, 12 new policies including a Work From Home Policy and Policy on Information Protection Procedure were introduced with the objective of improving business flexibility and safeguarding assets. A further 12 policies including Whistle Blower Policies and Business Continuity Policy were reviewed and updated to meet the evolving needs of the Company.

New Policies Formulated in 2020/21

- Policy on Post Disbursement Review
- Pricing Policy
- Provisioning Policy for Margin Trading
- Factoring Provisioning Policy
- Fixed Assets Administration Manual
- Share Trading Policy
- Work from Home Policy
- Mobile Phone Usage Policy
- Social Media Policy for Employees
- Remote Access Policy
- Policy on Information Protection Procedure
- Acceptance of Gift & Entertainment Policy Manual
- Compliance Policy Manual
- Confidentiality of Information

Policies Reviewed and Updated in 2020/21

- Whistle Blower Policy
- Policy for Engagement of External Auditors to Provide Non-Audit Services
- Anti-Money Laundering (AML) and Know Your Customer (KYC) Policy
- Margin Trading Credit Policy and Guidelines
- Risk Tolerance Statement
- Stress Testing Policy
- Risk Management Policy
- Factoring Credit Policy
- Business Continuity Policy
- Policy for Dormant Fixed Deposits and Savings A/C
- Credit Policy
- Policy on Valuation on Inspection of Immovable Properties
- Outsourcing Policy
- Customer Complaint & Grievances Handling Policy

Governance Through the Pandemic

- The COVID-19 pandemic has created unprecedented change, requiring agility and adaptation across the Company to face the wealth of challenges to employees and business.
- From the onset of the pandemic in March 2020, the CEO/GM communicated regularly with the Board to provide clarity and reassurance about the business while prioritising employees' safety and wellbeing, supporting clients through a period of uncertainty and fear, ensuring financial resilience and helping local communities.
- The Board supported management in establishing a COVID-19 Operational Task Force responsible for monitoring the pandemic across the Company's branches and departments to ensure the business is reacting to the pandemic in an effective and timely manner and to ensure the safety of all stakeholders. A dashboard of relevant operational metrics is presented to the Board monthly.



Vigilance and oversight by the Board increased significantly, as the Board provided leadership to recalibrate the strategic priorities of the Company in line with the long-term vision and purpose. Risk management particularly cybersecurity, fraud, theft and credit amongst others; recoveries; and internal control were key priorities.

The Board was mindful of ensuring the long-term resilience and strength of the business and positioning the business to capitalise on opportunities emerging from the turmoil of the pandemic.

- The Board met more frequently to devote the time needed to address these challenges and ensure continued effective board oversight.
- The Board continues to monitor and review the evolving business landscape and progress made against measures implemented by the Company to sustain business.

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1.4 Governance Structure

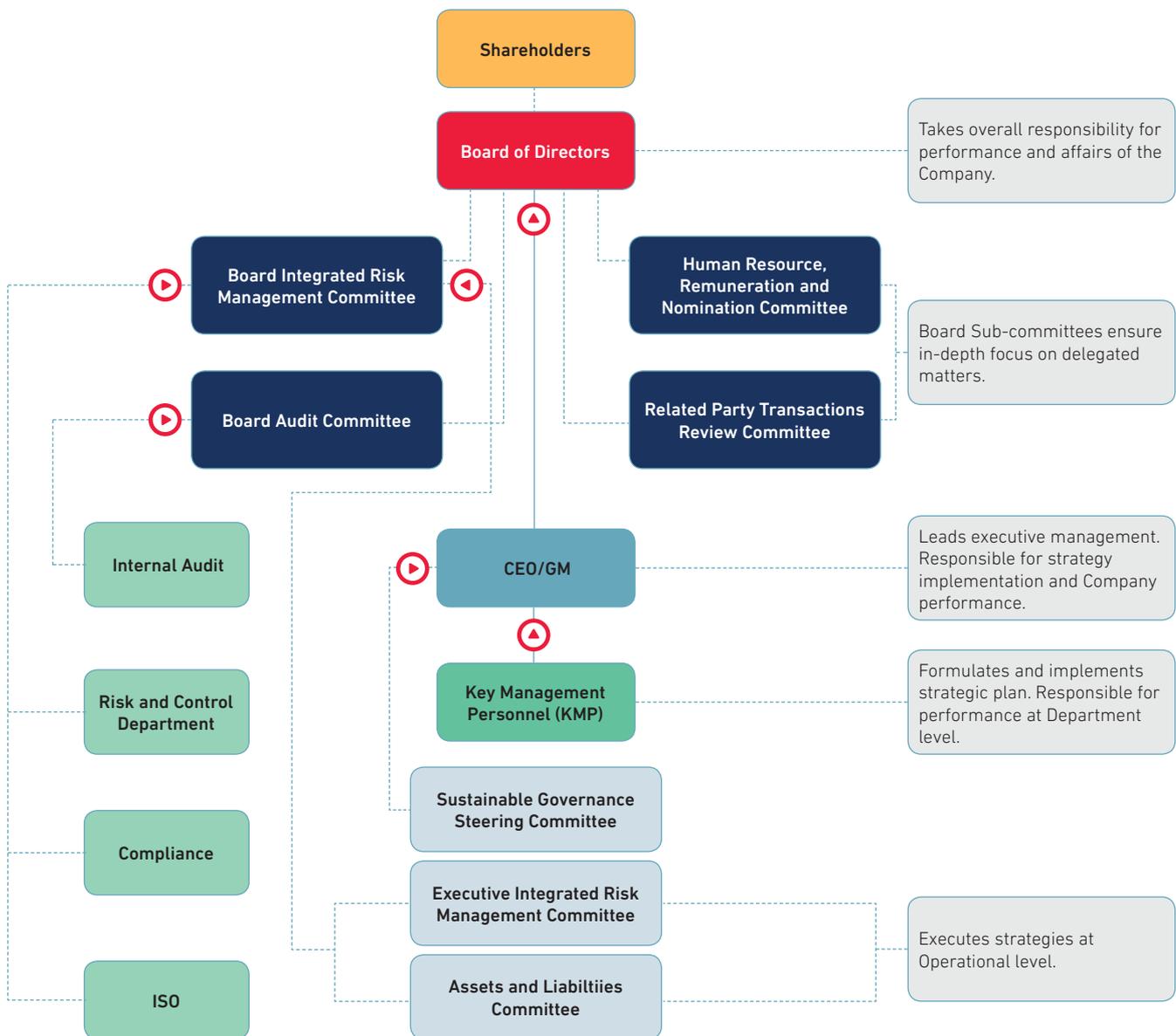
The Board has delegated functions warranting greater attention, to four Board Sub-Committees in line with its mandate as set out in the Corporate Governance Charter. Daily management of the Company and implementation of the Company's strategic plan has been delegated to the Corporate Management lead by the CEO/GM. Structures of delegation provide for the assignment of authority while enabling the Board to retain effective control. The Board recognises that delegating authority does not reduce the responsibility of Directors to discharge their statutory and common-law fiduciary duties. Regular reporting on key matters aids effective oversight.

Key Management Personnel (KMP) are competent and have the requisite skills knowledge and experience to carry out their duties. Strategically aligned Key Performance Indicators (KPI) drive performance and the achievement of objectives.

Navigating The Report

The Corporate Governance Report has been arranged under the following principals, in highlighting the practices adopted by the Company.

		Page/Pages
1.1	Our Approach to Governance	111
1.2	Delivering Stakeholder Value	111
1.3	Governance Framework	112
1.4	Governance Structure	113
1.5	An Effective Board	114
1.6	Responsible and Fair Remuneration	120
1.7	Gender Parity	120 to 121
1.8	Innovation Governance	121
1.9	Information Technology and Cyber Security Governance	121
1.10	Sustainability Governance	121
1.11	Board Accountability	121 to 122
1.12	Relation with shareholders	122 to 123



1.5 An Effective Board

The Board of Directors continues to provide ethical and effective leadership, to safeguard stakeholder value creation within a framework of robust and effective controls.

The ensuing sections from 1.5.1 Board Composition to 1.5.13 Succession Planning, highlights the good governance practices adopted to ensure the role of the Board is effective and ethical.

Key Board Responsibilities

- Provide strategic direction.
- Monitor implementation of strategy.
- Set corporate values and promote ethical behaviours.
- Establish systems of risk management, internal control, and compliance.
- Be responsive to the needs of society.
- Meet shareholders, employees, and other stakeholder’s obligations, balancing their interests in a fair manner.
- Present a balanced and understandable assessment of the Company’s position and prospects.
- Safeguard assets and ensure legitimate use.
- Ensure succession planning and the continued ability of the Company to operate without any disruption.

1.5.1 Board Composition

A balanced and diverse Board.

The Board comprises nine members, all of whom are Non-Executive Directors.

Except for the Non-Executive Independent Directors, other Directors are recommended by the parent, People's Bank and appointed by the Shareholders at the AGM in terms of the Articles of Association. Independent Directors are eminent professionals in their respective fields.

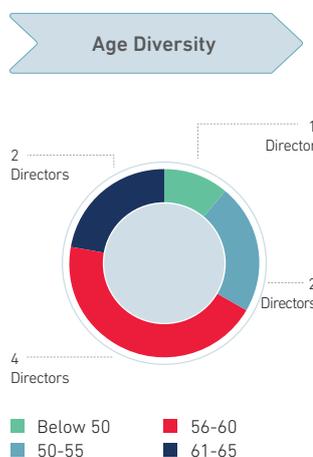
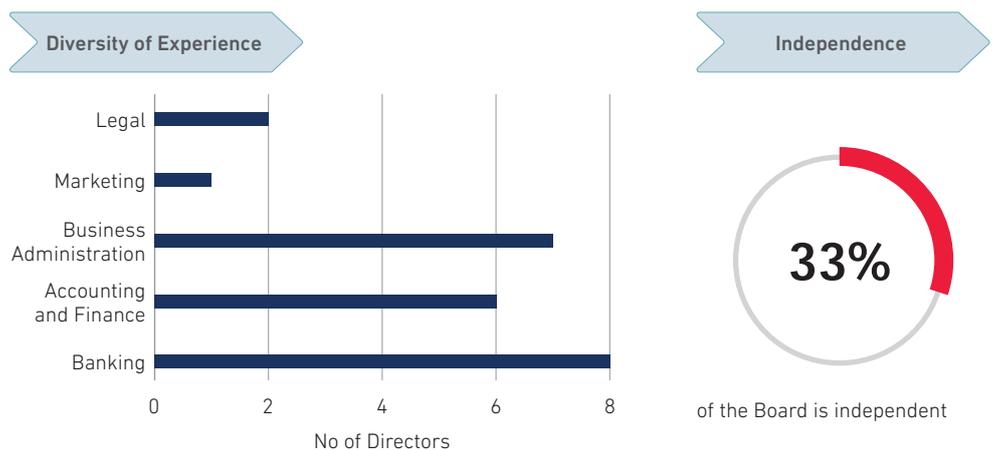
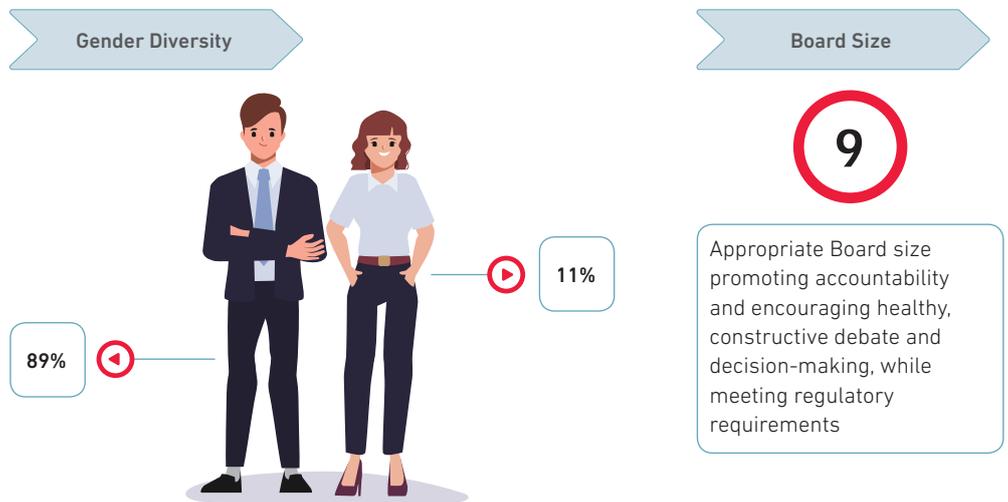
The collective background of the Board of Directors provides a balanced mix of skills and experience to enable the Board to fulfill its roles and responsibilities objectively and effectively. All Directors exercise independent judgement in the effective discharge of duties, engaging in constructive Board deliberations and objective evaluation of matters set before them.

Appointment of the Senior Independent Director strengthens the independence of the Board further. Ms Coralie Pietersz was appointed as the Senior Independent Director with effect from 1 March 2020 subsequent to the appointment of the new Non-Independent Chairman Mr Sujeewa Rajapakse, who also serves as Chairman of People's Bank (parent company).

The Board, through the Board Nomination Committee reviews the composition on an ongoing basis.

Four Directors, including the Chairman, are finance professionals ensuring sufficient financial acumen within the Board.

Board Composition	
Non-Executive Independent Directors	3
Non-Executive Non-Independent Directors (including Chairman)	6



The range and depth of skills and expertise on our Board has been invaluable as we navigate the COVID-19 related challenges and opportunities.



1.5.2 Board Sub-Committees

The Board has delegated certain responsibilities requiring greater attention to four Board Sub-Committees with oversight responsibility for same. This enables the Board to allocate sufficient time to matters reserved for its decision making, particularly execution of strategy and forward-looking agenda items, while ensuring delegated matters receive in-depth focus. Committee Chairmen are accountable for the effective functioning of the Committees and report regularly to the Board on Committee activities. Committee mandates are reviewed regularly.

Board Committee	Areas of Oversight	Composition	Further Information
Board Audit Committee (BAC)	<ul style="list-style-type: none"> ○ Integrity of financial reporting and disclosures ○ Internal controls and internal audit ○ External audit ○ Compliance 	<ul style="list-style-type: none"> ○ Two Independent Non-Executive Directors including the Chairman of the Committee ○ One Non-Executive Non Independent Director 	Report of the BAC on pages 144 to 145
Board Integrated Risk Management Committee (BIRMC)	<ul style="list-style-type: none"> ○ Comprehensive Risk Management Framework ○ Risk measurement, monitoring, and management ○ Compliance with regulatory and internal prudential requirements 	<ul style="list-style-type: none"> ○ One Independent Non-Executive Directors including the Chairman of the Committee ○ Two Non-Executive Non Independent Directors ○ CEO/GM ○ Two SDGMs – Operations ○ DGM – Risk and Control 	Report of the BIRMC on pages 150 to 152
Human Resources, Remuneration and Nomination Committee (HRRNC)	<ul style="list-style-type: none"> ○ Selection and appointment of Directors, CEO /GM, and Key Management Personnel ○ Expertise gaps, succession, and re-election ○ Board Corporate Governance ○ HR Policies including remuneration. ○ Organisation values and Code of Conduct ○ Compliance with labour laws ○ HR Systems including performance evaluation, talent management, succession 	<ul style="list-style-type: none"> ○ Two Independent Non-Executive Directors including the Chairman of the Committee ○ One Non-Executive Non Independent Director 	Report of the HRRNC on pages 146 to 147
Related Party Transactions Review Committee (RPTRC)	Review of related party transactions	<ul style="list-style-type: none"> ○ Two Independent Non-Executive Directors including the Chairman of the Committee ○ One Non-Executive Non-Independent Director 	Report of the RPTRC on pages 148 to 149

1.5.3 Clear Roles and Responsibilities

Roles and responsibilities are clearly defined by mandates and by which means authority is delegated and accountability established. Key roles of Chairman and CEO/GM are separate strengthening the decision-making process. Principle duties and responsibilities of the Board, Chairman, CEO/GM, and Senior Independent Director are documented in the Corporate Governance Charter of the Company.

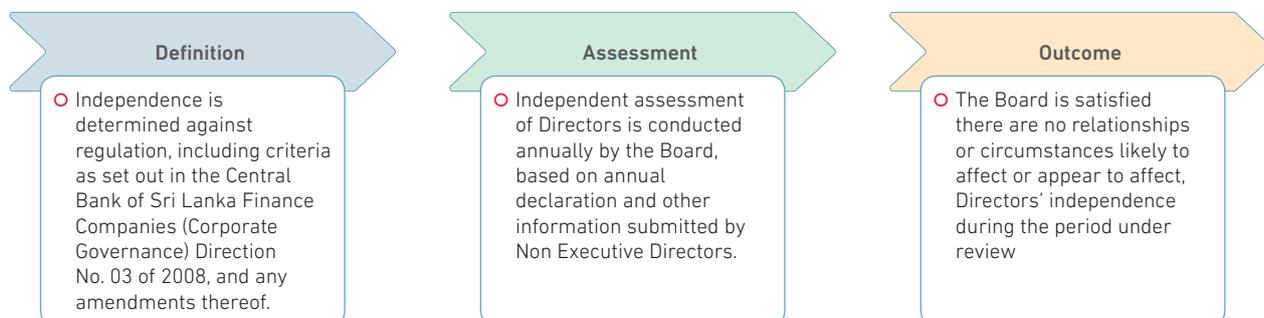
Chairman	CEO/GM
Role	Role
Leads the Board, preserving good corporate governance and ensuring that the Board works effectively.	Is accountable for implementation of strategic plan and driving performance.
Responsibilities	Responsibilities
<ul style="list-style-type: none"> ○ Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary ○ Building and maintaining stakeholder trust and confidence. ○ Ensuring effective participation of all Board members during Board meetings. ○ Monitoring the effectiveness of the Board. 	<p>Appointing and ensuring proper succession planning of the corporate management team and assessing their performance.</p> <ul style="list-style-type: none"> ○ Developing the Company's strategy for consideration and approval by the Board. ○ Developing and recommending to the Board budgets supporting the Company's long-term strategy. ○ Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and Corporate Governance principles. ○ Establishing an organisational structure for the Company which is appropriate for the execution of strategy. ○ Ensuring a culture that is based on the Company's values. ○ Ensuring that the Company operates within the approved risk appetite.

1.5.3.1 Senior Independent Director (SID)

The SID further strengthens the independence of the Board and is available as a trusted intermediary for other Directors. SID provides support to the Chairman and is also available as an additional channel for shareholders to raise any concerns.

1.5.4 Directors Independence

All the Independent Non-Executive Directors of the Company met the criteria for independence as defined below.



1.5.5 Meetings and attendance

Board meetings are held monthly with the flexibility to arrange ad-hoc meetings to supplement these when required. 14 meetings were held during the year. A hybrid model using video-conferencing facilities was adopted.

Board Meeting Planning



Key Board Focus Areas – 2020/21



Name of Director	Director Status	Meeting Attendance – Attended / Eligibility				
		Board	Board Audit Committee	Board Integrated Risk Management Committee	Human Resources Remuneration and Nomination Committee	Related Party Transaction Review Committee
Sujeewa Rajapakse (Chairman)	NINED	14/14				
Coralie Pietersz (SID)	INED	14/14	C-14/14		5/5	
Rohan Pathirage	NINED	12/14			5/5	
Azzam Ali Ahamat	INED	13/14	12/14	4/4		
Sudarshan Ahangama	INED	12/14				2/4
Clive Fonseka	INED	14/14		4/4		
Chanura Wijetillake	INED	14/14		C-4/4		C-4/4
Asoka Bandara	INED	14/14	13/14		C-5/5	4/4
Ranjith Koddituwakku (Appointed wef 13 August 2020)	NINED	9/9				
NINED - Non-Independent Non Executive Director	INED - Independent Non-Executive Director	C - Chairman				

Resolutions by Circulation

- Resolutions concerning business matters may be passed by circulation, within regulations.
- However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Chairman shall put the resolution to be decided in a meeting.

Provision of Information

- In the effective discharge of duties, Directors are provided accurate, relevant, and timely information on which they base their decisions.
- CEO/GM briefs the Board on the business operations, financial performance, industry trends and developments. Heads of Departments/KMP are invited to attend Board meetings to discuss relevant areas of business. Management is open and transparent with the Board and brings to attention any matters of concern in a timeous manner.

Board Minutes

- Board minutes are approved by the Chairman within two weeks of the Board meeting being held and circulated to Board members together with the Board pack for the next month's meeting.
- Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.
- Directors have access to the past Board papers and minutes via electronic means.

Follow up Action Tracked

- All follow-up action required is tabulated by the Company Secretary and forwarded to the respective departments/committees for action.
- Action is tracked and a formal update compiled and included in the board pack for the next meeting.

Meeting of Independent Directors Chaired by SID

In furthering the good governance practices adopted by the Company to strengthen the independence and effectiveness of the Board, the SID met with the Independent Directors in March 2021 to discuss governance related matters. Feedback was provided to the Chairman, who briefed the Board at the following meeting.

1.5.6 Company Secretary

The office of the Company Secretary is integral to the effective functioning of the Board. The Company Secretary guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance. Responsibilities include.

- Ensuring the conduct of Board and General Meetings in accordance with the Articles of Association and relevant legislation.
- Maintaining statutory registers and the minutes of Board Meetings.
- Prompt communication to regulators and shareholders.
- Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.

All Directors have access to the advice and services of the Company Secretary, Ms Lakmini Kottegoda, Attorney-at-Law. Appointment and removal of the Company Secretary is a matter for the Board.

1.5.7 Board Refreshment

The Board is refreshed periodically through new appointments, retirement, resignation, and re-election. Board refreshment allows for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity.

Appointment

- Mr Ranjith Koddituwakku was appointed with effect from 13 August 2020.

Resignation

- Mr G B R P Gunawardana with effect from 25 June 2020.

Re-election /Re-appointment

- Mr Ranjith Koddituwakku will offer himself for re-election at the AGM to be held on 05 August 2021

Appointments

- The HRRNC makes recommendations to the Board of potential candidates to be appointed as Directors, having considered the combined knowledge, experience and diversity of the Board in relation to the Company's strategic plans and any gaps thereof. On approval by the Board names are referred to the Central Bank of Sri Lanka (CBSL) for approval as a "fit and proper" person. Thereafter the Board recommends the names of the Directors for appointment by the shareholders at the Annual General Meeting.
- Appointments are communicated to the CSE and shareholders through press releases and include a brief resume of the Director.

Re-election/Re-appointment

- In compliance with the Articles of Association of the Company a Director appointed shall hold office until the next following AGM and is eligible to stand for re-election by the shareholders at the Annual General Meeting.
- The Board recommends the Directors for re-election, subject to approval from the CBSL and the shareholders at the next AGM.

Retirement/Resignation & Director Tenure

- Director tenure is limited to a maximum term of nine (9) years and an age limit of up to seventy (70) years, whichever comes first in line with the provisions of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and amendments thereof. On an exceptional basis given the current pandemic, age limit can be extended upon prior approval of the CBSL.
- Appointments, resignations or removal, if any, of Directors are promptly disclosed to the public by way of disclosure in the Colombo Stock Exchange (CSE)

1.5.8 Directors' Interests and Related Party Transactions

Directors declare their business interests at appointment and quarterly thereafter. Details are maintained in a Register and tabled before the Related Party Transaction Review Committee once in a quarter and to the Board through the Related Party Transaction Review Committee. The Register is available for inspection in terms of the Companies Act. Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed on page 275 to 276.

The Related Party Transactions Review Committee considers all transactions that require approval, in line with the Related Party Transactions Policy and in compliance with regulations, ensuring transactions are fair and in the best interest of People's Leasing. Related party transactions are disclosed in Note 58 to the Financial Statements on pages 275 to 279.

The Board is satisfied that all Directors allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

1.5.9 Conflict of Interest

People's Leasing Code of Business Conduct and Ethics prohibits a Director or KMP from using his or her position, or confidential or price-sensitive information, for personal benefit or benefit of any third party, whether financially or otherwise. Directors notify the Board promptly of any conflicts of interest they may have in relation to items of business or other Directorships. Directors do not participate in and excuse themselves from the Meeting when the Board considers matters in which a conflict may arise.

1.5.10 Informed Decision making

Good decision-making requires possessing the right knowledge. People's Leasing reporting and information systems ensures the Board receives relevant and objective information, in a timely manner.

1.5.10.1 Supply of Information

The Board pack, generally circulated seven (7) days in advance of a Board Meeting, provides comprehensive qualitative and quantitative information on matters to be raised at the Board Meeting. Further, Corporate Management and external experts are invited to make regular presentations regarding the business environment, strategy and operations of the Company and ensure that the Board is apprised of developments impacting the Company.

1.5.10.2 Access to Information

Directors have unrestricted access to Management, organisation information, and resources to facilitate discharge of their duties. Directors are entitled to seek independent professional advice, co-ordinated through the Company Secretary, at the Company's expense. Copies of such advice obtained are circulated to Directors who request it.

1.5.10.3 Knowledge Development

Directors are kept abreast of applicable legislation and regulation, relevant sector developments and changes in the risk and general business environment on an on-going basis. Directors undertake training and professional development as they consider necessary, which requirements are coordinated through the Company Secretary.

Key Training Programmes Undertaken in 2020/21

- High level web conference on Key Aspects of Anti-Money Laundering & Countering the Financing of Terrorism Obligations for Board of Directors and Senior Management of Licensed Finance Companies, hosted by CBSL
- Non-Executive Director Masterclass in collaboration with London Stock Exchange Group, Academy

1.5.11 Board and Sub-Committee appraisal

Areas Covered

- Contribution to the development, monitoring and implementation of the strategy:
- Contribution to ensuring robust and effective risk management.
- Quality of the relationship with management, employees and shareholders
- Contribution to ensuring proper functioning of Board sub-committees.

An annual evaluation is conducted to assess the effectiveness of the Board as a whole and its sub-committees, the procedure of which is set out in the Corporate Governance Charter of the Company. Led by the Board Chairman and administered by the Company Secretary, Directors assess their

collective performance against key drivers of effectiveness. Collated results are made available to the NRHRC who make recommendations to the Board on areas for improvement.

The 2020/21 evaluations were conducted in March 2021 and findings tabled to the Board in May 2021. The outcome of the appraisal indicated that the Board and its committees were effective in discharging their roles during the year under review.

1.5.12 Appraisal of CEO/GM

The Board assesses the performance of the CEO/GM annually using criteria aligned to the short, medium, and long-term objectives of People's Leasing which are agreed with the CEO/GM at the beginning of the year. Performance is reviewed at the end of the financial year against the backdrop of the operating environment and remuneration revised based on performance.

RNHRC assists in the evaluation process, recommending a revised remuneration based on performance.

1.5.13 Succession Planning

The Board is assisted by the Human Resources, Remuneration and Nomination Committee (HRRNC) in identifying suitable candidates and developing succession plans for the Board and CEO/GM, to ensure continuity of leadership and that the Board has the relevant mix of skills and experience that support delivery of the Company's strategic plan. The Committee is in the process

of developing a comprehensive succession plan for KMPs based on the existing succession plan, focusing on developing a talent pool to assume current and future responsibilities in key positions. The HR Department is responsible for the rollout of these career development plans.

1.6 Responsible and Fair Remuneration

The Board strives to ensure that remuneration is fair, responsible, and transparent. The HRRNC is responsible for making recommendations to the Board regarding the remuneration of KMP within agreed terms of reference and in accordance with the People's Leasing Remuneration policy. Remuneration packages for KMP are designed to attract eminent professionals with the requisite skills and experience. Remuneration is structured taking into consideration performance and risk factors entailed in the job and aligned to corporate and individual performance. Refer pages 146 to 147 for the Report of the HRRNC.

The Board determines the remuneration of the NED's who receive a monthly allowance for sitting at Board Meetings and Sub-Committee meetings. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related/incentive payments.

The aggregate remuneration paid to Directors in FY 2020/21 is Rs. 3.86 million.

1.7 Gender Parity

	Female Representation
Board	1
Senior management	4
Workforce	552

The Board appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. People's Leasing has in place policies that promote equal opportunity, a safe workplace and flexible working arrangements that support female employees to fulfill their career aspirations.

1.8 Innovation Governance

People's Leasing ability to continually innovate is critical to remaining relevant to the changing needs of customers and other stakeholders. The Board and Management are aware of their role in innovation governance and to this end, encourages the creativity and flexibility that promotes innovative thinking, while managing risk within the agreed appetite. During the year, People's Leasing rolled out our innovative digital solutions to assist clients and enhance service delivery given the challenges arising of the pandemic.

1.9 Information Technology & Cyber Security Governance

The Board is cognisant of the benefits of agility, scalability, and innovation that digital platforms provide and ensures implementation of an effective and properly resourced technology strategy that delivers exceptional client and employee experiences. The Board is equally committed to safeguarding the Company's information assets and

operational systems and invests extensively in cyber risk management systems.

The IT department of People's Leasing is responsible for implementing the digital strategy including adopting IT policies and safeguarding against cyber threats. A dedicated officer has been appointed as the Information Security Officer (ISO). During the year, the team assessed the vulnerability of the Company's systems, technology and information related risks associated with People's Leasing remote access strategy.

Information technology and cyber security governance are recurring items on the BIRMC. Matters are escalated to the Board where deemed necessary considering risk, impact, and other prudential measures.

1.10 Sustainability Governance

The Board places significant emphasis on sustainable development ensuring People's Leasing creates value, both for the organisation and its key stakeholders. The Board satisfies itself that Environmental, Social and Governance (ESG) metrics are incorporated into the business model and the creation of value as disclosed in the following sections of the Annual Report.

1.11 Board Accountability

1.11.1 Compliance

People's Leasing has complied with all applicable laws and regulations, including heightened reporting requirements following the tightening of surveillance by the Central Bank of Sri Lanka on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) activities and on sanctions, during the year. Controls have been placed to provide reasonable assurance of compliance, including establishment of a compliance function. The function is headed by a dedicated Compliance Officer who reports direct to the BIRMC. The Compliance Officer tables a report on compliance at the quarterly meetings of the Committee and where necessary, and any concerns are escalated to the Board for necessary action.

The Board is also guided in the conduct of business by People's Leasing policies, values, standards, and Code of Conduct & Ethics.

1.11.2 Risk Management

The Board has oversight responsibility for risk management, and through the Board Integrated Risk Management Committee regularly reviews and assesses the adequacy and effectiveness of the Risk Management Framework (RMF). The RMF includes identifying risks, developing risk strategy, formulating policies, setting procedures, establishing limits, and managing exposures, among others.

The Board and BIRMC increased the rigor of oversight functions in managing risks as the environment continued to be uncertain and challenging. The COVID-19 pandemic has exposed the Company to heightened levels of risk including cybersecurity, fraud, theft, and credit, among

others. Our Risk Management Framework proved resilient and robust in managing risk. The Board is satisfied that the stringent monitoring and management of risk has been effective in limiting impact on the Company.

1.11.3 Internal Controls

Combined with risk management, the Board formulates and implements effective internal control systems to safeguard shareholder interests and the assets of the Company in meeting strategic objectives. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. The Board Audit Committee (BAC) assists in the discharge of its duties with regards to internal controls, supported by the Internal Audit Department. Details of the internal audit function and systems of internal control are explained in the BAC Report given on pages 144 to 145.

The BAC reviewed and approved changes to the 2020/21 internal audit plan as part of an in-depth review of internal audit's risk assessment and audit prioritisation session. The Board is satisfied with the integrity of financial information and the robustness of the internal controls and systems of People's Leasing.

Economic Sustainability	Financial Capital	Pages 53 to 58
Environment	Natural Capital	Pages 91 to 98
Labour Practices	Human Capital	Pages 70 to 78
Society	Social and Relationship Capital	Pages 79 to 90
Customer satisfaction	Social and Relationship Capital	Pages 79 to 90
Shareholder Identification, Engagement and Effective Communication	Investor Relations	Pages 309 to 316

1.11.4 Accountability & Audit

Every effort has been made to present a balanced and understandable assessment of the Company's financial position, performance, and prospects in compliance with the various legal enactments applicable, the Sri Lanka Financial Reporting Standards, the G4 standard on Sustainability Reporting published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council. The company's position and prospects have been discussed in detail in the following sections of this Annual Report.

- Chairman's Message on pages 17 to 19.
- Chief Executive Officer's Message on pages 20 to 24.
- Management Discussion and Analysis on pages 40 to 98.
- Managing risk on pages 153 to 161.

The Company has also complied with the requirements of the Colombo Stock Exchange and published Interim Reports on the company website within 45 days of first three quarters and within two months of the last quarter. Price sensitive information, which may have an impact on the shares of the Company, has been disclosed in a comprehensive but concise manner to the Colombo Stock Exchange on a timely basis. Reports required by regulators including the Department of Inland Revenue, Sri Lanka Accounting & Auditing Standards Monitory Board, and the Colombo Stock Exchange have been filed in a timely manner in compliance with specified requirements. The following reports set out further information required by the Code:

- The Directors' Report on pages 139 to 143 (including the declaration that the Company is a going concern)

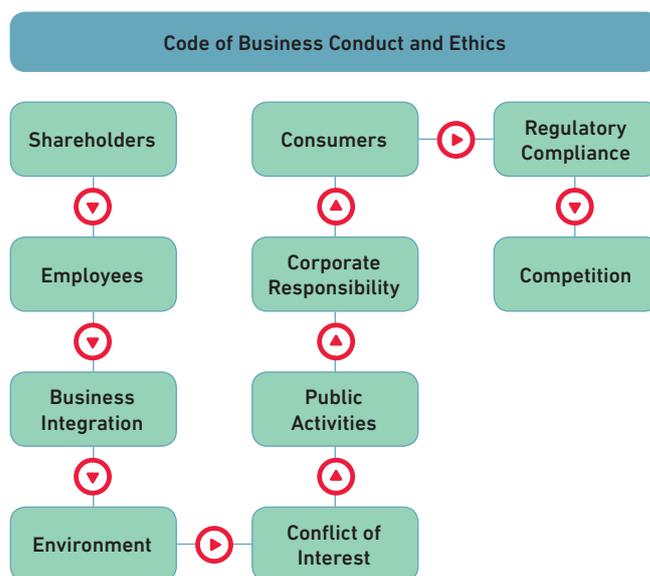
- The Statement of Directors' Responsibility on page 164
- Report of the Auditors on pages 168 to 171

1.11.5 External Auditor

The Company's External Auditor is the Auditor General in terms of Section 55 of the National Audit Act No. 19 of 2018. The Auditor General has appointed Messrs. Ernst & Young, Chartered Accountants to assist to perform the audit of the Company for the financial year ended 31 March 2021, under the provision of Article 154 (4) (a) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

GRI 102-16

1.11.6 Code of Conduct and Ethics



People's Leasing is committed to conducting its business operations with integrity, professionalism and with respect to the rights and interests of all stakeholders. The company is bound by the Code of Business Conduct & Ethics documented in the Corporate Governance Charter. It applies to all employees including key management personnel and Directors. The code is available on the intranet for information of all employees and is reinforced at all levels through structured communication.

The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee of the People's Leasing.

GRI 102-17

1.11.7 Whistle Blowing/Grievance Mechanism

Mechanisms are in place for employees and other stakeholders to seek advice or report concerns about unfair, unethical, or unlawful behaviour.

People's Leasing Whistle-Blower Policy enables anonymous reporting of matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation. Employees may choose from one of four key personnel - Chairman to the BAC, CEO/GM, Head of Internal Audit and Head of HR to report the whistle blowing matter to. Information on accessibility, anonymity, processes, and the policy relating to the whistle-blowing service is available on the intranet and communicated to all employees.

GRI 207-3

1.12 Relations with Shareholders

The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Information is communicated accurately and in such a manner as to avoid the creation of a false market.

1.12.1 Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below), Annual Report, Interim Financial Statements, a dedicated investor relations page on the Company's website and notification of key events through announcements in the CSE. Communication with shareholders is governed by the Communication Policy set out in the Corporate Governance Charter of the Company.

The Annual Report presents a fair and balanced review of People's Leasing's financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. The Annual Report and the interim financials have been reviewed and recommended by the BAC and approved by the Board of Directors, prior to publication.

People's Leasing posts on its website (www.plc.lk) as soon as practicable and after they have been released to the Stock Exchange, copies of Annual Reports, interim reports and stock information.

The Company Secretary maintains records of all correspondence received from shareholders and directs the same to appropriate channels for resolution. All major issues and concerns of shareholders are referred to the Board.

Upon receipt of instructions from the Board or other relevant channel on issues/concerns referred to them as above, the Company Secretary reverts to the respective shareholder with an appropriate response.

The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.

1.12.2 Constructive use of Annual General Meeting (AGM)

The Board ensures that proactive engagement with shareholders is encouraged, including engagement at Company AGMs. Board Sub-Committee Chairmen, Directors and KMP, are available at the AGM to interact with and respond to questions raised by the shareholders. The external auditors also attend to address any queries raised.

Notice of the AGM, the Annual Report and Accounts and any other resolution, together with the corresponding information that may be set before the

shareholders at the AGM, are circulated to shareholders minimum 15 days prior to the AGM allowing for all the shareholders to review the documentation and attend the AGM. People's Leasing proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance.

All shareholders are encouraged to exercise their voting rights. The Company has an effective mechanism

to record and count all proxy votes lodged for each resolution. In the event there is a significant proportion of votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required. The outcome of the vote on each resolution is informed to the CSE, soon after conclusion of the AGM.

Our next Annual General Meeting on 05 August 2021, will be held electronically to manage and reduce the health risk to all participants.

1.13 Appendix I - Compliance with the Continuing Listing Requirements Section 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page/pages
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs	✓	Board Composition	115
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	✓	Board Composition	115
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence	✓	Directors Independence	117
7.10.3(a)	Disclosure relating to Directors	<ul style="list-style-type: none"> ○ The Board shall annually determine the independence or otherwise of the NEDs, and ○ Names of each IDs should be disclosed in the Annual Report (AR) 	✓	Directors' Independence Board Profiles	117 100 to 103
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met	✓	Not Applicable.	
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise	✓	Board Profiles	100 to 103
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	✓	Board Refreshment	119
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director	✓	Directors' Independence	117
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	✓	Human Resources, Remuneration and Nomination Committee Report	146 to 147
7.10.5(a)	Composition of Remuneration Committee	RC Shall comprise of NEDs, a majority of whom will be independent. One NED shall be appointed as Chairman of the committee by the Board of Directors	✓	Human Resources, Remuneration and Nomination Committee Report	146 to 147

Rule No.	Subject	Requirement	Complied	Reference within the Report	Page/pages
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	N/A	Human Resources, Remuneration and Nomination Committee Report	146 to 147
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> ○ Names of Directors comprising the RC ○ Statement of Remuneration Policy ○ Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report 	<ul style="list-style-type: none"> ✓ 	Human Resources, Remuneration and Nomination Committee Report Responsible and Fair Remunerations	146 to 147 120
7.10.6	Audit Committee (AC)	The Company shall have an AC	✓	Board Audit Committee Report	144 to 145
7.10.6(a)	Composition of Audit Committee	<p>Shall comprise of Non-Executive Directors, a majority of whom are Independent</p> <p>Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</p>	<ul style="list-style-type: none"> ✓ ✓ ✓ 	Board Audit Committee Report	144 to 145
7.10.6(b)	Audit Committee Functions	○ Should be as outlined in the Section 7.10 of the Listing Rules	✓	Board Audit Committee Report	144 to 145
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> a) Names of the Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner 	<ul style="list-style-type: none"> ✓ ✓ ✓ 	Board Audit Committee Report	144 to 145

1.14 Appendix II: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Requirements of the Code have been discussed in the Corporate Governance Report. We have provided here the relevant references to the report.

Code Ref.	Requirement	Complied	Reference within the Report	Page/pages
A	Directors			
A.1	An effective Board should direct, lead and control the company			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis	✓	Meetings and Minutes	117 to 118
A.1.2	Role and Responsibilities of the Board	✓	An Effective Board	114 to 120
A.1.3	Act in accordance with laws of the Country Independent professional advice	✓	Compliance Informed Decision Making	120 to 121
A.1.4	Access to advise and services of the Company Secretary	✓	Company Secretary	119
A.1.5	Independent judgement	✓	Board Composition	115
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	✓	Meetings and Attendance	117 to 118
A.1.7	Calls for resolutions by at least 1/3rd of Directors	✓	Meetings & Minutes	117 to 118
A.1.8	Board induction and Training	✓	Informed Decision Making	120
A.2	Chairman and CEO	✓	Clear Roles and Responsibilities	116
A.3	Chairman's role in preserving good corporate governance	✓	Clear Roles and Responsibilities	116
A.4	Availability of financial acumen	✓	Board Composition	115
A.5	Board Balance	✓	Board Composition	115
A.5.1	The Board should include sufficient number of NEDs	✓	Board Composition	115
A.5.2	If the Board includes only 3 NEDs, they should be independent	N/A		
A.5.3	Independence of Directors	✓	Director Independence	117
A.5.4	Annual declaration of independence by Directors	✓	Director Independence	117
A.5.5	Annual determination of independence of NEDs	✓	Director Independence	117
A.5.6	Alternate Directors	N/A		
A.5.7 & A.5.8	Senior Independent Directors	✓	Clear Roles and Responsibilities	117
A.5.9	Annual meeting with NEDs	✓	Meetings and Attendance	118
A.5.10	Recording of dissent in minutes	✓	Meetings and Attendance	118
A.6	Supply of Information	✓	Informed Decision Making	120
A.7	Appointments to the Board and Re-election	✓	Board Refreshment	119
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	✓	Human Resources, Remuneration and Nomination Committee Report	146 to 147
A.7.2	Annual assessment of Board composition	✓	Board Refreshment	119
A.7.3	Disclosures on appointment of new directors	✓	Board Refreshment	119
A.8	Directors to submit themselves for re-election	✓	Board Refreshment	119
A.9	Appraisal of Board and sub-Committee Performances	✓	Board and Sub-committee Appraisal	120
A.10	Annual Report to disclose specified information regarding Directors	✓	Board Profiles Meetings and Attendance Directorships in Other Companies Membership in Sub-committees	100 to 103 117 to 118 100 to 103 118

Code Ref.	Requirement	Complied	Reference within the Report	Page/pages
A.11	Appraisal of the CEO	✓	Appraisal of CEO/GM	120
B	Directors' Remuneration			
B.1	Establish process for developing policy on executive and Director remuneration.		Responsible and Fair Remuneration <i>There were no Executive Directors on the Board of the Company during the year 2020/21 and therefore, the necessity to consult the Chairman and/or CEO on their remuneration did not arise.</i>	120
B.2	Level and Make Up of Remuneration	✓	Responsible and Fair Remuneration	120
B.3	Disclosures related to remuneration in Annual Report. - Remuneration Policy statement - Aggregate Board remuneration paid - HRRNC report	✓	○ Human Resources, Remuneration and Nomination Committee Report ○ Responsible and Fair Remuneration ○ Note 58.2.1 to Financial Statements	146 to 147 120 275 to 279
C	Relations with Shareholders			
C.1	Constructive use of the AGM & other General Meetings	✓	Constructive use of the Annual General Meeting (AGM)	123
C.2	Communication with shareholders	✓	Communication with Shareholders	122
C.3	Disclosure of major and material transactions	✓	During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of Company.	119
D	Accountability & Audit			
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	✓	Communication with Shareholders	122 to 123
D.1.1	Balanced Annual Report	✓	Communication with Shareholders	122 to 123
D.1.2	Balanced and understandable communication	✓	Relations with Shareholders	122
D.1.3	CEO/CFO declaration	✓	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement	167
D.1.4	Directors Report declarations	✓	Annual Report of the Board of Directors on the Affairs of the Company	139 to 143
D.1.5	Financial reporting - statement on Board responsibilities Statement on internal control	✓	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control	164 166
D.1.6	Management Discussion & Analysis	✓	Capital Reports	52 to 98
D.1.7	Net Assets < 50%	✓	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken.	
D.1.8	Related Party Transactions Report	✓	Directors' Interest in Contracts with the Company	119
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	✓	Risk Management Report of the Board Integrated Risk Management Committee Directors' Statement of Internal Control Risk Review	150 to 152 166
D.3	Audit Committee	✓	Audit Committee Report	144 to 145

Code Ref.	Requirement	Complied	Reference within the Report	Page/pages
D.4	Related Party Transactions Review Committee	✓	Related Party Transactions Review Committee report	148 to 149
D.5	Code of Business Conduct and Ethics	✓	Code of Conduct & Ethics	122
D.6	Corporate Governance Disclosures	✓	Corporate Governance Report	111 to 123
E/F	Institutional and other investors			
	Institutional and other investors,	✓	Relations with Shareholders	122
G.	Internet of Things & Cybersecurity	✓	Information Technology and Cyber Security	121
H	Principals of Sustainability Reporting	✓	Sustainability Governance	121

Compliance with Finance Business Act Companies Direction

Compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and amendments thereto as specified in Finance Companies (Corporate Governance- Amendment) Direction No. 4 of 2008, No. 06 of 2013 and No 5. of 2020, issued by Central Bank of Sri Lanka.

Rule Ref.	Principle and Compliance	Status of Compliance
A	Responsibilities of the Board of Directors	
2 (1)	Strengthening the Safety and Soundness of the Company	
	The Board's responsibilities are set out in the Corporate Governance Charter of the Company. The Board is accountable for the management of the affairs and for the safety and soundness of the Company.	
a)	Approving and overseeing strategic objectives and corporate values	✓
	<p>The strategic objectives of the Company are predicated on the Vision and Mission statements of the Company and corporate values are embedded in the Code of Business Conduct and Ethics which have been communicated to employees at all levels.</p> <p>The Board plays an active role in setting the strategic objectives of the Company, ensuring that it focuses on converting the Company's Mission and Vision into action.</p> <p>While the Board has delegated the task of implementing the set goals/ objectives to the Management of the Company, the Board constantly monitors and reviews the Company's performance, vis-à-vis targets, being proactive in identifying any setbacks.</p>	
b)	Approving overall business strategy including risk policy and management procedures	✓
	<p>The 2021-2026, five-year business strategy (Corporate Strategic Plan) was approved by the Board in March 2021. The strategy and execution thereof is regularly reviewed by the Board. The Annual budget, derived from the business strategy is approved, and monitored monthly, by the Board.</p> <p>The Board also approved the overall risk strategy of the Company, determining the Risk Appetite, Policies and Risk Management Framework & Mechanisms. The Corporate Strategic Plan is aligned to the overall risk strategy of the Company, where Risk Appetite is considered in areas such as capital allocation and in the adoption of risk matrix to measure the risk levels. Governance and Compliance which are embedded in the Risk Management Policy Framework have also been included in the strategic plan. Further, the risk management procedures and mechanisms with time bound implementation milestones were approved and monitored by the Board Integrated Risk Management Committee (BIRMC) on a regular basis..</p>	
c)	Risk management	✓
	<p>The Board as a whole remains primarily responsible for the overall risk framework of the Company. Integrated Risk Management Committee, on behalf of the Board, identifies risks and ensures implementation of appropriate systems to manage risks prudently and reports to the Board on a quarterly basis.</p> <p>The Board takes overall responsibility for risk management of the Company.</p> <p>The following reports provide further insights in this regard:</p> <ul style="list-style-type: none"> ○ Risk Management on pages 153 to 161. ○ Board Integrated Risk Management Committee Report on pages 150 to 152. 	

Rule Ref.	Principle and Compliance	Status of Compliance
d)	Communication with stakeholders	✓
	Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive policy that governs communications with its shareholders and depositors, creditors, borrowers, suppliers and other related stakeholders.	
e)	Reviewing Internal Control systems and Management Information Systems (MIS)	✓
	The Board has the overall responsibility for ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness.	
	The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board on its findings on a quarterly basis.	
	The Management Information Systems (MIS) are reviewed by the Board for accuracy and integrity of the same through review of MIS Procedure Manual Outline/ Guideline of the Company.	
f)	Key Management Personnel (KMP)	✓
	The Board of Directors, Chief Executive Officer, Deputy General Managers, Assistant General Managers, Head of Finance and the Compliance Officer have been identified and designated as the Key Management Personnel of the Company.	
g)	Authority and responsibility for the Board and Key Management Personnel	✓
	Principle duties and responsibilities of the Board of Directors and the Chief Executive Officer are set out in detail in the Corporate Governance Charter of the Company. The Key Functions/responsibilities of the Deputy General Managers (KMPs) have been defined and approved by the Board and included in their respective job descriptions.	
	The respective delegated authority limits of the Chief Executive Officer and the Deputy General Managers have also been defined by the Board.	
h)	Oversight of affairs of the Company by KMP	✓
	Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, Key Management Personnel are represented by the Chief Executive Officer who appraises the Board on the operations and performance of the Company against set targets.	
	Affairs of the Company are also reviewed and discussed by the Senior Management at Management level.	
i)	Assess effectiveness of governance practices	✓
	The Articles of Association of the Company and the Corporate Governance Charter provide for the general procedure applicable to selection and appointment of Directors of the Company. Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the parent, People's Bank and appointed by the Board in terms of the Articles of Association. The appointments of Key Management Personnel are made by the Board on the recommendation of the Chief Executive Officer.	
	The management of conflicts of interests is addressed in a timely manner. In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interest arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion make a disclosure of his/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon.	
	Self-declarations on potential conflicts of interest are obtained from the Directors at the time of their appointment to the Board and subsequently as and when it is required. These declarations together with the interests disclosed by the Directors at Board meetings assist the Company to manage conflicts (if any) in an effective manner.	
	The effectiveness of the Board's own governance practices including determination of its weaknesses was assessed by the Board through a self-evaluation of the Board carried out in March 2021. Findings were tabled in May 2021.	

Rule Ref.	Principle and Compliance	Status of Compliance
i) contd...	The effectiveness of the Board's own governance practices, including the process for selection, nomination and election of Directors (which is explained in detail under Rule 4 (9) and the process for management of conflict of interest (which is explained in detail under Rule 2 (4) are reviewed by Board on a periodic basis. Determining of its weaknesses and implementation of changes required is discussed and determined by the Board at year-end following the submission of the summary of annual self-evaluations. the Board carried out its self-evaluation for the FY 2020/21 in March 2021.	
j)	Succession plan for KMP	✓
	The Board is in the process of redesigning a comprehensive Succession Plan for Key Management Personnel and the identification of a talent pool based on the existing succession Plan.	
k)	Regular meetings with KMP's	✓
	The Board maintains a sound relationship with the Corporate Management Team/Senior Management led by the CEO/GM, who in turn assist the Board to formulate policies, strategies, processes and practices in achieving corporate objectives. The Management is open and transparent with the Board, bringing all significant matters to its attention. Furthermore, where relevant, the Key Management Personnel are invited to participate in Board and Board Subcommittee meetings to review policies, establish lines of communication and monitor progress towards corporate objectives.	
l)	Understanding the regulatory environment	✓
	The Board is well versed with the Group's values, business, operations, financial affairs, governance framework and strategic position of the Company. Regular updates on changes to relevant legislations, regulations and corporate governance as well as sector developments that could affect the Group and its operations covering a wide spectrum of topics including economic, social and environmental aspects are provided to the Board Committees at each meeting and as appropriate, to the full Board. A Summary of the contents of the regulatory requirements and relevant ratios are submitted to the Board on a regular basis for their awareness of the Company's standing with regard to regulatory environment.	
m)	Hiring and oversight of External Auditors	✓
	The Company's External Auditor is the Auditor General in terms of Section 55 of the National Audit Act No. 19 of 2018. The Auditor General has appointed Messrs Ernst & Young, Chartered Accountants to assist to perform the audit of the Company for the financial year ended 31 March 2021, under the provision of Article 154 (4) (a) of the Constitution of the Democratic Socialist Republic of Sri Lanka.	
2 (2)	Appointment of the Chairman and CEO and defining and approving their functions and responsibilities	✓
	The Board has appointed the Chairman and the Chief Executive Officer. Their roles are separate and have been defined in the Corporate Governance Charter of the Company.	
2 (3)	Obtaining independent professional advice by the Directors	✓
	The Corporate Governance Charter provides for the Directors to seek the advice of the Company Secretary and other professional independent advice on matters related to the exercise of their duties and responsibilities, at the expense of the Company. However, no such advice was sought by any of the Directors during the financial year 2020/21.	
2 (4)	Managing conflict of interest	✓
	In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion make a disclosure of his/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes.	
2 (5)	Availability of formal schedule of matters specifically reserved for the Board	✓
	The Corporate Governance Charter of the Company contains a formal schedule of matters specifically reserved to the Board for its decision.	

Rule Ref.	Principle and Compliance	Status of Compliance
2 (6)	Disclosure of probable solvency issues	✓
	No such situation has arisen during the year 2020/21. Furthermore, the liquidity position of the Company is reported to the Director of the Department of Supervision of Non-Bank Financial Institutions on a weekly basis.	
2 (7)	Publish Corporate Governance Report on compliance with the Direction in the Annual Report	✓
	The Board includes in the Company's Annual Report, an annual corporate governance report setting out the compliance with the Direction.	
2 (8)	Self-assessment of Directors	✓
	The Board has adopted a scheme of self-assessment to be undertaken by each Director annually, the procedure of which is set out in the Corporate Governance Charter of the Company. In accordance therewith, the Board carried out a comprehensive evaluation of its performance and its committees in March 2021. Each member of the Board carried out a self-assessment of his/her effectiveness as well as the Board Committees. The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in May 2021.	
B	Meetings of the Board	
3 (1)	Regular Board meetings	✓
	Board meetings are usually held at monthly intervals unless the business exigencies demand the convening of meetings at shorter intervals. The Board met 15 times for the financial year 2020/21 and obtaining the Board's consent via circulation was kept to a minimum of seven instances.	
3 (2)	Directors to include matters and proposals in the agenda	✓
	All Directors are provided an equal opportunity to include proposals for promotion of business and management of risk in the agenda for regular meetings. The procedure applicable to this is set out in the Company's Corporate Governance Charter.	
3 (3)	Notice of Board meetings	✓
	The date of the next Board meeting is collectively agreed to by the members present during the previous Board meeting and subsequently communicated to all the members. Formal Notice of Meetings, Agenda and Board Papers for the Meetings are sent generally seven (7) days before the Meeting, giving members sufficient time to attend the Meeting and study the documents. Urgent Board Papers are included on an exceptional basis, with the consent from the Chairman. Reasonable notice is given of any other special Board meeting.	
3 (4)	Attendance of Directors at Board meetings	✓
	Directors' attendance at the 15 Board meetings held during the year 2020/21 was 95%. No Director has been absent for three consecutive meetings. Attendance at Board Meetings is given on pages 117 to 118.	
3 (5)	Appointment of a Company Secretary	✓
	An Attorney-at-Law with adequate experience has been appointed by the Board as the Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.	
3 (6)	Delegating responsibility to the Company Secretary for the function of preparing the agenda	✓
	The function of preparing the Agenda for Board meetings has been delegated by the Chairman to the Company Secretary and accordingly, the Company Secretary is responsible for the same.	
3 (7)	Access to service and advice of Company Secretary	✓
	As provided for by the Corporate Governance Charter of the Company, all Directors have access to the Company Secretary who is an Attorney-at-Law by profession.	

Rule Ref.	Principle and Compliance	Status of Compliance
3 (8)	Maintenance of minutes of Board meeting	✓
	The Company Secretary maintains the minutes of Board meetings with sufficient details and the same is available for inspection by any Director in accordance with the procedure laid down in the Corporate Governance Charter of the Company.	
3 (9)	Recording minutes of Board meetings in sufficient detail	✓
	The Company Secretary records the proceedings of the meetings and the decisions taken thereat in sufficient detail so as to satisfy all the requirements specified in this rule.	
C	Composition of the Board	
4 (1)	Number of Directors on the Board	✓
	As at the end of 2020/21, there were 9 Directors on the Board, thus complying with the requirement	
4 (2)	Period of service of a Director	✓
	The period of service of all the Directors during 2020/21 was below nine years.	
4 (3)	Appointment, election or nomination of an employee as a Director	✓
	The Company does not have any Executive Directors.	
4 (4)	Board balance and criteria for independence	✓
	The Board comprised 3 Non-Executive Independent Directors during the financial year 2020/21 who met the one-third criteria for independence as specified in this rule. .	
	The Directors satisfy the criteria for determining independence, which is reviewed annually by the Board based on self-declaration forms submitted by the Directors.	
4 (5)	Alternate Director	✓
	No alternate Directors were appointed during the year.	
4 (6)	Skills and experience of Non-Executive Directors to bring an objective judgment	✓
	The Board comprises solely Non-Executive Directors who possess academic and professional qualifications in diverse fields. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees.	
4 (7)	Quorum at Board meetings	✓
	Since all of the Directors of the Company during the year 2020/21 were Non-Executive Directors, the required quorum (one half of Directors being Non-Executive Directors) was met at all meetings of the Board convened for the year.	
4 (8)	Disclosure of independent Non-Executive Directors, Board composition in corporate governance communications and in the Annual Report	✓
	The Independent Non-Executive Directors are identified as such in all corporate communications that contain the names of Directors of the Company.	
4 (9)	Formal and transparent procedure for appointment of new Directors	✓
	The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. Upon the nominees being found to be 'fit and proper' for appointment as Directors of the Company, approval of the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka is obtained for the same.	
	All appointments made to the Board during the year 2020/21 complied with the above procedure.	
4 (10)	Re-election of Directors appointed to fill a casual vacancy	✓
	In terms of Article 27 (2) of the Articles of Association of the Company all Directors, including those appointed to fill casual vacancies, are subject to re-election by shareholders at the first Annual General Meeting following their appointment.	

Rule Ref.	Principle and Compliance	Status of Compliance
4 (11)	Disclosure of resignations/removal of Directors	✓
	All resignations/removals and appointments of Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange, after approval for the same has been obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka in terms of the applicable regulations.	
D	Fitness and Propriety of Directors	
5 (1)	Age of Directors should not exceed 70 years, except with the prior approval of the Monetary Board (applicable for a period of three years ending 18/06/2023)	✓
	There are no Directors who are over 70 years of age.	
5 (2)	Holding office in more than 20 companies	✓
	There are no Directors who hold office as a Director of more than 20 companies.	
E	Delegation of Functions	
6 (1)	Delegation of Board functions	✓
	In terms of Article 29 (2) of the Articles of Association of the Company, the Board is empowered to delegate to a committee of Directors or to any person it deems fit, any of the powers vested in the Board which are permissible for delegation in terms of the applicable law. Accordingly, the Board has delegated authority to the Board Committees and the Management with clearly defined mandates and authorities, while preserving its accountability.	
6 (2)	Review delegation of Board functions on a periodic basis	✓
	The delegation of authority framework is reviewed periodically by the Board to ensure that the limits remain appropriate, taking into account the size of the entity and its specific operational context.	
F	Chairman and the Chief Executive Officer	
7 (1)	Separation of roles of Chairman and CEO	✓
	The posts of the Chairman and the Chief Executive Officer (CEO) of the Company are separate ensuring the balance of power and authority	
7 (2)	Designation of an Independent Non-Executive Director as the Senior Director when the Chairman is not an Independent Non-Executive Director	✓
	The Chairman is considered to be a Non-Independent Director by virtue of the fact that he also holds the office of Chairman of the parent company, People's Bank. Hence, Ms Coralie Pietersz, an Independent Non-Executive Director, functions as the present Senior Independent Director of the Company.	
7 (3)	Disclosure of relationship between the Chairman, CEO and members of the Board	✓
	As declared by them, there are no relationships whatsoever, including financial, business, family, or other material relationship between the Chairman/CEO and/or other members of the Board which will impair their respective roles.	
7 (4)	Role of the Chairman	✓
	The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes leading the Board and ensuring its effective functioning.	
7 (5)	Role of Chairman in the preparation of the agenda for Board meetings	✓
	The Chairman has delegated the function of preparing the agenda to the Company Secretary.	
7 (6)	Ensure that all Directors are informed adequately and timely of the issues arising at Board meetings	✓
	The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and Board papers with sufficient time for their perusal prior to a meeting	
7 (7)	Encouraging all Directors to make an active contribution to Board's affairs	✓
	The Chairman sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision-making thereby promoting active contribution by the individual Directors to the Board's affairs	

Rule Ref.	Principle and Compliance	Status of Compliance
7 (8)	Encourage participation of Non-Executive Directors and relationship between Executive and Non-Executive Directors	✓
	<p>The Company does not have any Executive Directors.</p> <p>Nevertheless, the Chairman ensures that a constructive relationship exists between the Board members as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs.</p> <p>This process is further strengthened through the annual self-evaluations of the Board where views of all Directors are canvassed in respect of the performance of the Board as a whole as well as of its committees.</p>	
7 (9)	Avoidance of engaging in activities involving direct supervision of KMP or executive duties by the Chairman	✓
	The Chairman is a Non-Executive Director who does not get involved directly in any of the Executive Duties of the Company or the direct supervision of the Key Management Personnel.	
7 (10)	Effective communication with shareholders	✓
	The Board attaches considerable importance to the maintenance of constructive relationships with the shareholders and considers the AGM and other General Meetings to be the formal opportunity for dialogue and communication between the Company and the shareholders. Accordingly, these meetings provide the principal opportunity for the Board to meet the shareholders and for the Chairman to explain the Company's progress and clarify matters that shareholders refer to the Board and the Management.	
7 (11)	Role of Chief Executive Officer (CEO)	✓
	The CEO/GM, the apex Executive of the Company, is delegated by the Board with the authority of detailed planning and implementation of the strategic objectives and policies of the Company and day-to-day operations of the Company in accordance with appropriate risk parameters. The role of the CEO/GM is detailed in the Corporate Governance Charter of the Company.	
G	Board Appointed Committees	
8 (1)	Establishing Board Committees, its functions and reporting	✓
	<p>The Company has four Board appointed Committees ie Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Remuneration and Nomination Committee (R&NC) and Related Party Transactions Review Committee (RPTRC) directly reporting to the Board. These mandatory sub-committees set up in compliance with the applicable rules and regulations.</p> <p>Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the chairmen of the respective committees.</p>	
8 (2)	Audit Committee	
a)	Chairman of Audit Committee	✓
	<p>The Chairman of the Audit Committee, Ms Coralie Pietersz was appointed to the Board with effect from 1 March 2020 as a Non-Executive Independent Director. She is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow member of The Institute of Chartered Accountants of Sri Lanka.</p> <p>She has over 25 years of extensive experience at senior level in auditing, finance, accounting in several industries in both private and public sectors.</p>	
b)	Composition of Audit Committee	✓
	All three members of the Board Audit Committee are Non-Executive Directors, two of whom are Independent.	
c)	Appointment of External Auditors	✓
	<p>The Auditor General has informed the Company that, according to the National Audit Act No. 19 of 2018, the Auditor General shall carry out the audit by himself or any person authorised by the Auditor General. Further, the Company has been informed that, Messrs. Ernst & Young, Chartered Accountants has been appointed by the Auditor General to assist to perform the audit of the Company and the audit fee for the year ended 31 March 2021 has been determined.</p> <p>Therefore, the Committee has no role to play in the engagement of the External Auditor.</p> <p>The Board Audit Committee at its meetings discusses application of relevant accounting principles and standards.</p>	

Rule Ref.	Principle and Compliance	Status of Compliance
d)	Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes	✓
	The Company's Auditor is the Auditor General appointed under the Constitution hence the requirement does not arise.	
e)	Provision of non-audit services by External Auditor	✓
	This is not applicable since the Company's Auditor is the Auditor General. However, a policy has been formulated by the Committee to ensure that non-audit services provided by an audit firm (appointed by the Auditor General to assist him in the audit of the Company) does not impair that firm's independence or objectivity.	
f)	Determine scope of external audit	✓
	The scope and the extent of audit is determined by the Auditor General. However, the Committee met with the External Auditors for this purpose.	
g)	Review financial information of the Company by the Audit Committee	✓
	The Board Audit Committee reviews the financial information of the Company in order to monitor the integrity of the Financial Statements of the Company and other financial disclosures. The Committee has reviewed the Company's Annual and Quarterly Financial Statements prepared for disclosure, before submission thereof to the Board for approval.	
h)	Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor	✓
	During the year under review, the Board Audit Committee met with the External Auditors and provided them opportunity to discuss material issues, problems or reservations arising from audits without the presence of the Key Management Personnel.	
i)	Review of External Auditor's management letter and Management's response	✓
	During the year, the Board Audit Committee reviewed the External Auditor's Management Letter and the Management's responses thereto.	
j)	Review of Internal Audit function	✓
	The Committee reviewed 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. The Committee also reviewed the internal audit programme and results of the internal audit process and ensured that appropriate actions are taken on the recommendations of the internal audit department. The Committee assessed the performance of the head and senior staff members of the internal audit department. Senior Manager Information System Audit has been appointed during the year with the recommendation of the Board Audit Committee. There were no terminations of the head, senior staff members of internal audit department or outsourced service providers have taken place during the year under review. The Internal audit function is independent as they report direct to the Board Audit Committee. Internal Audit Charter that was reviewed during the year also addresses the independence of Internal Audit Department. Internal Audit Charter in place also ensures that the audit work performed with impartiality, proficiency and due professional care.	
k)	Major findings of internal investigations and Management's response	✓
	Based on the reports submitted by the Internal Audit Department, the Board Audit Committee reviews and considers major audit findings and the management's responses thereto.	
l)	Participants of Audit Committee meetings	✓
	The Chief Internal Auditor and The Chief Finance Officer participate at the Committee meetings. The Chief Executive Officer, Compliance Officer and representatives of the external auditors and other personnel are attend meetings upon the invitation of the committee. The Board Audit Committee does not comprise any Executive Directors.	

Rule Ref.	Principle and Compliance	Status of Compliance
m)	Authority and resources of the Audit Committee	✓
	The Board approved Terms of Reference of the Committee provides explicit authority to investigate into any matter within its terms of reference, the resources which it needs to do so, full access to information and authority to obtain external professional advice.	
n)	Meetings of Audit Committee	✓
	The Board Audit Committee met 14 times during the financial year under review.	
o)	Disclosure in Annual Report	✓
	The Board Audit Committee Report details <ul style="list-style-type: none"> ○ Activities of the Board Audit Committee during the year ○ Number of Board Audit Committee meetings held in the year ○ Attendance of members at meetings of the Committee <p>Refer the "Board Audit Committee Report" on pages 144 to 145 for further information and functions of the Committee.</p>	
p)	Recording and maintenance of minutes of meetings	✓
	In accordance with the Terms of Reference, Head of Internal Audit acts as the Secretary to the Board Audit Committee and maintains minutes of all Committee meetings in sufficient detail.	
q)	Whistle-blowing policy and relationship with External Auditors	✓
	The committee reviewed the arrangements by which employees of the Company may in confidence, raise concerns about possible improprieties.	
	The Whistleblower Protection Policy that enables the employees to, in confidence, report violations of laws, rules, regulations or unethical conduct to the Board Audit Committee. The confidentiality of those reporting violations is assured and they are not subjected to any discriminatory action. The policy has been published in the Company's intranet for information of all employees.	
	The Audit Committee acts as the key representative body for overseeing the Company's relations with the external auditor and met with the external auditors to discharge this function.	
8 (3)	Integrated Risk Management Committee	
a)	Composition of Integrated Risk Management Committee	✓
	The Integrated Risk Management Committee comprises three Non-Executive Directors, Chief Executive Officer/ General Manager, two SDGMs-Operations and DGM-Risk & Control supervising broad risk categories such as credit, market, liquidity, operational and strategic risk.	
	Head of Internal Audit, key risk owners of subsidiaries and the compliance officer attended Integrated Risk Management Committee meetings on invitation.	
	Refer the "Board Integrated Risk Management Committee Report" on pages 150 to 152 for further information and functions of the Committee.	
b)	Risk assessment	✓
	The Integrated Risk Management Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic risks through appropriate risk indicators established for the Company and the subsidiary companies. Risk assessment is also carried out on a Company basis and the group basis wherever possible.	
	Integrated Risk Management Committee reviews the Risk dash-board reports/Risk Indicator Reports of the Company and its all subsidiaries and takes prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the established risk tolerance levels.	

Rule Ref.	Principle and Compliance	Status of Compliance
c)	Review adequacy and effectiveness of all Executive Level Committees	✓
	<p>Assets & Liabilities Committee (ALCO) of the Company reviews and monitors the liquidity risk and the market risk based on the risk tolerance levels (risk limits) established by Integrated Risk Management Committee. The Committee makes an annual assessment of the effectiveness of the performance of the ALCO against its scope set out in the Terms of Reference.</p> <p>The Company has established credit authority levels with prescribed credit approval limits to evaluate the customer applications based on the risk and the amount of the facility. The Company has currently adopted these credit authority levels for credit approvals instead of a Credit Committee.</p>	
d)	Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee	✓
	<p>The Integrated Risk Management Committee has determined risk tolerance levels and each risk category in the risk profile of the Company have been reviewed against those risk tolerance levels by the Committee at their meetings. The Committee has provided required direction where it ascertained that the risk levels have gone beyond the established risk limits.</p>	
e)	Frequency of meetings	✓
	<p>The Integrated Risk Management Committee met four times during the financial year 2020/21.</p> <p>The Committee meetings were held electronically where necessary, through video and tele-conferencing to manage and reduce the health and safety risk to all participants due to COVID situation.</p>	
f)	Action against officers for failure to identify specific risks and take prompt corrective action	✓
	<p>Risks are identified collectively by the Integrated Risk Management Committee and Assets & Liabilities Committee (ALCO) and such decisions are taken collectively.</p>	
g)	Submission of risk assessment report to the Board	✓
	<p>Risk assessment reports are submitted by the Integrated Risk Management Committee at the Board meeting immediately within a week of the Board Integrated Risk Management Committee meeting.</p>	
h)	Establish a compliance function	✓
	<p>Committee has established a compliance function to assess the Company's compliance with laws, regulations and regulatory guidelines.</p> <p>The compliance function is headed by an experienced Senior Manager who directly reported to the Integrated Risk Management Committee on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and internal controls.</p>	
H	Related Party Transactions	
9 (2)	Avoid conflict of 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. In accordance with the RPT Policy self-declarations are obtained from each Director and Key Management Personnel for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company has developed a system that enables the Company to retrieve data on related party transactions throughout the Company's network.</p> <p>The Code of Business Conduct and Ethics of the Company ("the Code") requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it.</p> <p>The Related Party Transactions Review Committee further strengthens the effective management and oversight of related party transactions.</p> <p>Refer Related Party Transaction Review Committee Report on pages 148 to 149 for further information and functions of the Committee.</p>	

Rule Ref.	Principle and Compliance	Status of Compliance
9 (3)	Related Party Transactions covered in the Direction	✓
	The Related Party Transaction Policy of the Company covers all transactions with related parties irrespective of their nature and value	
9 (4)	Prohibit engaging in transactions with a related party in a manner that would grant such party "more favourable treatment"	✓
	The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favorable treatment" as defined in this rule.	
	This is further supplemented by the existing on-line preventive system which enables the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network.	
I	Disclosures	
10 (1)	Disclosure of Financial Statements	✓
	The Board ensured that the Annual Audited Financial Statements and periodical Financial Statements of the Company for the year 2020/21 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards	
	The Board ensured that the Financial Statements referred to in rule 10 (1) (a) above were published in an abridged form in Sinhala, Tamil and English languages.	
10 (2)	Responsibility of Board to ensure appropriate disclosure in the Annual Report	✓
a)	A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	✓
	The Board confirms the preparation of the Annual Audited Financial Statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	
	Refer - Director's Responsibility for Financial Reporting Independent Auditor's Report on pages 168 to 171 for more insights	
b)	Report on Company's Internal Control systems	✓
	The Board of the Company confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements has been done in accordance with the applicable accounting principles and regulatory requirements.	
	Refer - Directors' Statement on Internal Control over Financial Reporting on page 166 for more insights.	
c)	External Auditor's Certification on the effectiveness of the internal control mechanism	✓
	The Board has obtained the Assurance Report from the External Auditor on the Internal Control over Financial Reporting.	
d)	Details of Directors, including names, transactions with the Company	✓
	Details of the Directors, including names and transactions with the Company have been adequately disclosed.	
	Profile of Board member are give on pages 100 to 103.	
	Refer Note 58.2 to the Financial Statements - Transaction with KMP and their family members.	
e)	Fees/remuneration paid by the Company to the Directors in aggregate	✓
	The details of the remuneration paid to the Board of Directors are adequately disclosed.	
	Refer Note 58.2.1 to the Financial Statements - Remuneration to KMP.	

Rule Ref.	Principle and Compliance	Status of Compliance
f)	Net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds.	✓
	The details of the total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds are adequately disclosed. Refer Note 58.3 to the Financial Statements - Net accommodation and Net accommodation as a percentage of Capital Funds.	
g)	Aggregate value of remuneration paid to and transactions with KMP's.	✓
	The details of the aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year 2020/21 are adequately disclosed.	
h)	Certification of Compliance	✓
	The details on Company's compliance with prudential requirements, regulations, laws and internal controls during the year 2020/21 are explained in the Report. Other than to the extent disclosed in this report and the Report of the Directors on the Affairs of the Company referred to above there was no material non-compliance to prudential requirements, regulations, laws and internal controls during 2020/21 affecting the Company. Refer Annual Report of the Board of Directors on the Affairs of the Company-Corporate Governance Report on pages 139 to 143 for further insights.	
i)	Non-Compliance Report	✓
	There were no supervisory concerns on lapses in the Company's risk management system or non-compliance with the Finance Business Act and rules and directions thereunder that have been required by the Monetary Board to be disclosed to the public.	
j)	External Auditor's certification of compliance	✓
	The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies to those reported above.	
J	Transitional Provisions	
11	Transitional and other provisions	✓

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

The Annual Report of the Board of Directors on the Affairs of the Company is presented as required by Section 168 of the Companies Act No. 07 of 2007. It also provides information required by the Finance Business Act No.42 of 2011 and Directions issued thereunder, the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Listing Rules of the Colombo Stock Exchange.

1. General

The Board of Directors of People's Leasing & Finance PLC has pleasure in presenting the Integrated Annual Report to the shareholders, together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2021 and the Auditor's Report on these Financial Statements conforming to all statutory requirements. This report was approved by the Board of Directors on 7 July 2021.

2. Nature of the business

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

The nature of the business of the Company and its subsidiaries together with any change thereof during the accounting period.

2.1 Vision, Mission and Corporate Conduct

The Company's Vision and Mission are provided on page 11 of this Annual Report. In achieving the Vision and Mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity, as set out in the Company's Code of Business Conduct and Ethics.

2.2 Principal Business Activities

The Company's principal business activities comprise providing finance leases, term loans, Islamic finance, margin trading, factoring, gold loans

and the issuance of debt instruments and mobilisation of public deposits. The Company had six subsidiaries as at 31 March 2021 and the nature of business activities of these subsidiaries are described in About Us Section on pages 11 to 17 and in Accounting Policies on page 179. The Company and its subsidiaries have not engaged in any activities which contravene any laws or regulations during the year under review.

2.3 Changes to the Group Structure

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

2.4 Branch Network

The total branch network of the Company as at 31 March 2021 comprised 104 fully-fledged branches and 99 service centres.

2.5 Review of Operations

An overall assessment of the Company's financial position and performance during the year 2020/21, with comments on financial results and special events that took place is contained in the Chairman's Message on pages 17 to 19, the Chief Executive Officer's Message on pages 20 to 24, and the Management Discussion and Analysis on pages 40 to 98 of this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors on the Affairs of the Company. Segment-wise contribution to Group revenue, results, assets and liabilities is disclosed in Note 56 to the Financial Statements on pages 273 to 274 of this Annual Report.

2.6 Future Outlook

The Company's outlook based on the challenges, opportunities and developments in the global market as well as in the Sri Lankan market is set out in the 'Strategy' section on page 31 and at the end of each Capital Report of this Annual Report.

3. Financial Statements (Section 168 (1) (b) and (2))

Completed and signed Financial Statements of the Company and the Group for the accounting period completed.

The Financial Statements of the Company and the Group, duly certified by the Chief Manager Finance and the Chief Executive Officer with the approval of the Chairman and a Director, have been prepared in accordance with the Sri Lanka Accounting Standards laid down by CA Sri Lanka and in compliance with the requirements of Companies Act No. 07 of 2007, appear on pages 162 to 307 of this Annual Report.

3.1 Directors' Responsibility for Financial Reporting

In terms of Section 150(1), 151, 152 and 153(1) and (2) of the Companies Act No.07 of 2007, the Board of Directors of the Company and Group are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Group and Company. In this regard, the Board of Directors wishes to confirm that the Statement of Profit or Loss, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows have been prepared in conformity with the requirements of SLFRSs and LKASs as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Companies Act No.07 of 2007, Finance Business Act No.42 of 2011 and Directions issued thereunder and the Code of Best practices on Corporate Governance issued by CA Sri Lanka.

The 'Statement of Directors' Responsibility for Financial Reporting' is provided on page 164 and forms an integral part of this Report.

3.2 Financial Results and Appropriations

Interest Income

The total interest income of the Company and the Group was Rs. 24,983.45 million (Rs. 31,459.11 million in 2019/20) and Rs. 26,821.84 million (Rs. 33,282.88 million in 2019/20) respectively for the year ended 31 March 2021. A more descriptive analysis of the interest income is given in Note 6.1 and 6.1.1 to the Financial Statements on page 189.

Performance and Appropriations

The Company and the Group recorded a net profit of Rs. 4,033.02 million and Rs. 5,596.33 million respectively for the financial year 2020/21 (Rs. 2,942.51 million and Rs. 3,591.75 million in 2019/20). This represents an increase in net profits of the Company and the Group by 37.06% and 55.81% respectively compared to the previous year.

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

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

Company	2020/21 Rs. million	2019/20 Rs. million
Profit before income tax	5,872.59	4,551.83
Income tax expense	(1,839.57)	(1,609.32)
Profit for the year	4,033.02	2,942.51
Profit brought forward from previous year	14,227.99	13,361.81
Profit available for appropriation	18,261.01	16,304.31
Appropriations		
Dividend paid for previous/ current year	(976.62)	(1,929.32)
Other comprehensive income	77.04	0.12
Transfers to reserves	(201.65)	(147.12)
Total appropriation	(1,101.23)	(2,076.32)
Unappropriated profit carried forward	17,159.78	14,227.99

GRI 207-1

Provision of Taxation

As per the Notice issued (PN/DRL/2020-01) on 20 January 2020, the Government has abolished the 7% Debt Repayment Levy with effect from 1 January 2020 on the value addition attributable to the supply of financial services. This had a positive impact on the margins of banks and NBFIs and impacted the profitability of People's Leasing albeit having a partial impact in relation to FY 2019/20.

The income tax rate applicable on profits earned during the year is 24%. Rate of VAT on financial services was at 15% for the period under consideration (15% in 2019/20). Accordingly, the current year income tax expense of the Company is Rs. 1,839.57 million and a comprehensive note on income tax expense and deferred tax asset/liability of the Company and the Group is disclosed in Notes 17 and 44 to the Financial Statements respectively.

Property, Plant and Equipment, Right of use Assets and Intangible Assets

The total capital expenditure incurred on property, plant and equipment of the Company and the Group in the year ended 31 March 2021 amounted to Rs. 104.69 million and Rs. 152.32 million respectively (Rs. 213.93 million and Rs. 284.22 million in 2019/20).

The total additions to right of use assets of the Company and the Group in the year ended 31 March 2021 amounted to Rs. 858.51 million and Rs. 292.31 million respectively (Rs. 206.94 million for both the Company and the Group in 2019/20).

In the year ended 31 March 2021, the Company and the Group invested Rs. 0.36 million and Rs. 11.66 million respectively to acquire intangible assets. (In 2019/20, Rs. 15.12 million was invested to acquire intangible assets by both the Company and the Group).

The Directors confirm that there were no other significant changes in the Company's or its subsidiaries' fixed assets and market value of land which substantially differ from the book values thereof as disclosed in Note 32.4 on page 244.

The details of property, plant and equipment, right of use assets and intangible assets are presented in Notes 32, 33 and 34 to the Financial Statements on pages 241 to 244, 245 and 246 to 247.

Freehold Land and Building

Extents, locations, valuations and the number of buildings of the entity's land holding are detailed in Note 32.4 on page 244 of this Annual Report and the net book values of freehold land and buildings owned by the Company and the Group as at 31 March 2021 as included

in the Financial Statements was Rs. 570.61 million and Rs. 3,155.67 million respectively.

The Company engages independent professional valuers for revaluation of its freehold land and buildings as specified by the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by CBSL.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by CBSL. The assessment of immovable properties is carried out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for measurement of regulatory provisions for bad and doubtful debts as per Direction No 03 of 2006 and subsequent amendments thereto issued by CBSL.

Investments

Details of investments held by the Company are disclosed in Notes 22, 23, 24, 27, 28 and 29 to the Financial Statements on pages 212 to 216 and 234 to 238.

Equity

Stated Capital

The Stated Capital of the Company and the Group as at 31 March 2021 amounted to Rs. 14,892.04 million, compared to Rs. 13,915.41 million as at 31 March 2020. Consequent to the interim dividend for the financial year 2020/21 paid by way of scrip dividend, the stated capital increased by Rs. 976.63 million.

Reserves

The total reserves of the Company and the Group as at 31 March 2021 stood at Rs. 19,449,40 million and Rs. 23,568.38 million respectively.

During the financial year under review Rs. 201.65 million was transferred from retained earnings to the statutory reserves. Information on the movement of reserves is given in the 'Statement of Changes in Equity' on pages 176 to 177 and in Notes 46 to 48 to the Financial Statements.

Debt Securities Issued

The details of debt securities issued are given in Note 37 and a more comprehensive analysis of the Company's debentures is set out in Note 37.2 to the Financial Statements.

Capital Adequacy

Tier 1 capital ratio and Total capital ratio of the Company computed as per the Finance Business Act Direction No. 03 of 2018 capital adequacy requirement issued by the Central Bank of Sri Lanka stood at 17.72% and 18.58% respectively as at 31 March 2021. The information on minimum capital requirement is given on page 57 of this Annual Report.

4. External Auditors

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

The above sections define the Auditors' Report on Financial Statements of the Company and the Group with separate disclosure on amounts payable by the Company and its subsidiaries to the Auditors as audit fees and fees for other services rendered during the accounting period and Auditors' relationship or any interest with the Company and its subsidiaries.

4.1 Auditors and Their Independence

In accordance with the National Audit Act No.19 of 2018, People's Leasing & Finance PLC falls under the definition of 'Auditee Entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company and their responsibilities in relation to the Financial Statements are set out in the 'Independent Auditors' Report' given on pages 168 to 171.

4.2 Auditors' Report

The Report of the Auditor on the Financial Statements of the Company and the Group is given on pages 168 to 171.

4.3 Auditors' Remuneration

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

Fees	Company		Group	
	2020/21 Rs. million	2019/20 Rs. million	2020/21 Rs. million	2019/20 Rs. million
Audit and related services	7.38	7.38	13.32	13.49
Non-audit Services	1.89	1.64	2.22	4.91

4.4 Appointment of Auditors

According to Section 55 of the National Audit Act No.19 of 2018, People's Leasing & Finance PLC falls under the definition of 'Auditee Entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company for the ensuing financial year.

5. Accounting Policies and Changes During the Year

(Section 168 (1) (d))

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

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 179 to 307. The significant changes to accounting policies adopted if any, in the preparation of the Financial Statements are given in Note 3.4 on pages 183 to 184.

6. Board of Directors

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

The above sections define particulars of the entries in the Interest Registers of the Company and its subsidiaries during the accounting period with Remuneration and other benefits paid to the Directors of the Company and its subsidiaries during the accounting period and information on the directorate of the Company and its subsidiaries during and at the end of the accounting period.

6.1 Profiles

Names of the members of the Board of Directors together with their profiles including skills and experience are set out on pages 100 to 103 of this Annual Report.

6.2 Appraisal of Board Performance

The method used to appraise the performance of the Board of Directors is presented in the 'Corporate Governance' section on page 120.

6.3 Other Directorships/ Significant Positions of Directors

Information of the other directorships/significant positions of the present Directors of the Company are given on pages 100 to 103.

6.4 Resignations and Appointments

Mr G B R P Gunawardana resigned from the office of Non-Executive Non-Independent Director with effect from 25 June 2020 and Mr Ranjith Kodituwakku was appointed to the post of Non-Executive Non-Independent Director with effect from 13 August 2020.

6.5 Directors' Remuneration

Directors' fees and emoluments paid by the Company and the Group for the year ended 31 March 2021 was Rs. 3.86 million and Rs. 7.92 million respectively. Comparative figures are given in Note 58.2.1 to the Financial Statements.

6.6 Interests Register/ Directors' Interest in Transactions

In compliance with the Companies Act No. 07 of 2007, the Company maintains an interests register, which is available for inspection. The Directors of the Company have made general declarations of their interests in transactions of the Company as per Section 192 (2) of the Companies Act No. 07 of 2007. Details of the transactions disclosed therein are given on pages 275 to 276 under Related Party Transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there is no financial, business, family or other material/relevant relationship(s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

6.7 Directors' Interest in Shares

The Directors have disclosed to the Board of their shareholding in the Company and any acquisitions or disposals thereof in compliance with Section 200 of the Companies Act No. 07 of 2007. The Directors' individual

shareholdings along with the Chief Executive Officers' individual shareholding in the Company are given in the section titled 'Investor Relations' on pages 314 to 315 of this Annual Report.

6.8 Meetings

The details of Board meetings and Board subcommittee meetings are presented in the Corporate Governance Report on pages 117 to 118 of this Annual Report.

7. Share Information

Significant shareholder information along with substantial shareholder details and other share-related information is presented in detail under the title 'Investor Relations' on pages 309 to 316 of this Annual Report.

7.1 Equitable Treatment to Shareholders

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

7.2 Dividends on Ordinary Shares

The Company-declared an interim dividend for the financial year 2020/21 in the form of a scrip dividend on 04 December 2020. With respect to that, 76,899,372 ordinary voting shares of the Company have been listed with effect from 24 December 2020, pursuant to the scrip dividend in the proportion of 1:21.1666668487.

The Directors also recommended a final dividend of Rs. 0.75 per share for the year ended 31 March 2021. This will be paid in the form of a scrip dividend. Further, in compliance with the Company's Articles of Association, this dividend is to be approved by the shareholders at the Annual General Meeting to be held on 5 August 2021.

The Board of Directors ensured that the Company would meet the requirement of the solvency test in terms of Section 56 (3) of the Companies Act No. 07 of 2007 and the Listing Rules of

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

the CSE, immediately after the said interim dividend as well as the proposed final dividend as required by Section 56 (2), the Board of Directors has obtained a certificate from the Auditor on the Statement of Solvency in respect of dividend payment conforming to the above statutory provision.

8. Donations

(Section 168 (1) (g))

Total amount of donations made by the Company during the accounting period.

During the financial year 2020/21, the Company made donations amounting to Rs. 23.15 million (Rs. 58.85 million in 2019/20) in terms of the resolution passed at the last Annual General Meeting. The Company's Corporate Social Responsibility Department handles the Corporate Social Responsibility (CSR) initiatives and activities. The CSR initiatives of the Company are presented in the sections titled 'Social and Relationship Capital' and 'Natural Capital' on pages 79 to 90 and pages 91 to 96 respectively.

9. Corporate Governance

(Code of Best Practice
D.6, D.6.1, D.2, D.1.4)

The Board of Directors is committed to develop the corporate governance principles of the Company and has adopted a Corporate Governance Charter including the procedures and processes governing the different participants in the Company – such as the Board, managers, shareholders and other stakeholders to ensure that the highest principles of corporate governance are maintained across the Organisation.

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is in compliance with the recommendations of the Code of Best Practices on Corporate Governance issued by CA Sri Lanka, the Listing Rules of the Colombo

Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Directions No. 03 of 2008, No. 4 of 2008 and No. 6 of 2013.

Chairman's Affirmation on the Code of Business Conduct and Ethics

The Chairman affirms, that People's Leasing & Finance PLC has introduced a Code of Business Conduct and Ethics Company wide and procedure is set for disseminating, monitoring and compliance with the Code of Business Conduct.

The Directors declare that:

1. The Company has not engaged in any activity which contravenes laws and regulations.
2. The Company has made all endeavours to ensure the equitable treatment of shareholders.
3. The business is a going concern.
4. Effectiveness of and successful adherence to internal controls and risk management is practiced by the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages 111 to 138 of this Annual Report.
5. To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.

KMP's Declaration on Compliance with Code of Business Conduct and Ethics

To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.

9.1 Board Sub Committees

The Board Audit Committee, Board Integrated Risk Management Committee, Human Resources, Remuneration and Nomination Committee and Related Party Transactions Review Committee function as Board Sub Committees with Directors who possess the requisite qualification and experience.

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

9.2 Compliance with Laws and Regulations

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

9.3 Statutory Payments

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

9.4 Environmental Protection

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

9.5 ESG Reporting

Environmental, social and governance considerations can affect a company's ability to execute its business strategy and create value. The Company's Annual Report should contain sufficient information on ESG risks and opportunities are recognised, managed, measured and reported as set out on page 121.

10. Acknowledgement

(Section 168 (1) (k))

Acknowledgement of the contents of this report/ signatures on behalf of the Board by two Directors and the Secretary of the Company.

The Board of Directors has acknowledged the contents of this Annual Report as disclosed on page 143.

11. Stakeholder Management and Integrated Reporting

The Company has taken several measures to manage its valued stakeholders including customers, employees,

investors, suppliers and community in portraying its value creation process. Aspects of economy, environment and social impacts have also been addressed adequately in the reporting process. These capital management reports are presented under Management Discussion and Analysis on pages 40 to 98 of this Annual Report.

12. Outstanding Litigation

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have any material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given in Note 53.1.1 to the Financial Statements on page 270.

13. Human Resources

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

As at 31 March 2021, a total of 2,343 persons were in employment (2,401 persons as at 31 March 2020) with the Company.

14. Internet of Things and Cybersecurity

(Code of Best Practice
G.1, G.2, G.3)

The Board confirms that the Company has appointed a Information Security Officer (ISO) with sufficient expertise and authority and allocated regular and adequate time on the Board meeting agenda for discussions on cyber-risk management. Related information is set out in the Corporate Governance Report on page 121.

15. Events After the Reporting Period

Details of events after the reporting period are disclosed in Note 60 to the Financial Statements on page 307.

16. Compliance with Requirements on the Content of the Annual Report in Rules 7.6 and 9.3.2 of the Listing Rules

Rule Reference	Information Required to be Disclosed	Status of Compliance	Page Reference
7.6 (i)	Names of person who were Directors of the Company during the financial year	✓	100-103
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year	✓	11-12
7.6 (iii)	Information on 20 largest shareholders at the end of the year	✓	314
7.6 (iv)	The public holding percentage	✓	313
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	✓	314-315
7.6 (vi)	Information pertaining to material foreseeable risk factors	✓	153-161
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	During the year under review, there were no material issues pertaining to employees and industrial relations	
7.6 (viii)	Information on buildings/land holdings and investment properties as at the end of the year	✓	244
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	✓	311
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and related information	✓	312
7.6 (xi)	Ratios and market price information on equity, debt, change in credit rating	✓	309, 310, 313, 315, 316
7.6 (xii)	Significant changes in the Company's or subsidiaries' fixed assets.	✓	242-243
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	We did not raise funds through a public issue, Rights Issue or a private placement during the year.	
7.6 (xiv)	Information in respect of employee share ownership or Stock option schemes	The Company does not have any employee share ownership or stock option scheme at present	
7.6 (xv)	Disclosure pertaining to corporate governance practice in term of Rules 7.10.0, 7.10.5c. and 7.10.6 c.of Section 7 of the Listing Rules	✓	123-124
7.6 (xvi)	Related Party Transaction exceeding 10% of the equity or 5% of the total assets of the entity	Repealed on 01 January 2016	
9.3.2 (a)	Non-recurrent related party transactions exceeding 10% of equity or 5% of total assets, whichever is lower	There were no non-recurrent transactions that exceeded the threshold during the Financial year 2020/21	
9.3.2 (b)	Recurrent related party transactions exceeding 10% of gross income	The details of the recurrent transactions that exceeded the threshold during the Financial year 2020/21 are disclosed under Note 58.5 to the Financial Statements	279

17. Related Party Transactions (CSE Listing Rules Section 9)

The Directors declare that the rules pertaining to Related Party Transactions in Section 9 of CSE Listing Rules have been complied with.

18. Going Concern (Code of Best Practice D1.4)

The Group's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business in the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

In determining the basis of preparing the Financial Statements for the year ended 31 March 2021, the Management has assessed the existing and anticipated effects of COVID-19 on the Group Companies

and the appropriateness of the use of the going concern basis, based on available information.

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

19. Annual General Meeting

The 25th Annual General Meeting will be held at the Boardroom of People's Leasing & Finance PLC Head Office, 10th Floor, No.1161, Maradana Road, Colombo on 05 August 2021 at 2.30 p.m. Notice of the meeting relating to the 25th Annual General Meeting is provided on page 330 of this Annual Report.

By order of the Board of Directors



Coralie Pietersz
Director



Sujeeva Rajapakse
Chairman



Lakmini Kottegoda
Company Secretary

07 July 2021
Colombo

Board Audit Committee Report

The Board Audit Committee ("Audit Committee" or "the Committee") of the Company presents its report for the year ended 31 March 2021. This Report was approved by the Board of Directors.

Composition and Meetings of the Committee

The Board Audit Committee is appointed by the Board of Directors of People's Leasing & Finance PLC. As at the end of the financial year 31st March 2021, the Board Audit Committee comprised the following Non-Executive Directors of the Company

Name of the member	Attendance at meetings
Ms Coralie Pietersz – Chairperson of the Committee Independent Non-Executive Director	14/14
Mr U L Asoka W Bandara Independent Non-Executive Director	13/14
Mr Azzam A Ahamat Non-Independent Non-Executive Director	12/14

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

Charter of the Committee

The Board-approved Charter of the BAC (the Committee) clearly defines the Terms of Reference of the Committee. The Charter is reviewed annually to address any developments in the Committee's functions and concerns. The Charter of the Committee was last reviewed with the concurrence of the Board in February 2021.

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

The Committee has the explicit authority to investigate into any matter, including call any employee to be questioned at a meeting of the Committee, full access to information, authority to obtain external professional advice at the Company's expense, and to form and delegate authority to subcommittees.

Activities of the Committee during the Financial Year 2020/21

The Committee held fourteen (14) meetings during the financial year ended 31st March 2021. Proceedings of these meetings with adequate details of matters discussed are regularly reported to the Board. Representatives of the External Auditors, the Auditor General and Messrs. Ernst & Young, participated in three (03) meetings during the year. The Chief Executive Officer and other members of the Senior Management of the Company attended the meetings by invitation from time to time on a need basis.

Financial Reporting

The Committee assisted the Board of Directors in discharging its responsibility for the preparation of the quarterly and annual Financial Statements to reflect a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, Finance Business Act No. 42 of 2011, the Companies Act No. 7 of 2007, Sri Lanka Accounting

& Auditing Standards Monitoring Board Act No.15 of 1995, rules and regulations of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka and Central Bank of Sri Lanka Directions.

The Committee reviewed and discussed the Company's interim and annual Financial Statements, assessed the acceptability of accounting principles, significant estimates and judgments, reviewed the profit reconciliation based on CBSL directions and LKAS/SLFRS and the impact of dividend declarations to the prudential ratios, in discharging its oversight responsibilities.

Further, the Committee reviewed and approved the Directors' Statement on Internal Control over Financial Reporting, Annual Report of the Board of Directors on the Affairs of the Company, Directors' Responsibility for Financial Reporting and Board Audit Committee Report to be included in the Annual Report

Implementation of SLFRSs

The Committee reviewed the Impairment Policy Manual and scrutinised the principles and methodologies, including Expected Credit Losses (ECL) computation under SLFRS 9 – "Financial Instruments" adopted by the Company. The impairment assessment methodology was reviewed in detail and the Committee provided advice for further improvements. Insight was provided in relation to the Company's impairment calculation and income recognition on debt moratorium.

External Audit

The Auditor General had informed the Company that, according to the National Audit Act No. 19 of 2018, the audit would be carried out by the Auditor General himself or by any person authorised by the Auditor General. Accordingly,

Messrs. Ernst & Young was appointed to assist the Auditor General in performing the external audit for the FY 2020/21. Since the Auditor General is the External Auditor of the Company as appointed under the Constitution, the Committee has no role to play in the engagement of the External Auditor.

The Committee met the External Auditors on three occasions during the financial year and discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors, prior to commencement of the annual audit. The opportunity was provided to the External Auditors to raise material issues, problems or reservations that require further discussion with the Audit Committee in the absence of Key Management Personnel.

The Committee reviewed non-audit services provided by the Auditors, with a view to ensuring that such functions do not fall within the restricted services and provision of such services will not impair the independence and objectivity of External Auditors who are appointed to assist the Auditor General. Accordingly, the threshold applicable when making payments to the External Auditors and the procedure in obtaining approval from the Auditor General prior to the engagement were revised.

The Committee reviewed the External Auditors' Management Letter and the Report of the Auditor General under Section 154(6) of the Constitution together with Management responses thereto. The Committee also initiated action to ensure that recommendations contained in the Management Letter and Auditor General's Report were implemented by the Management.

Internal Audit

A dedicated Internal Audit Department is available to carry out the internal audit function and to report to the Audit Committee. The Committee ensured that the internal audit function is independent of the activities it audited and ensured that the department has the necessary authority to perform its work independently.

During the financial year, the Audit Committee reviewed and updated the Internal Audit Charter and the Manual in order to improve the objectivity and effectiveness of the internal audit process. Audit rating system and internal audit programmes were reviewed and updated to reflect additional areas of focus, process developments and Company and industry trends.

The Information Systems Audit Unit was formulated during the year by recruiting an experienced IS Auditor to facilitate information system audits of the Company. A Subsidiary Review Policy was introduced by assessing the scope of subsidiary reviews performed by the Internal Audit.

Further, the Committee reviewed and approved the Internal Audit plan and the strategy for the financial year. The Company's Internal Audit Department carried out online and on-site inspection of business units, including subsidiaries. The significant findings and common findings were brought to the attention of the Committee and deliberated to identify causes and remedial actions. The Committee evaluated the reports on credit reviews, information system audits and internal investigations, based on which appropriate recommendation and instructions were issued to the Management and ensured the implementation of Internal Audit recommendations. The Committee also met Internal

Auditors in the absence of Executive Management.

Regulatory Compliance

The Committee assessed the Company's compliance with financial reporting requirements, information requirements under the Companies Act, Finance Business Act and other relevant financial reporting related regulations (such as SLASs/IFRS) and requirements. The Committee scrutinised the reports submitted by the Compliance Officer to monitor compliance with such legal and regulatory requirements

The Committee also monitored the progress on implementation of the recommendations of Statutory Examination Reports of the Central Bank of Sri Lanka together with the Management response thereto.

Internal Controls

The Committee is assisted by the Internal and External Auditors to monitor the procedures designed to maintain an effective internal control mechanism to provide reasonable assurance that this requirement is being complied with. The Committee reviewed and recommended various policies and monitored reconciliation of unreconciled accounts.

The report on internal controls system over financial reporting was reviewed and approved by the Committee to be included in the Annual Report.

Whistleblowing

The Company's Whistle-Blower Protection Policy is intended to serve a widespread informal channel for corporate fraud risk management. The Whistle-Blower Protection Policy was reviewed and has been published on the Company intranet and guarantees the maintenance of strict confidentiality of the whistle-blowers.

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

The Committee further improved the arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.

All appropriate procedures are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means.

Evaluation of the Committee

The Board Audit Committee carried out its responsibilities within the scope of its authority as mandated by its Terms of Reference. The Committee undertook an appraisal of executing these responsibilities and concluded that the Committee had carried out its responsibilities satisfactorily during the financial year.



Coralie Pietersz
Independent Director/
Chairperson
Board Audit Committee

07 July 2021

Human Resources, Remuneration and Nomination Committee Report

Terms of Reference

During the Financial Year, the Terms of Reference (TOR) of the Remuneration and Nomination Committee were amended to include the Human Resources aspect into the scope of the Committee to strengthen the oversight of the affairs relating to human resources arm of the Company. The Committee with the extended Terms of Reference has more pro-actively engaged in making recommendations for the benefit of the employees of the Company.

Composition and Committee Meetings

The Committee comprises three Directors, all of whom are Non-Executive Directors. Two Directors including the Chairman to the Committee are independent Directors.

The Committee met five times during the year under review and the extensive deliberations on matters relating to human resources have contributed to formalize the human resource management of the Company while enhancing employee satisfaction.

The members of the Committee have contributed their professional expertise and experience in diversified sectors to create value additions to the matters falling within the purview of this vital Committee.

Attendance of the Members

Name of Director	Board Status	Membership	Meeting Attendance
Mr Asoka Bandara	Non-Executive Independent Director	Chairman	5/5
Ms Coralie Pietersz	Non-Executive Independent Director	Member	5/5
Mr Rohan Pathirage	Non-Executive Non Independent Director	Member	5/5

Brief profiles of the members of the Remuneration and Nomination Committee as at 31 March 2021 are given on pages 100 to 103 of this Annual Report.

Key Highlights of Year 2020/21

- Recommended the amendments to the TOR of the Committee to cover a wide scope of oversight into the Human Resource Related matters of the Company;
- Recommended the Profit Acceleration Plan in December 2020 which promoted a rewarding scheme for achieving a set profit in order to motivate the employees;
- Recognized achievement of the Profit Acceleration Plan and recommended the rewarding of deserving employees in due recognition of their contribution to achieve the Profit Acceleration Plan;
- Recommended the revised Disciplinary Code and Code of Conduct for Board approval.

Scope of the Committee

Mandate – Matters Relating to Human Resources

The Board approved TOR of the Committee provide a platform to the management to escalate human resource matters which require deliberation above management level including the reviewing and recommendation of:

- personnel policies/ procedures of recruiting, developing and motivating the staff;
- recruitment requirements and related appointments of KMPs;
- salaries, allowances, benefits and all other forms of employee remuneration relevant to KMPs;
- succession strategy of KMPs;
- change of designation/ position/role of pre-identified grades of employees due to business reasons.
- structuring and deciding salaries & benefits of Corporate Management;
- disciplinary action relating to employees belonging to pre-identified grades;
- fixed term employment contracts of Corporate Management and Consultants.
- service extensions of Corporate Management;
- annual promotions of employees belonging to pre-identified grades;
- annual increments to remuneration and benefits including non-monetary benefits;
- bonuses and salary revision.

The Committee is also mandated to approve staff loan and staff benefit schemes and set goals and targets for the KMPs.

Mandate – Matters Relating to Nomination

The structure, size and composition of the Board is reviewed by the Committee as and when required and recommendations are made to the Board with regard to any change that needs to be

introduced and advises the Board on selection of members to the Board.

The members preclude themselves from participating in decision making with regard to his/her own appointment.

Mandate – Matters Relating to Remuneration of Directors

The Board determines the remuneration of the Non-Executive Directors based on the recommendation of the Remuneration and Nomination Committee. A fixed allowance has been paid to the Non-Executive Directors for attending Board and Committee meetings. Fees paid to the Non-Executive Directors are neither performance related nor pensionable.

Details of the fees paid to Directors are given on page 275 of this Annual Report.

Authority

The recommendations of the Committee are brought to the notice of the Board to make a final decision. The Committee is authorized to obtain professional advice as and when required at the expense of the Company and this is coordinated by the Company Secretary.

Remuneration Policy Reward Strategy

The Committee oversees the reward strategy of the Company to ensure that the employees are rewarded based on their performance, skills, experiences and level of responsibility enabling the Company to retain the right people to deliver on the strategy.

Aligning with the principles of good governance, our remuneration policy reinforces our desired culture and encourages behaviour consistent with our values while motivating the employees to deliver and sustain high levels of performance supporting achievement of our strategic priorities.

Remuneration Package & Other Benefits

The Committee reviews the remuneration package of the employees, taking into consideration the performance of the Company vs set KPIs, the Individuals at the management level, remuneration comparison with peer group companies, institutional guidelines and reports from specialist consultants at the industry level.

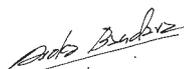
The employee well-being is addressed through benefits provided to employees including staff loan schemes, staff health insurance cover, critical illness cover and the personal accident cover.

Evaluation of the Committee Performance

The performance and effectiveness of the Committee was assessed by the Board as a whole as part of the annual self-assessment of the Directors, the details of which can be found on page 120 of this Annual Report.

Employee Share Option Schemes

There are no share option schemes in operation at present.



Asoka Bandara

Chairman

*Remuneration and Nomination
Committee*

07 July 2021

Related Party Transactions Review Committee Report

Related Party Transaction Review Committee of the Company acting within the Board approved Terms of Reference (TOR) ensures the strict compliance with the rules and regulations governing related party transactions for listed entities.

Composition and Committee Meetings

The Related Party Transaction Review Committee comprises three Non-Executive Directors out of whom two members including the Chairman to the Committee are Independent Directors.

The Chief Executive Officer/ General Manager of the Company, Compliance Officer and the Chief Manger – Finance attend Committee meetings by

invitation. The proceedings of the Committee are reported to the Board and the Chairman to the Committee briefs the Board on significant matters that requires deliberation of the Board.

The Committee met four times during the year and reviewed all Related Party Transactions carried out during this period. The members have deliberated at length on the related party transactions to ensure compliance with relevant rules and regulations governing the related party transactions.

The proceedings of the Committee meetings were regularly reported to the Board of Directors with its comments and observations.

The Functions of the Committee includes,

- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted by the Code of Best Practices on Related Party Transactions - December 2013 issued by the Securities and Exchange Commission of Sri Lanka.
- Adopting policies and procedures to review related party transactions of the Company and overseeing existing policies and procedures
- Recommending to the full Board where necessary that the approval of the shareholders of the Company be obtained by way of a Special Resolution prior to the concerned transaction being entered into as specified in Section 9.1 and 9.4 of the Listing Rules.
- Establishing guidelines to be followed by the employees of the Company in respect of ongoing related party transactions;
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee solely for the purpose of providing information thereon to the Committee without influencing or voting on the matter;
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and sufficiently detailed manner.
- Monitoring the Related Party Transactions, if any, to ensure that they are conducted in a manner that will prevent or mitigate the impact of any conflict of interest which may arise between the Company and its Related Parties.
- Reviewing the TOR of the Committee periodically to ensure that it reflects the best practices of the industry at all time.
- Performs other activities which the Committee deems appropriate and necessary for the performance of its duties and undertake other responsibilities which the Board may assign to the Committee from time to time.

Authority

The recommendations of the Committee are reported to the Board to take final decisions on the matters where necessary. The Committee is authorized by the Board to obtain professional advice as and when it deems necessary at the expense of the Company which is coordinated by the Company Secretary.

Policies and Procedures on Related Party Transactions Policy

The categories of person who shall be considered as 'related parties' are defined in Related Party Transaction Policy as approved by the Board which is in line with LKAS 24 of Sri Lanka Accounting Standards and the Listing Rules.

Related Party Transaction Policy sets out the Self-declarations to be obtained from each Director and KMPs of the Company to identify the parties related to them.

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

Attendance of the meeting during the Financial Year

Name of Director	Director Status	Meeting Attendance – Attended/ Eligibility
Mr Chanura Wijetillake (Chairman)	Non-Executive Independent Director	4/4
Mr Asoka Bandara	Non-Executive Independent Director	4/4
Mr Sudarshan Ahangama	Non-Executive Non Independent Director	2/4

Brief profiles of the members of the Related Party Transaction Review Committee as at 31st March 2021 are given on pages 100 to 103 of this Annual Report.

Key Highlights of Year 2020/21

- Recommendation of Share Trading Policy providing guidelines for Directors, KMPs and all the employees with regard to the dealings in securities of the Company for the approval of the Board of Directors.
- Introduction of a more transparent reporting format for Related Party Transactions of the Company.
- Reviewed all the Related Party Transactions of the Company during the period under review.

Scope of the Committee

Mandate

The Committee reviews all proposed related party transactions in advance other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules of the Colombo Stock Exchange (CSE).

Procedures

An on-line preventive system is implemented by the Company to ensure that no favorable treatment is accorded to related parties. This system enables the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network.

Related Party Transactions during 2020/21

The Committee reviewed Related Party Transactions of the Company during the period of 01 April 2020 to 31 March 2021 and has thus complied with the rules pertaining to Related Party Transactions as set out in Section 9 of the Listing Rules of the CSE. The Company has not entered into any transactions as contemplated in Sections 9.1.1, 9.1.2 and 9.3.2 (a) of the Listing Rules of the CSE. All transactions entered into by the Company which fall under section 9.3.2 (b) of the Listing Rules have been disclosed in Note 58.5 to the Financial Statements on page 279.

Declaration

The declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2020/21 is contained in the Annual Report of the Board of Directors on the Affairs of the Company on page 143.



Chanura Wijethilleke

Chairman

Related Party Transaction

Review Committee

07 July 2021

Board Integrated Risk Management Committee Report

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

Terms of Reference (TOR)

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

Composition

The BIRMC for the financial year 2020/21 comprised the following members and whose profiles are given on pages 102 to 106:

Name of the BIRMC Member	Directorship Status
Mr Chanura Wijetillake	Committee Chairman (Non-Executive, Independent Director)
Mr Azzam Ahamat	Committee Member (Non-Executive, Non-Independent Director)
Mr Clive Fonseka	Committee Member (Non-Executive, Non-Independent Director)
Mr Shamindra Marcelline (Chief Executive Officer/General Manager)	Non-Director Appointed w.e.f. 25.11.2020
Mr A S Ibrahim (Chief Executive Officer/General Manager)	Non-Director Retired w.e.f. 25.11.2020
Mr Sanjeewa Bandaranayake (SDGM - Operations)	Non-Director
Mr Lionel Fernando (SDGM - Operations)	Non-Director
Mr Rohan Tennakoon (DGM - Risk & Control)	Non-Director

Regular Attendees by Invitation

- DGM - Marketing
- DGM - Recoveries and Administration
- DGM - Internal Audit
- Compliance Officer
- Key Management Personnel from People's Leasing Subsidiaries
 - Chief Executive Officer - People's Insurance PLC (PI)
 - Technical Consultant - PI (up to December 2020)
 - Chief Operating Officer - PI (from February 2021)
 - Senior Manager - Head of People's Micro-commerce Limited
 - Officer-in-charge of People's Leasing Fleet Management Limited
 - Chief Executive Officer - Lankan Alliance Finance Limited

Secretary to the Committee

Ms Akila Samarasinghe - Deputy Manager - Risk & Control

MEETINGS

The Committee held four (04) quarterly meetings during the year under review. The attendance of the members of the Committee was as follows.

Name	Attended/Eligible to attend
Mr Chanura Wijetillake (Chairman)	4/4
Mr Azzam Ahamat	4/4
Mr Clive Fonseka	4/4
Mr Shamindra Marcelline	2/2
Mr A S Ibrahim	2/2
Mr Sanjeewa Bandaranayake	4/4
Mr Lionel Fernando	4/4
Mr Rohan Tennakoon	4/4

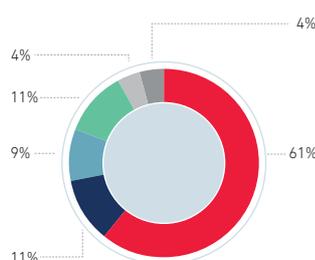
Reporting to the Board

Minutes of the Committee which include the deliberations and conclusions reached were submitted to the subsequent BIRMC meeting for the confirmation and adoption. All minutes of the meetings were formally approved by the Committee Chairman. Approved Minutes were also submitted to the Board within a week of the BIRMC meeting seeking their views, concurrence and/or specific directions.

Activities

The BIRMC effectively assisted the Board of Directors in performing its oversight function in relation to the internal/external risks faced by the Company in carrying out its business operations. All key risks tracked through Key Risk Indicators (KRIs) on a monthly basis are reviewed by the Committee at its meetings.

Key Areas of discussion and Time Allocated



- Comprehensive Risk Review - People's Leasing and Subsidiaries
- ALCO Related
- EIRMC Related
- Compliance Related
- Policy Reviews
- Specific Risks Related

Integrated Risk Management

- As part of annual review process, the Committee reviewed the Risk Tolerance Statement in June 2020. Risk profile of People's Leasing was reviewed quarterly against the set tolerance limits.
- Reviewed the ICT Risk Assessment Methodology and made recommendations to the Board.
- Reviewed the quarterly risk reports (Risk Dash-board/ Risk Indicator reports) of People's Leasing and its subsidiary companies.

Assessment of Management Level Committees

- Reviewed the adequacy and effectiveness of the functions carried out by the Assets and Liability Committee (ALCO) by reviewing meeting highlight reports and the annual assessment performed against the ALCO's TOR.
- Reviewed the effective functionality of Executive Integrated Risk Management Committee (EIRMC) by reviewing the meeting highlights/minutes of the EIRMC meetings which include the deliberations carried out particularly on the credit risk and operational risk matters.

Credit Risk

- The Committee was mainly concerned of the deterioration of the credit quality level of the industry amidst socio-economic challenges that the country was confronting due to the COVID-19 pandemic situation.
- Reviewed the portfolio quality through non-performing loan analysis based on assets and products together with other credit risk indicators such as sector-wise credit concentration and compliance with the Single Borrower Limits, etc.
- The Committee deliberated in detail on the necessary course of action to improve the asset quality of the Company.
- Reviewed the credit policy and procedures on margin trading product of the Company.
- Reviewed the deliberations that were carried out by the EIRMC in respect of managing the credit risk.

Liquidity and Market Risk

- Reviewed the adequacy of liquid assets maintained and the maturity mismatch, sensitivity analysis and interest rate repricing gaps.
- Reviewed liquidity stress test results and adequacy of contingent funding lines.
- Reviewed the highlight reports of ALCO meetings submitted to the Committee in assessing the effectiveness of liquidity and market risk management.

Operational Risk

- Reviewed key operational risk indicators established in respect of Human Resources and Frauds etc.
- Reviewed the status of unsatisfactory rated audits determined based on the strength of the internal control system.

- Increased the focus on operational risk due to pandemic and cyber security concerns.

Information and Cyber Security Risk

- Reviewed key operational risk indicators established in respect of ICT.
- Reviewed risks arising due to instantaneous shift to Work From Home arrangement and adequacy and effectiveness of the risk treatment plan to address identified cyber security risks.
- Reviewed the ICT Risk Assessment performed based on numerous asset categories related to ICT operations.

Business Continuity

- Reviewed the progress of Business Continuity Plan implementation process and the adequacy of disaster recovery plans.
- Monitored the progress of BCP drill exercise conducted covering the time critical business processes of the Company.

Regulatory and Compliance Risk

- Reviewed the effectiveness of the Compliance function to assess the Company's compliance with the regulatory requirements and monitored against the risk tolerance levels.
- Reviewed the compliance reports submitted by the Compliance Officer to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of Company operations.
- Reviewed the new directions, circulars and guidelines issued by the Central Bank of Sri Lanka.
- Reviewed the money laundering and terrorist financing risk assessment performed in relation to products of the Company and recommended for the Board approval.

- Reviewed the Annual Corporate Compliance Plan and recommended for the Board approval.

Strategic Risk

- Reviewed the effectiveness of strategies implemented in response to the changes in the business environment.
- Reviewed strategic risk indicators against set risk tolerance levels.

Assessing the Risk Profile of Subsidiary Companies

During the year under review, in line with the Finance Companies (Corporate Governance) Direction, No. 3 of 2008, Section 8 (3) (b), the following subsidiary companies submitted Risk Dash-board/ key risk indicator reports to the BIRMC enabling the Committee to review the risk profile of each subsidiary company and the overall risk profile of People's Leasing Group. Highlights of subsidiary company reviews are given below.

People's Insurance PLC (PI)

- The Committee reviewed the underwriting quality, investment concentrations together with KRIs of default risk, operational risk, strategic risk, compliance risk on a quarterly basis.
- The Committee reviewed the PI's Compliance to the Risk-Based Capital Model regulated by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka)
- The Committee deliberated and reviewed the future strategies of the Company.

People's Micro-commerce Limited (PML)

- PML involves in the business of providing microfinance facilities to ensure financial inclusivity of the under privileged, rural and urban population and operates with a different risk profile.

- The company's risk profile was quarterly reviewed by the Committee against set risk tolerance limits.
- The Committee deliberated and reviewed the future strategies of the Company.

People's Leasing Fleet Management Limited (PLFML)

- PLFML operations include providing vehicle operating leases, valuation service and vehicle hiring service.
- BIRMC quarterly reviewed the Risk Dash-board reports submitted by PLFML.
- The Committee deliberated and reviewed the future strategies of the Company.

Lankan Alliance Finance Limited (LAFL) - (People's Leasing's Bangladesh Subsidiary)

- BIRMC quarterly reviewed the Risk Dash-board reports submitted by LAFL.
- CEO of LAFL participated at BIRMC meetings through video conferencing to explain the operations of the Company and risk mitigating strategies.

Property Development Subsidiaries

- The Committee reviewed the Risk Indicator reports submitted by People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited.
- The Committee reviewed the operations of these companies including occupancy details.

Board Integrated Risk Management Committee Report

The Risk and Control Department co-ordinated with aforementioned subsidiaries of People's Leasing and briefed the Committee with the relevant information through various risk indicators and additional information.

Others

- Worked closely with the Corporate Management, Senior Management and Key Management Personnel supervising broad risk categories (credit, market, liquidity, operational and strategic risks) and made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
- Supervised the procedures of Integrated Risk Management responsibilities pertaining to risk management strategies, policies and processes.
- Recommended corrective action to mitigate the effects of specific risks at levels beyond the risk tolerance levels approved by the Board and on the basis of Company's policies, regulatory and supervisory requirements.

During the year under review, the BIRMC extended its support in line with the risk appetite and tolerance framework, in the execution of overall business strategy emphasising the upside and downside risks which can have an impact on the Company and the Group.

Appreciation

The Committee wishes to convey its sincere gratitude to Mr Sabry Ibrahim and Mr Nimal Perera-Technical Consultant (retired in Dec 2020) for their valuable contribution to the Committee over the years.



Chanura Wijetillake

Chairman

Board Integrated Risk Management Committee

07 July 2021

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Overview

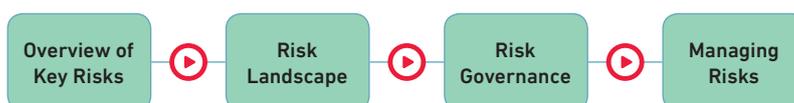
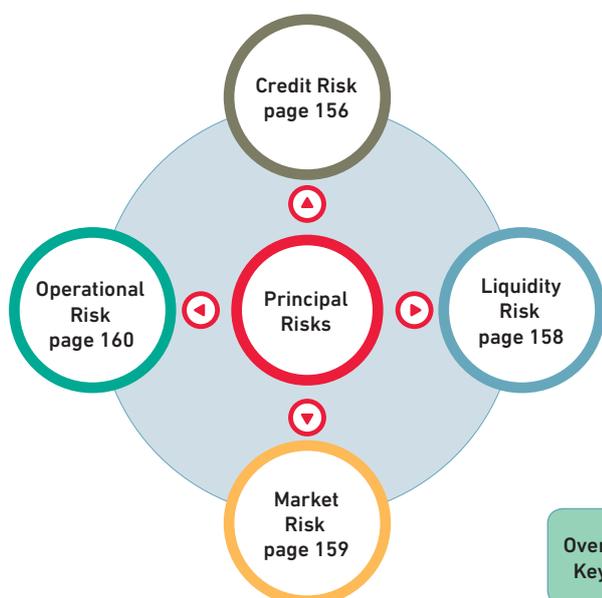
People's Leasing has a structured risk management framework that details the process for identifying potential threats, defining risk mitigant strategies and monitoring the effectiveness

of these strategies. Effective risk management is crucial in assisting the Company's management to assume calculated risks, accurately price products and prudently manage risk portfolios. As a financial institution, People's

Leasing is primarily exposed to risks such as credit, liquidity, market, and operational, that emanates from both the external and internal environments.

This year was a tumultuous one, where we had to re-align ourselves to offer our services and serve customers in the midst of a worldwide pandemic. In Sri Lanka, the Government imposed a nationwide lockdown in March 2020, as COVID-19 cases showed signs of increasing. This was lifted in May 2020, leading to a moderate recovery of economic activities. However, In November 2020, Sri Lanka experienced a second wave of the COVID-19 pandemic, resulting in a lockdown in the Western Province, and

several other areas, again affecting economic recovery. From January 2021 onwards businesses started to regain loss ground. The lockdowns, health and safety regulations and travel restrictions directly affected our customers and in turn affected us. We transformed our operations, reaching out to our customers online and through social media and enabling online transactions. Our staff worked from home. Credit processes underwent a shift in focus as we granted moratoriums and concessions to customers to help them through this challenging time. This transformation in our processes resulted in new risks being identified, and prioritisation of existing risks being reviewed.



Overview of Key Risks

Risk category	Risk indicator	Unit	Maximum risk tolerance limit	Position as at 31.03.2021	Position as at 31.03.2020
Credit risk	Non-performing advances ratio (gross)*	%	<5	8.62	7.62
	Three months overdue ratio (gross)	%	<10	11.13	20.34
	Profit and loss charge ratio (on profit)	%	<20	20.56	58.61
Credit concentration risk	Single/group borrower limit	Rs. billion	As per CBSL	Complied	Complied
	HHI score	Points	<0.40	0.22	0.22
Liquidity risk	Liquid asset ratio	%	>100	194.90	110.59
	Maturity mismatch ratio (up to one year)	%	>-45	-31.93	-21.94
	Facilities granted from stable sources	%	<150	106.71	105.29
	Liquid assets to short-term liability ratio	%	>30	155.40	203.57
	Maximum single depositor concentration	%	<5	4.11	4.20
	Exposure to bulk deposits (over Rs. 50 million)	%	<20	21.61	24.17
Market risk	Interest rate sensitivity	%	<6	-0.43	0.29
	Repricing gap ratio (up to three months)	%	>-20	1.72	4.13
Operational risk	Frauds detected (value as a percentage of operational expenses) – FY 2020/21	%	<0.5	0.18	Nil
	Unsatisfactory audits (as a percentage of total audit reviews) - FY 2020/21	%	<15	Nil	8.70
	Cost to income ratio	%	<50	41.32	36.53
	Staff turnover ratio (annual)	%	<15	6.52	9.18
Regulatory risk	Capital adequacy ratios				
	Tier I capital ratio	%	>6	17.72	15.12
	Total capital ratio	%	>12.5	18.58	15.99
	Capital funds ratio	%	>12.5	33.83	28.35
Strategic Risk	Return on equity ratio	%	>15	12.49	10.00
	Return on assets ratio	%	>3.5	3.49	2.64
	Net interest margin	%	>7.5	7.58	9.68
	Gearing ratio	Times	<7	3.55	4.38

*includes future interest component

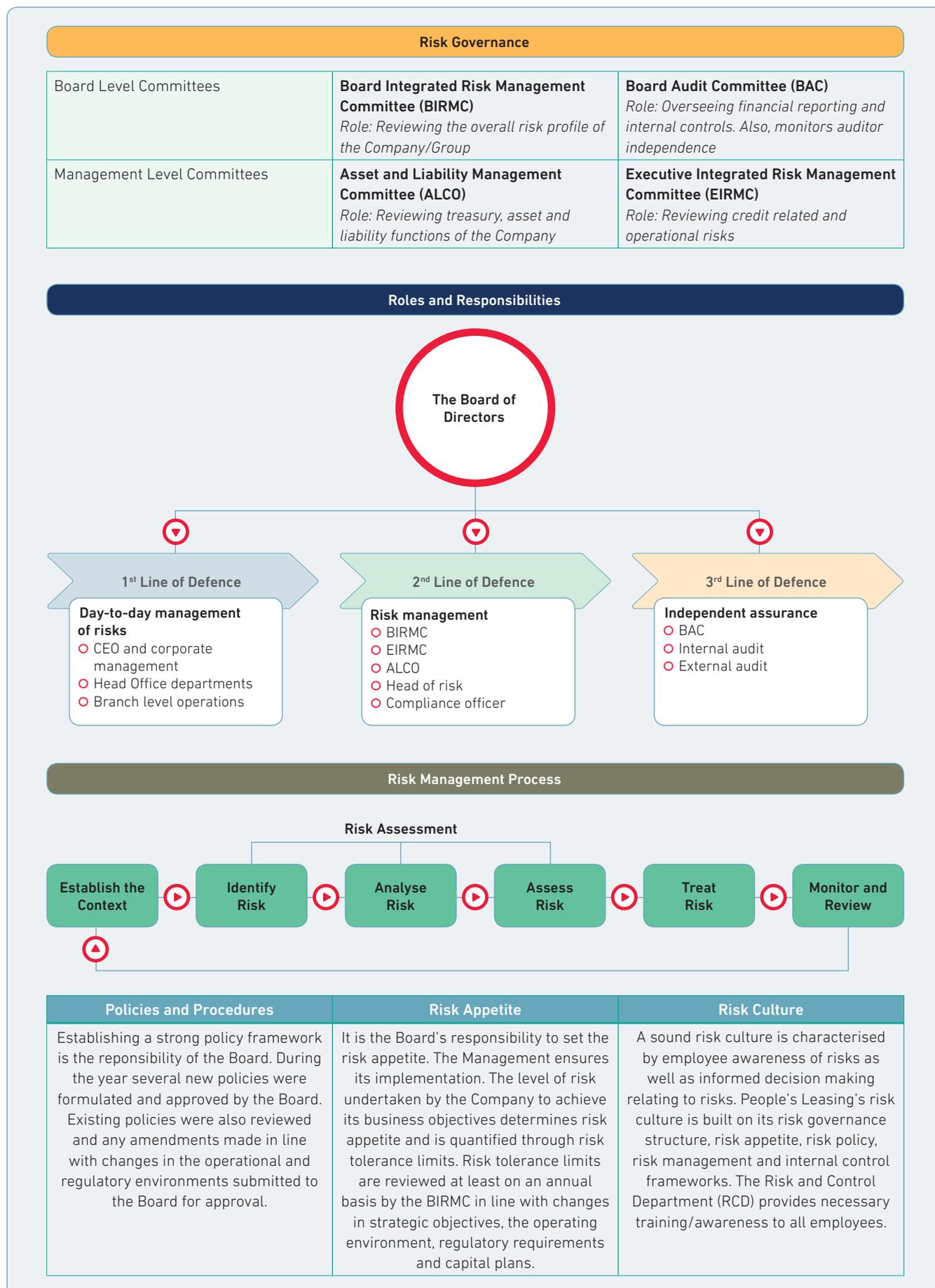
Risk Landscape

The external environment during the year was dominated by the uncertainties and unprecedented challenges brought on by the COVID-19 pandemic. A combination of factors including the spread of COVID-19 locally, resultant lockdowns and the slowdown in the global economy caused an economic downturn in the country, changed the way we do business, gave rise to regulatory action and emphasised focus on the health and safety of employees and customers. The risks that emerged in this environment with its impact and mitigant actions adopted are detailed below.

Externally Driven Risks

Risk	Impact	Mitigating Actions
A country-wide lockdown together with mobility restrictions that helped to curb the spread of COVID-19 had a negative impact on output and productivity	<ul style="list-style-type: none"> ○ Lower profitability of the corporate sector affected household incomes ○ The capacity of individuals and corporates to repay debt declined 	<ul style="list-style-type: none"> ○ Debt moratoriums and loans at concessionary rates were provided for affected individuals, businesses and corporates according to guidelines issued by CBSL ○ For those not qualifying for CBSL mandated moratoriums, People's Leasing provided its own concessions
Health and safety of our employees and customers due to the spread of COVID-19 could be compromised	<ul style="list-style-type: none"> ○ Minimised interaction with customers affecting personalised face to face services ○ The Company had to work with reduced staff numbers 	<ul style="list-style-type: none"> ○ Customer services facilitated on-line, to ensure uninterrupted service ○ Implemented WFH arrangements in line with the WFH Policy of the Company and put in place effective staff roster plans
The financial services sector was under intense pressure	<ul style="list-style-type: none"> ○ Growth of the loan portfolio decreased ○ NPLs and impairment charges increased 	<ul style="list-style-type: none"> ○ Initiated strategies to grow business volumes and strengthened recovery actions ○ Followed stringent pre-credit sanctioning and post credit monitoring
The accommodative monetary policy stance followed by CBSL to revive the local economy through multiple reductions in policy rates and the Statutory Reserve Ratio (SRR), resulted in deposit rates falling significantly	<ul style="list-style-type: none"> ○ Depositors shifted towards unauthorised deposit taking institutions or investing in avenues such as the stock market to obtain higher returns ○ Margin compression amid lower interest rates 	<ul style="list-style-type: none"> ○ Closely monitored market interest rate movements and repriced our products to attract customers
Excess market liquidity with CBSL reducing the minimum liquidity requirements for NBFIs	<ul style="list-style-type: none"> ○ Excess liquidity at People's Leasing creating negative carry 	<ul style="list-style-type: none"> ○ Encouraged deposit outflow ○ Strategic decision made to invest on expanding the business that will result in increased business volumes
A slowdown in economic growth	<ul style="list-style-type: none"> ○ Unfavourable credit environment ○ Decline in demand for credit 	<ul style="list-style-type: none"> ○ Cautious in granting credit to sectors that are vulnerable to economic downturns
Government restrictions on motor vehicle imports	<ul style="list-style-type: none"> ○ Unusual vehicle price spike in the local market 	<ul style="list-style-type: none"> ○ Built awareness of the real value of vehicles among employees (vehicle value dashboard) ○ Utilised the opportunity to reduce losses on disposals
A significant change in customers' demand patterns from pre-pandemic behaviour	<ul style="list-style-type: none"> ○ Customer preference was for internet and mobile banking that facilitated social distancing 	<ul style="list-style-type: none"> ○ Promoted 'PLC Online'

A Framework for Managing Risks



Role of Committees

Board Level	
BIRMC	BAC
<i>Chaired by: Non-Executive, Independent Director</i>	<i>Chaired by: Non-Executive, Senior Independent Director</i>
Members: Two Non-Executive, Non-Independent Directors, CEO/GM, two SDGMs – Operations, DGM – Risk and Control Regular invitees included; DGM – Marketing, DGM – Recovery and Administration, DGM – Internal Audit, representative officers of People's Leasing subsidiary companies	Members: Three Non-Executive Directors Invitees included; Key Management Personnel, External Auditors
Key function: Reviewing the overall risk profile of the Company/Group	Key function: Overseeing financial reporting, internal controls and monitoring auditor independence
Meeting frequency: Quarterly	Meeting frequency: Quarterly
Reporting: Minutes of the BIRMC meeting to the Board <i>(Detailed report of the BIRMC is given on pages 150 to 152)</i>	Reporting: Minutes of BAC to the Board <i>(Detailed report of the BAC is given on pages 144 to 145)</i>
Management Level	
ALCO	EIRMC
<i>Chaired by: CEO/GM</i>	<i>Chaired by: DGM - Risk and Control</i>
Members: Two SDGMs - Operations, DGM – Risk and Control, DGM – Recoveries and Administration, DGM – Marketing, CM – FD and Savings, CM – Finance, Head of Treasury	Members: Members of Corporate management, CMs – Operations, SM – Operation, Risk owners of functional areas
Key function: Reviewing treasury, asset and liability functions of the Company	Key function: Reviewing credit related risks and operational risks
Meeting frequency: Monthly. Special meetings conducted for urgent matters	Meeting frequency: Quarterly
Reporting: Minutes of the meeting to the Board and a report of meeting highlights on a quarterly basis to the BIRMC	Reporting: Recommendations to the CEO/GM Minutes of the meeting to the BIRMC

Credit Risk

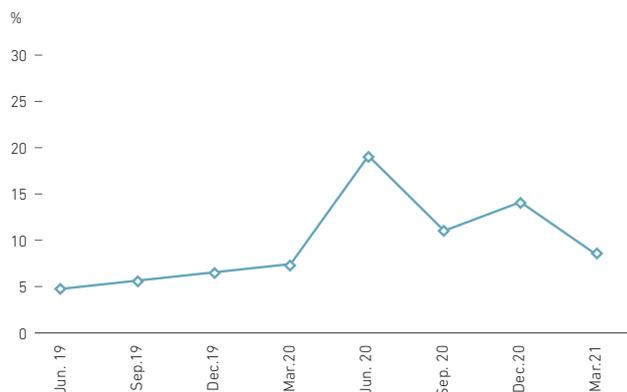
The disruptions to individuals and businesses caused by the COVID-19 pandemic had a high impact on credit risk. Customers' inability to meet debt obligations due to restrictions in economic activity and cautious spending during this period, lowered credit growth and increased NPLs/impairment charges. As we contributed to the Government's efforts at resuscitating the economy by offering moratoriums on loans/leases and granting working capital loans at concessionary rates, we also strengthened our recovery actions and followed stringent pre-credit sanctioning and post credit monitoring.

Overview

Definition	Credit Risk Components
The risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations.	<ul style="list-style-type: none"> ○ Default Risk ○ Concentration Risk ○ Recovery Risk

Audited Rs. million	2020/21	2019/20
Maximum credit exposure		
Gross loans and receivables	150,656	156,498
Provisions for impairment		
Individual impairment	1,168	1,316
Collective impairment	8,100	7,434
Net loans and receivables	141,388	147,748
Fair value of loans and receivables	163,635	155,825

Gross NPA Ratio*

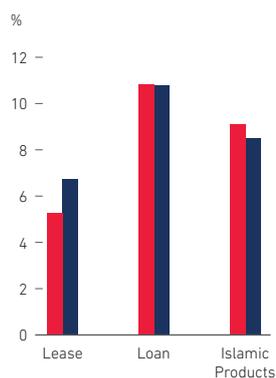


*includes future interest component

Impairment Coverage Against Non-Performing Advances



Product wise NPA ratio Comparison



■ Mar-20
■ Mar-21

Note:

NPA Ratio of Hire Purchase product has not depicted here as it is a discontinued product. The net portfolio as at 31 March 2021 was only Rs. 30.71 million.

Key Developments in 2020/21

Strengthening the Process

- The RCD independently evaluated credit proposals and post disbursement reviews of active and disposal loss facilities including review of high value facilities. Identified gaps were communicated to appropriate authority levels (branch managers, CMs/ Zonal SDGMs/ DGM – Marketing/ DGM – Internal Audit).
- The EIRMC monitored negative trends of asset quality ratios, assessed infectious ratios which is a calculation of the arrears levels of recent one year grantings and discussed, actioned and monitored credit operational issues.
- Introduced CRIB score for customer rating.
- Reviews were carried out for existing credit risk policies and several new credit risk policies were developed, reviewed and approved during the year.
- Review of credit authority limits based on Credit Competency Score. During the year, credit approval authority at Branch level was withdrawn and given centrally at the Head Office, as we strived to improve credit scrutiny and credit quality.
- Maintained a panel of property valuers to assess collateral valuations for property and created a pool of approved vehicle valuers in our system.

Credit Risk Policies Reviewed

- Credit Policy
- Margin Trading Credit Policy and Guidelines
- Factoring Credit Policy
- Policy on Valuation and Inspection of Immovable Properties

New Credit Risk Policies

- Policy on Post Disbursement Review
- Provisioning Policy for Margin Trading
- Provisioning Policy for Factoring

Credit Granting Process

Credit Appraisal

Credit proposals are evaluated in line with Credit Policy and operational guidelines

Risk Treatment and Pricing

Cashflows and collateral are scrutinised. Professional valuations on collateral obtained. ALCO is responsible for asset and liability pricing

Credit Approval

Credit approvals in accordance with delegated authority levels

Credit Disbursements

Approved facilities are disbursed by the payment unit at Head Office once clearance is given

Credit Risk Monitoring and Review

RCD monitors credit risk and reports to the CEO/GM and EIRMC



Credit Risk Mitigants

- Credit Risk Policy and procedures
 - Credit risk limits
 - Credit authority limits

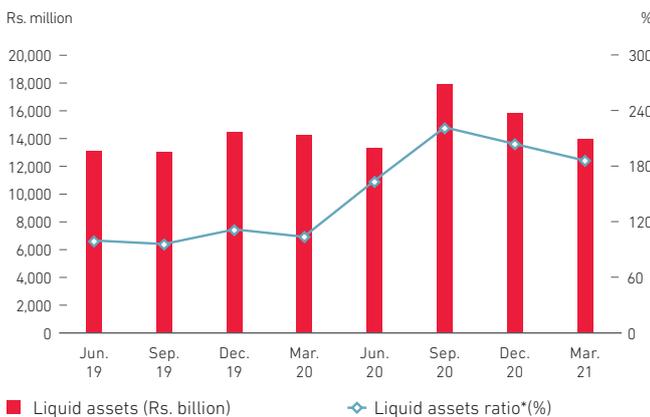
Liquidity Risk

There was excess liquidity in the market during the year as credit growth slowed and CBSL reduced the minimum liquidity requirements for NBFIs. Liquidity maintained by the sector was well above the regulatory minimum levels by end December 2020. The overall liquid assets available in the sector recorded a surplus of Rs. 89 billion against the regulatory minimum of Rs. 50.7 billion and the liquidity ratio (liquid assets against deposits and borrowing) increased to 13.0% by end December 2020 (2019: 11.3%). People's Leasing too experienced excess liquidity, resulting in a negative carry situation, which we were able to overcome to an extent during the latter half of the year, as business volumes increased and by encouraging deposit outflows.

Overview

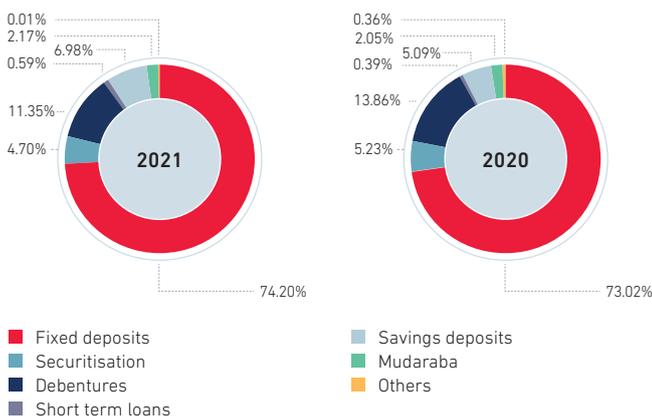
Definition	Liquidity Risk Components	Credit Rating
The risk of insufficient financial resources to meet company obligations as and when due or meeting such obligations at an excessive cost. Liquidity risk arises from a mismatch in the timing of cash flows.	<ul style="list-style-type: none"> ○ Central Bank liquidity risk ○ Funding liquidity risk ○ Market liquidity risk 	A+(lka) by Fitch Ratings Lanka

Liquid Assets and Liquid Assets Ratio

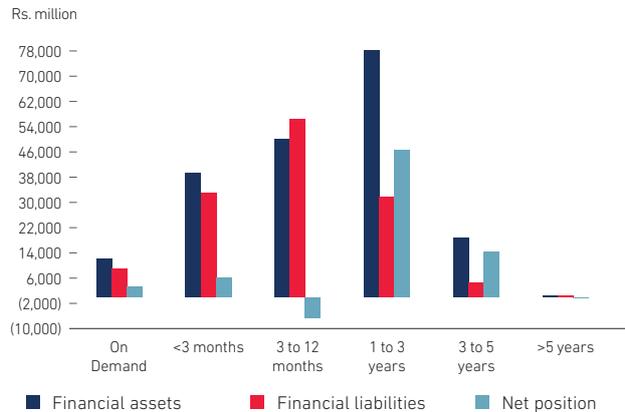


*Liquid asset ratio: liquid assets available/liquid assets required as per CBSL Direction.

Funding Diversification



Maturity Profile of Financial Assets and Liabilities - as at 31 March 2021



Capital Adequacy



Stress Test for Liquid Assets (Immediate withdrawal of deposits)

Scenario	1 (%)	2 (%)	3 (%)
Magnitude of shock	10	15	20
Liquid asset ratio*	58.20	(20.86)	(108.64)
Liquid asset ratio*-after adjusting for contingent funds	389.12	327.34	258.76

*Liquid asset ratio: liquid assets available/liquid assets required as per CBSL Direction.

Effective Processes



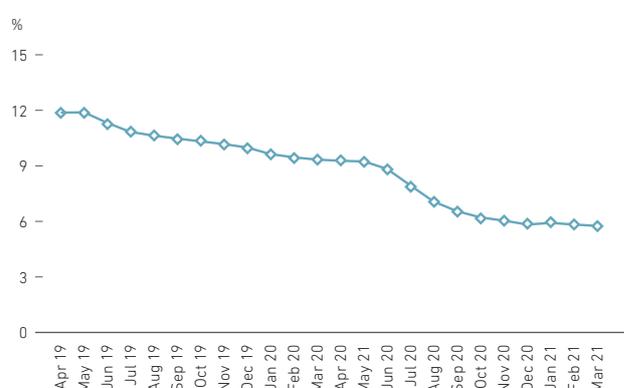
Developments in 2020/21

Downward revision by CBSL of the statutory liquidity requirements to be maintained by NBFIs resulted in excess funds at People's Leasing, causing a negative carry situation. This was reviewed by ALCO and it was decided to invest in alternative investment opportunities based on scenario analyses.

Excess funds were utilised to drive business growth through our leasing/lending portfolio while ensuring that minimum regulatory liquidity requirements were met, even if revised to pre COVID-19 levels.

Risk tolerance levels were set above regulatory requirements to be more prudent and to ensure triggers prior to the ratios reaching the minimum regulatory requirement.

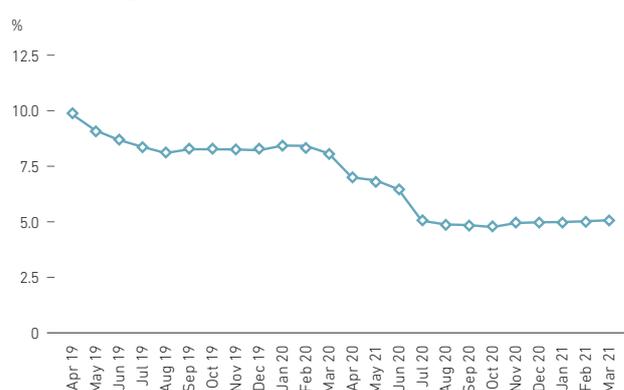
AWPLR Movements (Avg)



Market Risk

Of the various components of market risk, People's Leasing's exposure to interest rate risk was high, with the exposure to other risks being either low or negligible. The year was characterised by a low interest rates as CBSL maintained an accommodative monetary policy stance to aid economic revival. We monitored market interest rate movements closely to ensure repricing of deposits and lending rates to attract business whilst simultaneously maintaining our profit margins.

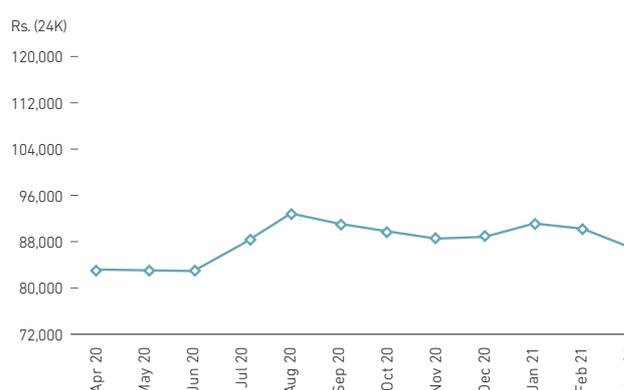
TB Rates (Avg)



Overview

Definition	Components of Market Risk	
	Risk Category	Risk Exposure
The risk that movements in market factors, such as foreign exchange rates, interest rates, equity prices and commodity prices, will reduce our market value or earnings.	Interest rate risk	High
	Commodity price risk	Low
	Equity investment risk	Negligible
	Foreign exchange Risk	Negligible

Gold Price Movement



Stress test on NII on the Interest rate shock

Impact on NII Rs. '000	2021		2020	
	Increase	Decrease	Increase	Decrease
1%	(76,837)	76,837	(52,577)	52,577
3%	(153,675)	153,675	(105,154)	105,154
5%	(230,512)	230,512	(157,732)	157,732

Effective Processes

Effective Processes			
Treasury	ALCO	BIRMC	Board
Interest Rate Risk			
<ul style="list-style-type: none"> The Treasury regularly monitored the interest rate environment and the movement of key interest rate indices. Eg: AWLPR and treasury bill rates A report is provided to the ALCO for decision making on deposit and lending rates to maintain desired margins 	<ul style="list-style-type: none"> Monthly review of Interest re-pricing gap analysis Performance of sensitivity analysis to determine the impact on NII for a 1% change in interest rate Reviewed the interest rate environment and determined deposit and lending rates to ensure desired margins are maintained 	<ul style="list-style-type: none"> Quarterly review of interest rate sensitivity and re-pricing gap ratios against pre-defined risk tolerance levels Quarterly review of stress testing on the impact of interest rates in net interest margin and profitability 	Review ALCO minutes submitted monthly to the Board
Commodity Price Risk			
<ul style="list-style-type: none"> The centrally established Gold Loan Unit monitors the gold loan units in the branch network RCD monitors daily gold price movements and assesses gold price volatility 	<ul style="list-style-type: none"> Monthly review of gold price movements, price volatility and product performance Action taken on immediate escalations of negative price movements in gold prices 		Held the primary responsibility for integrated risk management at People's Leasing
Equity Investment Risk			
<ul style="list-style-type: none"> The margin trading department regularly monitored the movement in stock market prices, broader economic conditions and the political environment which could potentially have an impact on share prices 	<ul style="list-style-type: none"> Monthly review of the detailed equity investment report Decided on appropriate action to be taken on equity exceeding the stop loss limit 		Board approved the equity investment policy and the share trading policy
Foreign Exchange Risk			
<ul style="list-style-type: none"> Foreign currency was not kept in open positions during the year 			

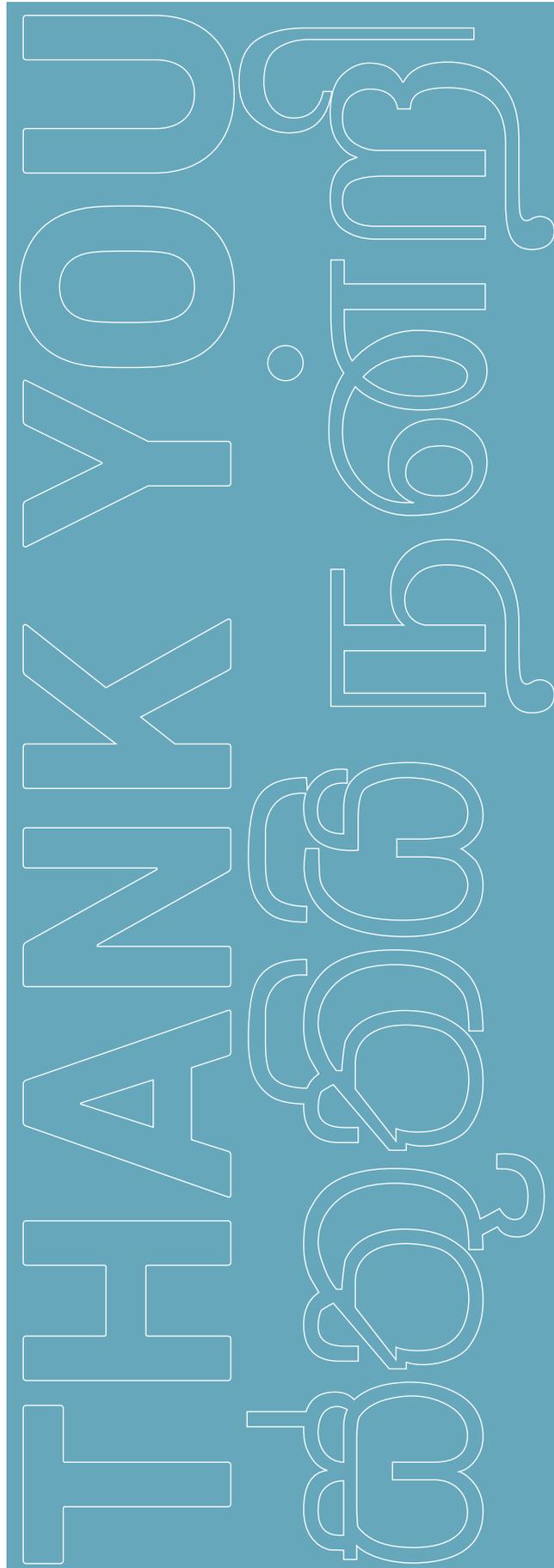
Operational Risk

The way we conducted business and the way we worked changed due to the health and safety regulations that stemmed from the COVID-19 pandemic. WFH practices, customers preference for transacting via online channels heightened information security risk. Business continuity planning was vital and a successful BCP testing conducted during the year was critical to effectively transform our business to meet the challenges of the COVID-19 pandemic.

Overview

Definition: Operational risk arises due to inadequate and inappropriate internal processes, systems and people or from external events.
Mitigating Operational Risk
<p>Information System Security</p> <ul style="list-style-type: none"> People's Leasing is ISO 27001:2013 certified, ensuring that we meet the requirements for establishing, implementing, maintaining and continually improving our information security management system as well as assessing and treating information security risks. A Board approved risk assessment methodology for technology risks is in place which is reviewed annually for all hardware, software, information and human assets. The IT risk management process is the responsibility of the ICT department.
<pre> graph LR A[Risk assessment] --> B[Risk treatment] B --> C[Review and monitoring of risks] </pre>
<ul style="list-style-type: none"> In 2020/21, the RCD, as the second line of defence, commenced independently reviewing the IT risk assessment carried out by the ICT Department. The BIRMC is quarterly updated on these reviews carried out by the RCD.

<p>Business Continuity Planning (BCP)</p> <ul style="list-style-type: none"> ○ People's Leasing's BCP has been developed based on risk assessment and a business impact analysis. ○ During the year a BCP testing was carried out that included updating the call tree and recovery teams together with drills of time critical processes. ○ Based on the results and observations of this test, steps were taken to strengthen our business continuity infrastructure, to enable us to be ready for any given emergency. This experience proved to be invaluable as we formulated our response for the unprecedented business disruptions caused by the COVID-19 pandemic. ○ Region-wise emergency response teams were formed and deployed to branches affected by COVID-19. E.g. branches that were required to be closed due to COVID-19 infected employees. 		
<p>Health and safety of employees</p> <ul style="list-style-type: none"> ○ Adhered to all Government mandated health and safety regulations for the COVID-19 pandemic. ○ WFH arrangements facilitated wherever possible. ○ Staff members made aware of importance of adhering to safety measures through emails and the Company intranet. 		
<p>WFH</p> <ul style="list-style-type: none"> ○ Risks such as cyber security risk and theft and fraud have been identified due to WFH arrangements. Board approved policies for WFH and remote access were implemented during the year. ○ Laptops provided to employees increased the risk of theft and fraud. This risk was mitigated by an individual employee taking responsibility for the laptop assigned and signing an agreement with the Company to that effect. ○ The risk of cyber security risk arising from remote access provided to enable WFH was mitigated by VPN access through firewall user authentication, VPN Policy, Password Policy and access control mechanisms, VPN access log reporting and by using PC hardening policies in laptops. 		
<p>Insurance Arrangements</p> <ul style="list-style-type: none"> ○ RCD maintains the list of insurance policies of the Company. ○ All insurance policies were reviewed by the RCD during the year to ensure timely renewals and active status. 	<p>Outsourcing</p> <ul style="list-style-type: none"> ○ The outsourcing policy of People's Leasing was reviewed during the year and amendments approved by the Board in March 2021. ○ Policies and procedures are in place to ensure that all significant risks arising from outsourcing are identified and effectively managed on a continuous basis. 	<p>Review of Operational Risk</p> <ul style="list-style-type: none"> ○ Tracking of risk events at Branch level by the RCD commenced this year and was presented to management on a risk matrix. ○ Appropriate risk mitigation actions were implemented to minimise operational risk. ○ Key controls were introduced into processes to reduce operational risk.
<p>Other Risks</p> <p>People's Leasing faces risks such as compliance and regulatory risks, legal risks, strategic risk, reputational risk and Group risk. A detailed report on the compliance function is given on pages 108 to 110. Other risks are mitigated through employing experienced personnel, monitoring and review at relevant managerial levels upto Board level and our commitment to ethical business practices.</p>		



FINANCIAL REPORTS

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		2020/21	2021/22
Interim financial statements publication 	Q1 ended 30 June	14 September 2020	Before 15 August 2021
	Q2 ended/ending 30 September	03 November 2020	Before 15 November 2021
	Q3 ended/ending 31 December	12 February 2021	Before 15 February 2022
	Q4 ended/ending 31 March	25 May 2021	Before 30 May 2022
Financial statements publication 	Six months ended 30 September 2020	24 November 2020	
	Year ended 31 March 2021	29 June 2021	
	Six months ending 30 September 2021		Before 31 December 2021
	Year ending 31 March 2022		Before 30 June 2022
Annual Report publication 	Publication of Annual Report	August 2021	June 2022
Annual General Meeting 	Annual General Meeting	25th Annual General Meeting 5 August 2021	26th Annual General Meeting Before June 2022
Dividend payment 	Interim Dividend - Scrip Scrip dividend for the year ended 31 March 2021	15 December 2020	

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group), in accordance with the provisions of the Companies Act No. 7 of 2007, is set out in this statement.

The Directors confirm that the Financial Statements of the Company and the Group give a true and fair view of the financial position as at 31 March 2021 and the financial performance for the financial year then ended and place the same before the Annual General Meeting. These Financial Statements comprise:

- Statement of Financial Position
- Statement of Profit or Loss
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash flows
- Notes to the Financial Statements

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

- The appropriate accounting policies have been selected and applied in a consistent manner, material departures if any, have been disclosed and explained;
- All applicable accounting standards as relevant have been followed; and
- Reasonable and prudent judgments and estimates have been made.

The Directors of the Company and the Group have responsibility for ensuring that the Company and the Group keep proper books of accounts of all the transactions as per Sections 150 (1), 151, 152 and 153(1) and (2) of the Companies Act No. 07 of 2007.

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

The Financial Statements of the Company and the Group have been certified by the Company's Chief Financial Officer, the officer responsible for their preparation as required by Section 150(1) (b) and of 152(1) (b) of the Companies Act No. 07 of 2007. In addition, the Financial Statements of the Company and the Group have been signed by two Directors on 4 June 2021 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements.

In compliance with Section 148 (1) of the Companies Act No. 07 of 2007, the Directors are also responsible for ensuring that proper accounting records, which explain the Company's transactions and assist in determining the Company's financial position with reasonable accuracy at point of time, are maintained by the Company and the Group, enabling the preparation of Financial Statements and further enabling the Financial Statements to be readily and properly audited. The Financial Statements for the year 2020/21 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereunder, Listing Rules of the Colombo Stock Exchange and the

Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Board of Directors reviews the financial reporting system directly at its regular meetings and through the Board Audit Committee (BAC), the report of which is given on pages 144 to 145 to ensure that the Company and Group maintain proper books of accounts. Interim Financial Statements published by the Company and the Group are also approved by the Board following a review by the Board Audit Committee (BAC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company and the Group and in this regard give proper consideration to the establishment of an appropriate system of internal control for managing significant risks in the Company and the Group. The 'Directors' Statement on Internal Control over Financial Reporting' is given on page 166.

As required under Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors wishes to confirm that it has authorised the interim dividend in the form of scrip. In this respect, 76,899,372 ordinary voting shares of the Company have been listed with effect from 24 December 2020, pursuant to the scrip dividend in the proportion of 1:21.1666668487. The Board of Directors has authorised the said interim dividend as well as the proposed final dividend after being satisfied that the Company meets the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained, in respect of dividends paid, certificates of solvency from the External Auditor.

The Board of Directors also wishes to confirm that as required under Sections 166 (1) and 167 (1) of the Companies Act

No. 07 of 2007, it has prepared this Annual Report in time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The Directors are required to prepare the Financial Statements and to provide the Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider appropriate to enable them to give their audit opinion. People's Leasing & Finance PLC falls under the definition of 'Auditee Entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company and their responsibilities in relation to the Financial Statements are set out in the 'Independent Auditors' Report,' given on pages 168 to 171.

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable relating to employees of the Company, the Group and the Government and other statutory bodies that were due in respect of the Company and the Group as at the reporting date have been paid or, where relevant provided for. Accordingly the Board of Directors is of the view that it has discharged its responsibilities as set out in this statement.

By order of the Board,



Lakmini Kottegoda
Secretary to the Board

07 July 2021
Colombo

Independent Assurance Report on Internal Control Over Financial Reporting

People's Leasing & Finance PLC
Annual Report 2020/21



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. } BAF/D/PLF/2021/03
My No. }

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி } 29 June 2021
Date }

The Chairman
People's Leasing & Finance PLC

Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control of People's Leasing & Finance PLC

INTRODUCTION

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") of People's Leasing & Finance PLC (the "Company") included in the annual report for the year ended 31 March 2021.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 10(2) (b) of the Finance Companies (Corporate Governance) Direction no.3 of 2008/section 10 (2) (b) of the Finance Leasing (Corporate Governance) Direction no. 4 of 2009, by the institute of Chartered Accountants of Sri Lanka.

MY RESPONSIBILITY AND COMPLIANCE WITH SLSAE 3051

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/Finance Leasing Company on Directors' Statement on Internal Control, issued by the institute of Chartered Accountants of Sri Lanka.

This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

SUMMARY OF WORK PERFORMED

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require me to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgement, having regard to my understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

CONCLUSION

Based on the procedures performed, nothing has come to my attention that causes me to believe that the Statement included in the Annual Report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

W P C Wickramaratne
Auditor General



Directors' Statement on Internal Control Over Financial Reporting

People's Leasing & Finance PLC
Annual Report 2020/21

RESPONSIBILITY

In line with Section 10(2) (b) of the Finance Companies Direction No. 03 of 2008 as amended by the Finance Companies (Corporate Governance – Amendment) Direction No. 06 of 2013, the Board of Directors presents this report on internal control over financial reporting.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the system of internal control in place at People's Leasing & Finance PLC ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of internal control over financial reporting, which is regularly reviewed and enhanced by the Board, taking into account the changes in business environment and regulatory guidelines.

The Board is of the view that the system of internal control over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with the relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to risks and controls over financial reporting by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

Key features of the process adopted in applying and reviewing the design and effectiveness of the internal control system over financial reporting

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

- The Board has appointed various sub-committees to assist in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions approved by the Board.
- Key functional areas of the Company are governed by policies/charters that are approved by the Board. The Board appointed committees review and recommend such policies/charters before seeking the approval of the Board. Such policies/charters are regularly reviewed, updated and approved by the Board.
- The Company's Internal Audit Department checks for compliance with policies and procedures and the effectiveness of the internal control systems/information system controls on an ongoing basis using samples and rotational procedures. This helps to highlight significant findings of non-compliance. Audits are carried out according to the Annual Audit Plan, which is reviewed and approved by the Board Audit Committee. The type and frequency of audits of business units/processes are determined by the level of risk assessed, to provide an independent and objective report. All significant findings identified by the Internal Audit Department are submitted to the Board Audit Committee.

- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and the Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope and independence of internal audit and the resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report.
- In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of the design and implementation effectiveness, on an ongoing basis.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will continue in its financial reporting and management information.

The Board has given due consideration to the requirements of SLFRS 9 "Financial Instruments". The required modules have been implemented and progressive improvements on processes and controls are being made to strengthen the processes and controls

around the management information systems and reports required for model validation and compliance in line with SLFRS 9.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The External Auditor has reviewed the above Directors' Statement on Internal Control Over Financial Reporting for the year ended 31 March 2021 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the system of internal control of the Company.

By order of the Board



Coralie Pietersz
Chairperson
Board Audit Committee



Sujeeva Rajapakse
Chairman



Rohan Pathirage
Director

29 June 2021
Colombo

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

The Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) as at 31 March 2021 are prepared and presented in conformity with the following requirements:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- Companies Act No. 07 of 2007 and amendments thereto;
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995;
- Directions issued to Licensed Finance Companies by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011;
- Listing Rules of the Colombo Stock Exchange, and
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The Group on a quarterly basis presents Interim Financial Statements to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Company's External Auditor and the Board Audit Committee.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and 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. We also confirm that the Group has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

To ensure this, the Company and the Group has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Internal Audit department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control systems and procedures, the quality of accounting policies and their adherence to statutory and regulatory requirements, the external audit plan and the management letters and also followed up on any issues raised during the statutory audit, the details of

which are given in the "Board Audit Committee Report" on pages 144 and 145 of this Annual Report. The Financial Statements of the Company and Consolidated Financial Statements of the Group were audited by Auditor General and his report is given on pages 168 to 171 of this Annual Report.

We confirm that;

- the Group has complied with all applicable laws, regulations and prudential requirements, there is no material non-compliance;
- there are no material litigations that are pending against the Group other than those disclosed in Note 53.1.1 on page 270 of the Financial Statements of this Annual Report.

All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees as at 31 March 2021 have been paid, or where relevant provided for.



Shamindra Marcelline
Chief Executive Officer



Omal Sumanasiri
Chief Manager - Finance

07 July 2021
Colombo



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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My No. }

BAF/D/PLF/2021/01

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Your No. }

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திகதி }
Date }

07 June 2021

Chairman
People's Leasing & Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People's Leasing & Finance PLC and its Subsidiaries for the year ended 31 March 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. FINANCIAL STATEMENTS 1.1 Opinion

The audit of the financial statements of the People's Leasing & Finance PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021 comprising the statement of financial position as at 31 March 2021, and statement of profit or loss, statement

of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as

at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.





Key audit matter	How my audit addressed the key audit matter
<p>Impairment allowance for loans and receivables</p> <p>As at 31 March 2021, 82% of its total assets of the Group consisted of loans and receivables amounting to Rs. 149,342 million (Note 25), net of impairment allowance of Rs. 9,882 million (Note 25).</p> <p>As described in Note 25.7, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard – SLFRS 9 Financial Instruments (SLFRS 9).</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> ○ materiality of the reported impairment allowance which involved spread sheets calculations; and ○ the degree of assumptions, judgements and estimation uncertainty associated with the calculations. <p>Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following:</p> <ul style="list-style-type: none"> ○ the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the group); ○ forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses. 	<p>I assessed the alignment of the Group's expected credit loss computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of my report.</p> <p>Audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> ○ I evaluated the design effectiveness of controls where relevant over estimation of impairment of loans and receivables, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management. ○ I checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records of the Company. ○ I test-checked the underlying calculations. ○ In addition to the above, following focused procedures were performed: <p>For a sample of loans and receivables individually assessed for impairment:</p> <ul style="list-style-type: none"> ○ Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and ○ Where impairment indicators existed, I assessed the reasonableness of management's estimated future recoveries including the expected future cash flows considering Government relief measures, discount rates and the valuation of collateral held, on a sample basis <p>For loans and receivables collectively assessed for impairment:</p> <ul style="list-style-type: none"> ○ Assessing the reasonableness of assumptions and estimates used by management including the reasonableness of forward-looking information and scenarios; and ○ As relevant, assessing the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic. ○ I assessed the adequacy of the related financial statement disclosures as set out in Notes 11 and 25.
<p>IT systems and controls relevant to financial reporting</p> <p>The Group uses multiple IT systems in its operations. I selected IT systems and controls relevant to financial reporting as a key audit matter due to:</p> <ul style="list-style-type: none"> ○ The Group's financial reporting process being heavily dependent on information derived from its IT systems and ○ Key financial statement disclosures involving the use of multiple system – generated reports and calculations there on ○ A changed working environment of increased remote access. 	<p>My audit procedures included the following, amongst others:</p> <ul style="list-style-type: none"> ○ Understanding the security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access. ○ Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and gathering of required information in calculating the significant information for financial statements disclosures. ○ Checking the source data of the reports used to generate significant disclosures for accuracy and completeness; ○ Assessing the reasonability of management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant.



Key audit matter	How my audit addressed the key audit matter
<p>Impact of moratoriums and other relief measures on recognition of interest income</p> <p>Moratoriums and other relief measures were granted by the Group to customers affected by the COVID – 19 Pandemic.</p> <p>Impact of moratoriums and other relief measures on the recognition of interest income on loans & receivables was a key audit matter due to:</p> <ul style="list-style-type: none"> ○ Significant judgments that were applied in determining whether such moratoriums and other relief measures have resulted in substantial modifications or not to contracts, with customers. ○ Use of spread sheet-based calculations by management to quantify the impacts of such moratoriums and other relief measures on the amount of revenue recognized for the period. 	<p>My audit procedures included the following, amongst others;</p> <ul style="list-style-type: none"> ○ I gained an understanding of the process adopted by the Group to grant, record and account for moratoriums and other relief measures provided to customers. ○ I assessed the reasonableness of judgements applied by management in determining whether moratoriums and other relief measures have resulted in substantial modifications or not, to customer contracts, on a sample basis. This included evaluating whether interest income on modified contracts have been recognized in line with its accounting policy for interest revenue recognition. ○ I tested the accuracy of underlying spread sheet-based calculations. My procedures included testing the completeness and accuracy of the data used in such spread sheet-based calculations, by agreeing to source documents and moratorium customer returns, on a sample basis.

1.4 Other information included in the Group's 2021 Annual Report.

The other information comprises the information included in the Group's 2021 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Group.

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company's as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018;

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W P C Wickramaratne
Auditor General

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Statement of Profit or Loss

People's Leasing & Finance PLC
Annual Report 2020/21

For the year ended 31 March	Note	Page No.	Company			Group		
			2021 Rs. '000	2020 Rs. '000	Change %	2021 Rs. '000	2020 Rs. '000	Change %
Gross income	5	188	27,103,798	33,599,314	(19.33)	33,645,265	40,054,830	(16.00)
Interest income	6.1	189	24,983,445	31,459,108	(20.58)	26,821,838	33,282,879	(19.41)
Less: Interest expense	6.2	189	13,064,310	15,786,586	(17.24)	13,375,197	16,110,935	(16.98)
Net interest income	6	188	11,919,135	15,672,522	(23.95)	13,446,641	17,171,944	(21.69)
Net earned premium	7	190	-	-	-	5,028,549	5,202,030	(3.33)
Fee and commission income	8	191	1,818,675	1,694,014	7.36	1,198,054	1,165,632	2.78
Net gains/(losses) on financial assets - FVTPL	9	192	162,616	11,017	1,376.05	228,258	19,586	1,065.41
Other operating income	10	192	139,062	435,175	(68.04)	368,566	384,703	(4.19)
Total operating income			14,039,488	17,812,728	(21.18)	20,270,068	23,943,895	(15.34)
Less: Impairment charges and other losses for loans and receivables	11	193	1,043,837	4,646,683	(77.54)	1,352,489	4,901,902	(72.41)
Impairment charges for right-of-use assets	33	245	-	36,965	(100.00)	-	36,965	(100.00)
Impairment charges for goodwill	34	246	99,209	68,145	45.59	99,209	68,145	45.59
Net operating income			12,896,442	13,060,935	(1.26)	18,818,370	18,936,883	(0.63)
Less: Expenses								
Personnel expenses	12	196	3,465,373	3,701,385	(6.38)	4,354,636	4,561,026	(4.53)
Depreciation and amortisation	13	196	722,994	717,021	0.83	647,693	635,998	1.84
Benefits, claims and underwriting expenditure	14	197	-	-	-	2,663,347	3,441,937	(22.62)
Other operating expenses	15	198	1,612,859	2,088,244	(22.76)	2,048,058	2,565,073	(20.16)
Total operating expenses			5,801,226	6,506,650	(10.84)	9,713,734	11,204,034	(13.30)
Operating profit before taxes on financial services			7,095,216	6,554,285	8.25	9,104,636	7,732,849	17.74
Less : Tax on financial services	16	198	1,222,628	2,002,460	(38.94)	1,273,966	2,030,532	(37.26)
Profit before income tax expense			5,872,588	4,551,825	29.02	7,830,670	5,702,317	37.32
Less : Income tax expense	17	199	1,839,568	1,609,317	14.31	2,234,336	2,110,568	5.86
Profit for the year			4,033,020	2,942,508	37.06	5,596,334	3,591,749	55.81
Profit attributable to								
Equity holders of the Company			4,033,020	2,942,508	37.06	5,294,015	3,408,670	55.31
Non-controlling interest	49	268	-	-	-	302,319	183,079	65.13
Profit for the year			4,033,020	2,942,508	37.06	5,596,334	3,591,749	55.81
Basic / Diluted earnings per ordinary share (Rs.)	18	202	2.37	1.73	36.99	3.11	2.00	55.50
Dividend per Ordinary share (Rs.)	19	203	0.60	1.20	(49.88)			

The Notes appearing on pages 179 to 307 form an integral part of the Financial Statements.

Statement of Comprehensive Income

People's Leasing & Finance PLC
Annual Report 2020/21

For the year ended 31 March	Note	Page No.	Company			Group		
			2021 Rs. '000	2020 Rs. '000	Change %	2021 Rs. '000	2020 Rs. '000	Change %
Profit for the year			4,033,020	2,942,508	37.06	5,596,334	3,591,749	55.81
Other comprehensive income, net of tax								
Items to be reclassified to profit or loss in subsequent years (net of tax):								
Net gains/(losses) arising from translating the Financial Statements of the foreign subsidiary	48.4	267	-	-	-	141,728	139,129	1.87
Net items to be reclassified to profit or loss in subsequent years			-	-	-	141,728	139,129	1.87
Items not to be reclassified to profit or loss in subsequent years (net of tax):								
Net actuarial gains/(losses) on defined benefit plans								
Actuarial gains and losses on retirement benefit obligation	43.2	260	107,003	172	62,111.05	106,891	1,225	8,625.80
Deferred tax effect on actuarial gains and losses	44.1	263	(29,961)	(49)	(61,044.90)	(27,690)	(91)	(30,328.57)
Financial assets - Fair value through other comprehensive income								
Gains/(losses) on re-measuring	48.3	267	(15,263)	(49,372)	69.09	(5,512)	(61,300)	91.01
Net items not to be reclassified to profit or loss in subsequent years			61,779	(49,249)	225.44	73,689	(60,166)	222.48
Other comprehensive income for the year, net of tax			61,779	(49,249)	225.44	215,417	78,963	172.81
Total comprehensive income for the year			4,094,799	2,893,259	41.53	5,811,751	3,670,712	58.33
Attributable to:								
Equity holders of the Company			61,779	(49,249)	225.44	212,979	82,278	158.85
Non-controlling interest	49	268	-	-	-	2,438	(3,315)	173.54
Other comprehensive income for the year, net of tax			61,779	(49,249)	225.44	215,417	78,963	172.81
Total comprehensive income for the year			4,094,799	2,893,259	41.53	5,811,751	3,670,712	58.33

The Notes appearing on pages 179 to 307 form an integral part of the Financial Statements.

Statement of Financial Position

People's Leasing & Finance PLC
Annual Report 2020/21

As at 31 March	Note	Page No.	Company			Group		
			2021 Rs. '000	2020 Rs. '000	Change %	2021 Rs. '000	2020 Rs. '000	Change %
Assets								
Cash and cash equivalents	22	212	2,703,031	7,164,139	(62.27)	3,844,694	7,693,032	(50.02)
Balances with banks and financial institutions	23	213	5,399,071	3,207,440	68.33	8,231,101	6,661,407	23.56
Financial assets - Fair value through profit or loss	24	214	109,787	1,031,719	(89.36)	1,281,753	1,198,592	6.94
Loans and receivables - Amortised cost	25	216	141,387,907	147,747,511	(4.30)	149,342,332	154,134,934	(3.11)
Insurance and reinsurance receivables	26	233	-	-	-	1,024,461	1,194,933	(14.27)
Financial assets - Fair value through other comprehensive income	27	234	309,118	324,381	(4.71)	735,494	1,455,702	(49.47)
Debt instrument - Amortised cost	28	236	6,994,206	4,106,963	70.30	8,593,386	4,813,439	78.53
Investments in subsidiaries	29	236	3,213,788	3,213,788	-	-	-	-
Investment property	30	238	-	-	-	820,664	1,131,652	(27.48)
Other assets	31	240	575,220	1,147,001	(49.85)	932,018	1,235,329	(24.55)
Property, plant and equipment	32	241	1,049,250	1,143,929	(8.28)	4,034,265	3,998,370	0.90
Right-of-use assets	33	245	2,242,444	1,939,450	15.62	1,591,297	1,639,482	(2.94)
Deferred tax assets	44	262	415,841	376,291	10.51	594,495	471,841	25.99
Goodwill and intangible assets	34	246	146,446	257,581	(43.15)	265,506	368,574	(27.96)
Total assets			164,546,109	171,660,193	(4.14)	181,291,466	185,997,287	(2.53)
Liabilities								
Due to banks	35	248	6,439,310	7,938,185	(18.88)	9,003,873	10,978,046	(17.98)
Due to customers	36	251	101,502,931	106,701,027	(4.87)	103,743,716	107,685,592	(3.66)
Debt securities issued	37	252	13,825,553	18,479,260	(25.18)	13,684,516	18,338,039	(25.38)
Other financial liabilities	38	255	4,131,671	3,014,117	37.08	4,110,795	2,829,708	45.27
Insurance liabilities and reinsurance payable	39	255	-	-	-	5,015,885	5,065,220	(0.97)
Lease liabilities	40	257	2,286,386	1,909,098	19.76	1,614,660	1,594,245	1.28
Current tax liabilities	41	258	362,450	1,803,309	(79.90)	883,900	2,077,418	(57.45)
Other liabilities	42	259	1,069,120	975,694	9.58	1,156,822	1,052,756	9.89
Retirement benefit obligation	43	259	587,257	592,871	(0.95)	657,778	647,929	1.52
Deferred tax liabilities	44	262	-	-	-	297,568	418,132	(28.83)
Total liabilities			130,204,678	141,413,561	(7.93)	140,169,513	150,687,085	(6.98)
Equity								
Stated capital	45	264	14,892,036	13,915,414	7.02	14,892,036	13,915,414	7.02
Statutory reserve fund	46	265	2,406,995	2,205,344	9.14	2,464,951	2,235,077	10.28
Retained earnings	47	266	17,159,777	14,227,988	20.61	20,682,106	16,517,824	25.21
Other reserves	48	266	(117,377)	(102,114)	14.95	421,319	285,103	47.78
Total equity attributable to equity holders of the Company			34,341,431	30,246,632	13.54	38,460,412	32,953,418	16.71
Non-controlling interest	49	268	-	-	-	2,661,541	2,356,784	12.93
Total equity			34,341,431	30,246,632	13.54	41,121,953	35,310,202	16.46
Total liabilities and equity			164,546,109	171,660,193	(4.14)	181,291,466	185,997,287	(2.53)
Contingent liabilities and commitments	53	270	10,998,111	5,316,892	106.85	11,045,100	5,350,615	106.43
Net asset value per ordinary share (Rs.)	54	271	20.15	18.58	8.42	22.56	20.25	11.45

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

Omal Sumanasiri
Chief Manager - Finance

Shamindra Marcelline
Chief Executive Officer

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board by:

Sujeewa Rajapakse
Chairman

Rohan Pathirage
Director

The Notes appearing on pages 179 to 307 form an integral part of the Financial Statements.

Statement of Changes in Equity

People's Leasing & Finance PLC
Annual Report 2020/21

Company			Other Reserves		Total Equity
	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Retained Earnings	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 1 April 2019	13,236,073	2,058,219	(52,742)	13,361,805	28,603,355
Total comprehensive income for the year					
Profit for the year	-	-	-	2,942,508	2,942,508
Other comprehensive income (net of tax)	-	-	(49,372)	123	(49,249)
Total comprehensive income for the year	-	-	(49,372)	2,942,631	2,893,259
Transactions with equity holders, recognised directly in equity					
Transfers to reserves	-	147,125	-	(147,125)	-
Dividend paid - Interim	-	-	-	(1,139,392)	(1,139,392)
- Final	679,341	-	-	(789,931)	(110,590)
Total transactions with equity holders	679,341	147,125	-	(2,076,448)	(1,249,982)
Balance as at 31 March 2020	13,915,414	2,205,344	(102,114)	14,227,988	30,246,632
Balance as at 1 April 2020	13,915,414	2,205,344	(102,114)	14,227,988	30,246,632
Total comprehensive income for the year					
Profit for the year	-	-	-	4,033,020	4,033,020
Other comprehensive income (net of tax)	-	-	(15,263)	77,042	61,779
Total comprehensive income for the year	-	-	(15,263)	4,110,062	4,094,799
Transactions with equity holders, recognised directly in equity					
Transfers to reserves	-	201,651	-	(201,651)	-
Dividend paid - Interim	976,622	-	-	(976,622)	-
Total transactions with equity holders	976,622	201,651	-	(1,178,273)	-
Balance as at 31 March 2021	14,892,036	2,406,995	(117,377)	17,159,777	34,341,431

The Notes appearing on pages 179 to 307 form an integral part of the Financial Statements.

Group	Stated Capital	Statutory Reserve Fund	Other Reserves		Retained Earnings	Total	Non- controlling Interest	Total Equity
			Fair Value Reserve	Foreign currency translation reserve				
			Rs. '000	Rs. '000				
Balance as at 1 April 2019	13,236,073	2,070,667	(54,705)	261,979	15,198,424	30,712,438	2,269,520	32,981,958
Capital gain tax	-	-	-	-	14	14	-	14
Balance after capital gain tax	13,236,073	2,070,667	(54,705)	261,979	15,198,438	30,712,452	2,269,520	32,981,972
Total comprehensive income for the year								
Profit for the year	-	-	-	-	3,408,670	3,408,670	183,079	3,591,749
Other comprehensive income (net of tax)	-	-	(61,300)	139,129	4,449	82,278	(3,315)	78,963
Total comprehensive income for the year	-	-	(61,300)	139,129	3,413,119	3,490,948	179,764	3,670,712
Transactions with equity holders, recognised directly in equity								
Transfers to reserves	-	164,410	-	-	(164,410)	-	-	-
Dividend paid - Interim	-	-	-	-	(1,139,392)	(1,139,392)	(92,500)	(1,231,892)
Final	679,341	-	-	-	(789,931)	(110,590)	-	(110,590)
Total transactions with equity holders	679,341	164,410	-	-	(2,093,733)	(1,249,982)	(92,500)	(1,342,482)
Balance as at 31 March 2020	13,915,414	2,235,077	(116,005)	401,108	16,517,824	32,953,418	2,356,784	35,310,202
Balance as at 1 April 2020	13,915,414	2,235,077	(116,005)	401,108	16,517,824	32,953,418	2,356,784	35,310,202
Total comprehensive income for the year								
Profit for the year	-	-	-	-	5,294,015	5,294,015	302,319	5,596,334
Other comprehensive income (net of tax)	-	-	(5,512)	141,728	76,763	212,979	2,438	215,417
Total comprehensive income for the year	-	-	(5,512)	141,728	5,370,778	5,506,994	304,757	5,811,751
Transactions with equity holders, recognised directly in equity								
Transfers to reserves	-	229,875	-	-	(229,875)	-	-	-
Dividend paid - Interim	976,622	-	-	-	(976,622)	-	-	-
Total transactions with equity holders	976,622	229,875	-	-	(1,206,497)	-	-	-
Balance as at 31 March 2021	14,892,036	2,464,952	(121,517)	542,836	20,682,105	38,460,412	2,661,541	41,121,953

The Notes appearing on pages 179 to 307 form an integral part of the Financial Statements.

Statement of Cash Flows

People's Leasing & Finance PLC
Annual Report 2020/21

ACCOUNTING POLICY

The Statement of Cash Flows has been prepared by using the 'Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities						
Income from cash and cash equivalent	6.1	189	73,753	40,471	103,501	70,219
Payments to loans and receivables			(47,647,269)	(57,215,121)	(50,862,600)	(60,513,293)
Receipts from loans and receivables			78,976,592	88,503,718	81,166,978	91,218,876
Investment in balances with banks and financial institutions			(24,145,286)	(5,345,867)	(26,225,019)	(7,914,687)
Receipts from balances with banks and financial institutions			22,294,433	5,928,374	25,405,664	9,558,349
Investment in debt instrument at amortized cost			(22,598,347)	(13,139,128)	(23,741,050)	(13,845,604)
Receipts from debt instrument at amortized cost			20,089,756	17,787,435	20,339,756	17,787,435
Payment of due to customers			(99,054,813)	(108,586,490)	(97,571,015)	(106,951,511)
Receipts from due to customers			83,652,942	115,741,329	83,337,190	115,392,706
Receipt from other income			1,711	5,598	216,256	270,654
Investment in financial assets - fair value through profit or loss			(8,881,716)	(1,752,531)	(10,028,730)	(1,752,531)
Proceeds from financial assets - fair value through profit or loss			9,966,264	755,019	10,173,826	645,911
Receipt from Financial assets - fair value through OCI			-	-	979,028	(67,226)
Investment in Financial assets - fair value through OCI			-	-	(264,333)	-
Payment for personnel expenses			(3,575,458)	(3,589,152)	(4,377,522)	(4,440,214)
Payment for lease liabilities	40	257	(655,969)	(616,740)	(409,587)	(343,968)
Payment for other operating activities			(872,388)	(3,819,688)	(885,891)	(4,623,040)
Premium received from customers			-	-	5,199,021	4,892,492
Claims paid			-	-	(2,712,682)	(3,257,590)
Gratuity paid	43	259	(10,353)	(10,726)	(13,148)	(12,103)
Income tax paid	41.1	258	(3,349,938)	(3,071,709)	(3,534,648)	(3,339,472)
Net cash generated from operating activities	50	268	4,263,914	31,614,791	6,294,995	32,775,403
Cash flows from investing activities						
Purchase of property, plant and equipment	32	241	(104,690)	(213,928)	(152,324)	(284,215)
Proceeds from the sale of property, plant and equipment			54,832	9,976	210,359	17,612
Purchase of intangible assets	34	246	(360)	(15,120)	(11,661)	(15,120)
Dividends received from investments			110,673	113,091	918	17,280
Net cash (used in)/generated from investing activities			60,455	(105,981)	47,292	(264,443)
Cash flows from financing activities						
Payment for due to banks	35.1	248	(3,886,355)	(34,046,652)	(5,315,691)	(35,209,177)
Borrowing from due to banks	35.1	248	1,000,000	12,950,000	1,500,000	12,950,000
Payment for debt securities issued	37.1	252	(6,589,468)	(5,076,951)	(6,570,514)	(5,060,941)
Dividend paid to shareholders			(1,345)	(1,136,732)	(1,345)	(1,136,732)
Dividend paid to non-controlling interest			-	-	-	(92,500)
Net cash (used in) from financing activities			(9,477,168)	(27,310,335)	(10,387,550)	(28,549,350)
Net (decrease)/increase in cash and cash equivalents			(5,152,799)	4,198,475	(4,045,263)	3,961,610
Cash and cash equivalents at the beginning of the year			7,139,456	2,940,981	6,998,078	3,036,468
Cash and cash equivalents at the end of the year			1,986,657	7,139,456	2,952,815	6,998,078
Cash and cash equivalents			2,703,031	7,164,139	3,844,694	7,693,032
Bank overdraft			(716,374)	(24,683)	(891,879)	(694,954)
Cash and cash equivalents at the end of the year			1,986,657	7,139,456	2,952,815	6,998,078

The Notes appearing on pages 179 to 307 form an integral part of the Financial Statements.

1. CORPORATE AND GROUP INFORMATION

1.1 Corporate Information

People's Leasing & Finance PLC (the 'Company'), is a Public Limited Liability Company incorporated on 22 August 1995 and domiciled in Sri Lanka. It is a licensed finance company under the Finance Business Act No. 42 of 2011. The Company has a primary listing on the Colombo Stock Exchange on 24 November 2011. The Company was re-registered under the Companies Act No. 07 of 2007.

Its registered office and the principal place of the business is at No. 1161, Maradana Road, Colombo 08.

Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 March 2021 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the 'Group').

Parent Entity and Ultimate Parent Entity

The Company's parent entity is People's Bank which is a Government owned entity.

Number of Employees

The staff strength of the Company and Group as at 31 March 2021 is 2,343 and 3,304 respectively. (2,401 and 3,059 as at 31 March 2020).

1.2 Group Information

Principal Activities and Nature of Operations

Company

People's Leasing & Finance PLC

The principal business activities are providing finance leases, hire-purchase assets financing, term loans, Islamic finance, margin trading, share trading, issue of debt instruments, factoring, gold loans and mobilisation of public deposits.

Subsidiaries

Name of the Subsidiaries	Principal activities	Country of incorporation	% equity interest	
			2021	2020
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicles repairing.	Sri Lanka	100%	100%
People's Leasing Property Development Limited	Carrying out mixed development projects and property development activities.	Sri Lanka	100%	100%
People's Insurance PLC	Carrying out general insurance business	Sri Lanka	75%	75%
People's Leasing Havelock Properties Limited	Construct and operate an office complex.	Sri Lanka	100%	100%
People's Micro-commerce Ltd	Providing non-bank financial services to low income earners and micro enterprises.	Sri Lanka	100%	100%
Lankan Alliance Finance Limited	Providing leasing of movable and immovable properties and to provide loans.	Bangladesh	51%	51%

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 March 2021 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at 'www.casrilanka.com / www.slaasc.lk'.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

Details of the Group's General Accounting Policies followed during the year are given in Notes 3 on page 182.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the certification on the Statement of Financial Position.

These financial statements include the following components:

- a Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review;
- a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end;
- a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 March 2021 (including comparatives) were approved and authorised for issue on 4 June 2021 in accordance with the resolution of the Board of Directors on 4 June 2021.

2.4 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

Item	Basis of measurement	Note
Financial assets -Fair value through profit or loss	Fair Value	24
Financial assets - Fair value through other comprehensive income	Fair Value	27
Investment property	Fair Value	30
Retirement benefit obligation	Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses.	43

2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 55 (Current/ non-current analysis) on page 272. No adjustments have been made for inflationary factors affecting the Financial Statements.

2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and

as specifically disclosed in the accounting policies of the Group.

2.7 Functional and Presentation Currency

The Financial Statements of the Group and the Company are presented in Sri Lanka Rupees (Rs.), which is the currency of primary economic environment, in which the Group operates (Group functional currency).

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on "Presentation of Financial Statements".

2.9 Materiality and Aggregation

In compliance with the Sri Lanka Accounting Standard - 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.

2.10 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs and LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting 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.

Going Concern In determining the basis of preparing the financial statements for the year ended 31st March 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

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

Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 3.5.2 on page 184.

- The contractual cash flow characteristics of the financial assets as set out in Note 3.5.2 on page 184.

Impairment losses on Financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Group/Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

Impairment Losses on Loans and Receivables

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the 'impairment losses on loans and receivables' are given in Note 25.7 on page 228 to the financial statements.

Impairment charges on financial investments

Financial investments are categorised under amortised cost subject to Impairment in accordance with SLFRS 9 -Financial Investment. The Company/Group does not have historical loss experience on debt instruments at amortised

cost. Thus the Group considers PDs published by the external sources i.e. – Bloomberg for external credit rating. LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%, and for all other instruments, industry average is considered as LGD.

Credit risk has not increased significantly relating to financial investments, since initial recognition. Therefore Group did not record expected credit loss in the financial statements for those investments.

Impairment of FVOCI

Details of the 'Impairment of FVOCI' are given in Note 27 on page 234 to the financial statements.

Useful Life Time of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful Life Time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 34 on page 246 to the financial statements.

GRI 207-1

Transfer Pricing Regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not

limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

GRI 207-1

Deferred Tax

Details of the 'deferred tax' are given in Note 44 on page 262 to the financial statements.

Retirement Benefit Obligation

Details of the 'retirement benefit obligation' are given in Note 43 on page 259 to the financial statements.

Valuation of General Insurance Contract Liabilities of Subsidiary People's Insurance PLC

The estimates of general insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims Incurred, But Not yet Reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjusted estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims, inflation or loss ratios.

2.11 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. GENERAL ACCOUNTING POLICIES

Description	Note	Page No.
Accounting policies - general		
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Changes in accounting policies	3.4	183
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Provisions	3.7	186
Borrowing costs	3.8	186
Income tax	3.9	186
Deferred tax	3.10	186
Accounting policies - income and expenses		
Interest income and expenses	6	188
Net earned premium	7	190
Fee and commission income	8	191
Net gains/(losses) on financial assets - FVTPL	9	192
Other operating income	10	192
Impairment charges and other losses for loans and receivables	11	193
Personnel expenses	12	196
Depreciation and amortisation	13	196
Benefits, claims and underwriting expenditure	14	197
Other operating expenses	15	198
Tax on financial services	16	198
Income tax expense	17	199
Basic/diluted earnings per ordinary share	18	202

Description	Note	Page No.
Accounting policies - assets and liabilities		
Cash and cash equivalents	22	212
Balances with banks & financial institutions	23	213
Financial assets -fair value through profit or loss	24	214
Loans and receivables - amortised cost	25	216
Insurance and reinsurance receivables	26	233
Financial assets - fair value through other comprehensive income	27	234
Debt instrument - amortised cost	28	236
Investments in subsidiaries	29	236
Investment property	30	238
Other assets	31	240
Property, plant and equipment	32	241
Right-of-use assets	33	245
Goodwill and intangible assets	34	246
Due to banks	35	248
Due to customers	36	251
Debt securities issued	37	252
Other financial liabilities	38	255
Insurance liabilities and reinsurance payable	39	255
Lease liabilities	40	257
Current tax liabilities	41	258
Other liabilities	42	259
Retirement benefit obligation	43	259
Deferred tax liabilities/(assets)	44	262

3.1 Basis of Consolidation

The Consolidated Financial Statements of the Group for the year ended 31 March 2021 include the Company, its subsidiaries and its associate company. The financial statements of the Company's subsidiaries and associate are prepared for the same reporting year except for People's Insurance PLC, a subsidiary of People's Leasing & Finance PLC, whose financial year ends on December 31. For consolidation purpose same reporting year has been used.

3.1.1 Business Combination and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

3.1.2 Common Control Business Combination

Common control business combinations are accounted using the guidelines

issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by The Institute of Chartered Accountants of Sri Lanka.

3.1.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

3.1.4 Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at the spot exchange rate at the date of the transactions were affected. In this regard, the Group's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at

the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.3 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on "Revenue", LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes" and is effective for annual reporting periods beginning on or after 1 April, 2018.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised. SLFRS 15 requires new qualitative and quantitative disclosure aimed at enabling users of Financial Statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Entities are required to apply five-step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount at

which the entity expects to be entitled.

3.4 Changes in Accounting Policies

In these financial statements, the Group has applied Sri Lanka Accounting Standard - Amendments to SLFRS 3: Definition of a Business, Amendments to LKAS 1 and LKAS 8: Definition of Material, and Amendments to the conceptual framework for financial reporting which became effective for the annual reporting periods beginning on or after 1 January 2020, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

3.4.1 Amendments to SLFRS 3: Definition of a Business

In November 2018, the CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

These amendments had no impact on the Consolidated Financial Statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard - LKAS 8 on "Accounting Policies,

Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.' These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to, the Group.

Amendments to the conceptual framework for financial reporting

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- reinstating prudence as a component of neutrality
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

These amendments had no impact on the Consolidated financial statements of the Group.

3.5 Financial Instruments – Initial Recognition and Subsequent Measurement

3.5.1 Date of Recognition

All financial assets and liabilities except 'regular way trades' are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. 'Regular way trades' means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

3.5.2 Classification and Subsequent Measurement of Financial Assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Business model assessment

With effect from 1 April 2018, the Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial

assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the SOFP.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 22,23,25,26,28 and 35 to 41 on pages 212, 213, 216, 233, 236 and 248 to 258.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. Financial assets measured at FVOCI are given in Notes 27 on page 234.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in Notes 24 on page 214.

Financial assets designated at fair value through profit or loss

As per SLFRS 9, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

3.5.3 Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset which have expired;
- The Group and Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
 - The Group and Company has transferred substantially all the risks and rewards of the asset; or
 - The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Statement of Profit or Loss.

3.5.4 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.5.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21 on page 205.

3.6 Impairment of Non-Financial Assets

The carrying amounts of the Group's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use.

Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in Statement of Profit or Loss.

3.7 Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources

embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.8 Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

GRI 207-1

3.9 Income tax

Details of the 'income tax expense' are given in Note 17 on page 199 to the financial statements.

GRI 207-1

3.10 Deferred Tax

Details of the 'deferred tax' are given in Note 44 on page 262 to the financial statements.

3.11 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.12 Tax on Financial Services

Details of the 'VAT, NBT and Debt repayment Levy on financial services are given in Note 16 on page 198 to the financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2021. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2021. Following amendment is not expected to have a material impact on the Financial Statements of the Company/ Group in the foreseeable future.

IFRS 17- Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023. Early application is permitted, if the entity is applying both Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" and Sri Lanka Accounting Standard - SLFRS 15 "Revenue from Contracts with Customers" on or before the date on which it first apply SLFRS 17.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. The Company/ Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020. Early application of this amendment was permitted. In case entity has early adopted this amendment above disclosure should not be included under impending standard note - it may be reflected under the note "Changes in accounting policies /new and amended standards adopted during the year". The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the CA Sri Lanka adopted amendments to LKAS 16 - Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company/ Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the CA Sri Lanka adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, CA Sri Lanka adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification "

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. The Company/ Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

5. GROSS INCOME**ACCOUNTING POLICY**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company/Group and revenue can be reliably measured. The specific recognition criteria, for each type of income, given under the respective income notes.

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	6.1	189	24,983,445	31,459,108	26,821,838	33,282,879
Net earned premium	7.	190	-	-	5,028,549	5,202,030
Fee and commission income	8.	181	1,818,675	1,694,014	1,198,054	1,165,632
Net gains/(losses) on financial assets - FVTPL	9	192	162,616	11,017	228,258	19,586
Other operating income	10	192	139,062	435,175	368,566	384,703
Total			27,103,798	33,599,314	33,645,265	40,054,830

6. NET INTEREST INCOME**ACCOUNTING POLICY****Recognition of Income and Expenses**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest Income and Expenses

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Under SLFRS 9, interest income and Interest expense are recorded using the Effective Interest rate method for all financial assets measured at amortised cost and all financial liabilities measured at amortised cost respectively.

Revenue can be recognized only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 –“Financial instrument”, Customer default point (Uncertainty about the recoverability) has been change to 90 days past due. Accordingly interest income can be recognized only up to 90 days past due.

Interest on Overdue Rentals

Interests from overdue rentals have been accounted for on a cash basis.

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	6.1	189	24,983,445	31,459,108	26,821,838	33,282,879
Interest expenses	6.2	189	13,064,310	15,786,586	13,375,197	16,110,935
Net interest income			11,919,135	15,672,522	13,446,641	17,171,944

6.1 INTEREST INCOME

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents			73,753	40,471	103,501	70,219
Balances with banks and financial institutions			340,778	385,414	471,229	510,760
Loans and receivables - Amortised cost	6.1.1	189	24,190,261	30,280,577	25,589,345	31,530,367
Debt instrument - Amortised cost			378,653	752,646	657,763	1,171,533
Total interest income			24,983,445	31,459,108	26,821,838	33,282,879

6.1.1 Interest income - Loans and Receivables

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	14,176,359	17,767,878	14,178,588	17,770,273
Hire-Purchase/ Murabah receivable	5,479	34,709	823,834	822,222
Term loans and receivables	10,008,423	12,477,990	10,586,923	12,937,872
Total	24,190,261	30,280,577	25,589,345	31,530,367

6.2 Interest expenses

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to banks	6.2.1	190	671,106	1,736,221	949,639	2,066,943
Due to customers	6.2.1	190	10,228,458	11,530,604	10,316,632	11,595,328
Debt securities issued	6.2.1	190	1,935,761	2,281,180	1,916,991	2,264,940
Lease liabilities	6.2.1	190	228,985	238,581	191,935	183,724
Total interest expenses			13,064,310	15,786,586	13,375,197	16,110,935

6.2.1 Interest expenses - product wise

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to banks						
Interest on bank overdraft			1,272	2,511	25,769	31,811
Interest on short term loan			14,963	286,526	16,372	286,659
Interest on term loan			4,980	402,721	257,608	704,009
Interest on securitization			649,891	1,044,463	649,890	1,044,464
Subtotal			671,106	1,736,221	949,639	2,066,943
Due to customers						
Interest cost on deposits			10,228,458	11,530,604	10,316,632	11,595,328
Subtotal			10,228,458	11,530,604	10,316,632	11,595,328
Debt securities issued						
Interest on debentures	37.1	252	1,935,761	2,281,180	1,916,991	2,264,940
Subtotal			1,935,761	2,281,180	1,916,991	2,264,940
Lease liabilities						
SLFRS 16-Incremental Borrowing Cost	40	257	228,985	238,581	191,935	183,724
Subtotal			228,985	238,581	191,935	183,724
Total interest expenses			13,064,310	15,786,586	13,375,197	16,110,935

7. NET EARNED PREMIUM

ACCOUNTING POLICY

Product classification of insurance and investment contracts

SLFRS 4 - "Insurance Contracts", requires contracts written by insurer to be classified as either 'Insurance contracts' or 'Investment contracts' depending on the level of insurance risk transferred.

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.

Investment contracts are those contracts that transfer significant financial risk, and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the People's Insurance PLC (Subsidiary of PLC) are insurance contracts and therefore classified as insurance contracts under SLFRS 4 - Insurance Contracts. Thus, the Group does not have any investment contracts within its product portfolio as at the reporting date.

Revenue recognition of gross written premium

Gross written premium (GWP) represents the premium charged by the Group to underwrite risks. GWP is accounted on accrual basis.

Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Rebates that form part of the premium rate, such as no claim rebates are deducted from GWP.

Insurance - Revenue Recognition Gross Written Premium

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Reinsurance Premium

Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned Premium Reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 365 basis.

Unearned Reinsurance Premium Reserve

Unearned reinsurance premium is the proportion of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross written premium	-	-	6,133,052	5,958,629
Less: Premium ceded to reinsurers	-	-	956,324	631,221
Less: Change in reserve unearned premium	-	-	148,179	125,378
Total	-	-	5,028,549	5,202,030

8. FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Commission income is recognised on accrual basis. Fee income can be divided into the following two categories;

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period.

Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Service charges	583,452	642,507	149,021	201,485
Other fees and commission	1,235,223	1,051,507	1,049,033	964,147
Total	1,818,675	1,694,014	1,198,054	1,165,632

9. NET GAINS/(LOSSES) ON FINANCIAL ASSETS - FVTPL**ACCOUNTING POLICY**

This comprise all gains and losses from changes in fair value including realised and unrealised fair value changes for financial assets 'Fair value through profit or loss'.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net gain/(Loss) on financial assets - FVTPL				
Net mark-to-market (losses)/gain	(10,455)	4,772	25,864	11,448
Net capital gains	173,071	6,245	202,394	8,138
Total	162,616	11,017	228,258	19,586

10. OTHER OPERATING INCOME**ACCOUNTING POLICY**

Other Operating income includes income earned on other sources, which are not directly related to the normal operations of the group and is recognized on accrual basis.

Gain on sale of property, plant and equipment

Gains or losses resulting from the disposal of property, plant and equipment are accounted for on cash basis in the Statement of Profit or Loss, in the period in which the sale occurs.

Hiring Income

Hiring income from vehicle on hire is recognised in the Statement of Profit or Loss based on the agreement entered between the owner and tenant for the year.

Operating lease income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Statement of Profit or Loss in other operating income.

Rent income from investment property

Rent income from investment property is recognised in the Statement of Profit or Loss based on the accrual basis.

Net Trading Income from Sale of Vehicles

Revenue from the sale of imported vehicles is recognised when the significant risks and rewards of ownership of the vehicles have transferred to the buyer, usually on dispatch of the vehicles.

Dividend Income

Dividend income is recognised when the right to receive the payment is established.

Gain/(Loss) on sale of investment properties

Gains or losses resulting from the sale of investment properties are accounted for on cash basis in the Statement of Profit or Loss, in the period in which the sale occurs.

Valuation income

Valuation income is recognised when they are realised or realisable.

Insurance fee income

Insurance Policy holders are charged for policy administration services and other contract fees. These fees are recognised as income upon receipt or being due.

Other Income

Other income is recognised on an accrual basis.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gain on sale of property, plant and equipment	22,823	6,183	74,774	6,183
Hiring income	-	-	24,939	26,583
Operating leases income	-	-	27,487	29,061
Rent income from investment property	-	-	72,248	90,284
Net trading income from sale of vehicles	4,620	301	4,620	301
Dividend income from - FVOCI	640	14,658	640	14,658
- Subsidiaries	110,000	406,750	-	-
- FVTPL	33	1,683	278	2,622
Gain/(Loss) on sale of investment properties	-	-	-	-
Valuation income	-	-	92,166	108,448
Insurance fee income	-	-	55,761	54,838
Other income	946	5,600	15,653	51,725
Total	139,062	435,175	368,566	384,703

11. IMPAIRMENT CHARGES AND OTHER LOSSES FOR LOANS AND RECEIVABLES

ACCOUNTING POLICY

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 - Financial Instruments. The methodology adopted by the Company and the Group is explained in Note 25 on page 216 to these financial statements.

Loss on disposal of collaterals including write offs

Loans and receivables (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans and receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

Recovery of written-off debts/disposal losses.

Recovery of amounts written-off as bad and doubtful debts is recognised on a cash basis

Other receivable

This include impairment charges for other assets.

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individual impairment	11.3/11.4	195	(148,063)	839,569	(260,794)	952,300
Collective impairment	11.3/11.4	195	665,766	2,966,327	971,185	2,940,618
Other receivable	11.1/11.2	194	18,672	-	55,707	34,346
Loss on disposal of collaterals including write offs			603,692	953,786	683,057	1,090,659
Recovery of written-off debts/disposal losses			(96,230)	(112,999)	(96,666)	(116,021)
Total	11.1/11.2	194	1,043,837	4,646,683	1,352,489	4,901,902

11.1 IMPAIRMENT CHARGE/(REVERSAL) AND OTHER LOSSES FOR LOANS (DETAILED BREAKDOWN) - COMPANY

For the year ended 31 March	2021			
	Disposal loss/Write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	293,766	1,519,992	(1,733,151)	80,607
Hire-Purchase/ Murabah receivable	(5,316)	74,128	(10,712)	58,100
Term Loan and receivables	219,012	3,109,114	(2,441,668)	886,458
Other receivables	-	18,672	-	18,672
Total	507,462	4,721,906	(4,185,531)	1,043,837

For the year ended 31 March	2020			
	Disposal loss/Write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	586,795	2,524,239	(829,916)	2,281,118
Hire-Purchase/ Murabah receivable	(9,027)	58,737	(11,526)	38,184
Term Loan and receivables	263,019	3,065,761	(1,001,399)	2,327,381
Total	840,787	5,648,737	(1,842,841)	4,646,683

11.2 Impairment charge/(reversal) and other losses for loans (Detailed breakdown) - Group

For the year ended 31 March	2021			
	Disposal loss/Write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	293,330	1,519,992	(1,733,151)	80,171
Hire-Purchase/ Murabah receivable	2,437	194,347	(10,712)	186,072
Term Loan and receivables	290,624	3,181,582	(2,441,667)	1,030,539
Other receivable	-	55,707	-	55,707
Total	586,391	4,951,628	(4,185,530)	1,352,489

For the year ended 31 March	2020			
	Disposal loss/Write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	720,646	2,524,239	(829,916)	2,414,969
Hire-Purchase/ Murabah receivable	(9,027)	210,150	(11,526)	189,597
Term Loan and receivables	263,019	3,089,724	(1,089,753)	2,262,990
Other receivable	-	34,346	-	34,346
Total	974,638	5,858,459	(1,931,195)	4,901,902

11.3 Impairment charge to the income statement – Company

For the year ended 31 March	2021			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost – Loans and receivables				
- Individual impairment	-	-	(148,063)	(148,063)
- Collective impairment	156,312	(69,899)	579,353	665,766
Total	156,312	(69,899)	431,290	517,703

For the year ended 31 March	2020			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost – Loans and receivables				
- Individual impairment	-	-	839,569	839,569
- Collective impairment	(18,943)	499,561	2,485,709	2,966,327
Total	(18,943)	499,561	3,325,278	3,805,896

11.4 Impairment charge to the income statement – Group

For the year ended 31 March	2021			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost – Loans and receivables				
- Individual impairment	-	-	(260,794)	(260,794)
- Collective impairment	244,872	(71,348)	797,661	971,185
Total	244,872	(71,348)	536,867	710,391

For the year ended 31 March	2020			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost – Loans and receivables				
- Individual impairment	-	-	952,300	952,300
- Collective impairment	9,901	602,968	2,327,749	2,940,618
Total	9,901	602,968	3,280,049	3,892,918

12. PERSONNEL EXPENSES

ACCOUNTING POLICY

Personnel expenses include salaries, bonus, terminal benefit charges and other related expenses. The provision for bonus is recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Employees are eligible for Employees' Provident Fund (EPF) contribution and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - Employee Benefits.

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Remuneration			3,117,406	3,361,639	3,928,410	4,152,280
Employee benefit - Defined contribution plans - EPF			188,764	182,755	237,748	227,447
Employee benefit - Defined contribution plans - ETF			47,461	45,666	58,590	56,795
Employee benefit - Retirement benefit obligation - Gratuity	43	259	111,742	111,325	129,888	124,504
Total			3,465,373	3,701,385	4,354,636	4,561,026

13. DEPRECIATION AND AMORTISATION

ACCOUNTING POLICY

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis to their residual values over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows:

Class of asset	% per annum	Period
Freehold buildings	2	50 years
Improvement of leasehold property	25	4 years
Motor vehicles	12.5 - 20	5 - 8 years
Computer hardware	20	5 years
Office equipments	10 - 20	5 - 10 years
Furniture and fittings	20	5 years

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 32 on page 241.

Amortisation of Right-of-Use Assets

The right-of-use asset is subsequently depreciated. Depreciation is over the shorter of the useful life of the asset and the lease term (Note 33 on page 245).

Amortisation of Intangible Assets

Amortisation is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful economic lives at the rates as specified below;

Class of asset	% per annum	Period
Computer software	20	5 years

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

All classes of intangible assets together with the reconciliation of carrying amounts and accumulated amortisation at the beginning and at the end of the year are given in Note 34 on page 246.

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deprecation of property, plant and equipment	32	241	167,360	164,492	292,245	292,404
Amortisation - Right-of-use assets	33	245	543,769	538,230	340,349	332,830
Amortisation of intangible assets	34	246	11,865	14,299	15,099	10,764
Total			722,994	717,021	647,693	635,998

14. BENEFITS, CLAIMS AND UNDERWRITING EXPENDITURE

ACCOUNTING POLICY

Recognition of Gross Claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

Recognition of Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the re-insured business.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net Benefits and claims	-	-	2,109,279	2,903,951
Underwritings and net acquisition costs	-	-	554,068	537,986
Total	-	-	2,663,347	3,441,937

15. OTHER OPERATING EXPENSES**ACCOUNTING POLICY**

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year.

Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Directors' Emoluments

Directors' emoluments include fees paid to Non-Executive Directors.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Directors' emoluments	3,863	6,269	7,919	13,143
Auditors' remunerations	7,385	7,385	13,321	13,487
Non-audit fees to auditors	1,888	1,641	2,216	4,912
Professional fees	12,155	24,119	24,821	32,069
Advertising expenses	28,473	43,280	63,059	68,836
Legal fees	11,666	16,915	12,042	17,048
Deposits Insurance Premium	151,868	141,843	151,868	141,843
Crop Insurance Levy	36,745	31,751	36,745	31,751
Operational expenses arising from investment property	-	-	4,465	7,337
Office administration and establishment expenses	1,358,816	1,815,041	1,731,602	2,234,647
Total	1,612,859	2,088,244	2,048,058	2,565,073

16. TAX ON FINANCIAL SERVICES**ACCOUNTING POLICY****VAT on Financial Services**

VAT on financial services is calculated in accordance with Value Added Tax(VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non cash benefits including terminal benefits. VAT on financial services rate applied for the current financial year is 15% (2020 - 15%).

NBT on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services. NBT was abolished with effect from 1 December 2019.

Debt Repayment Levy (DRL) on Financial Services

As per the Finance Act No. 35 of 2018, with effect from October 1, 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained above. The amount of DRL charged in determining the profit or loss for the period is given in below. DRL abolished with effect from 1 January 2020.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
VAT on financial services	1,222,628	1,280,414	1,270,773	1,245,046
NBT on financial services	-	127,682	3,193	191,122
Debt Repayment Levy	-	594,364	-	594,364
Total	1,222,628	2,002,460	1,273,966	2,030,532

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17. INCOME TAX EXPENSE

ACCOUNTING POLICY

This Note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes". As per Sri Lanka Accounting Standard – LKAS 12 "Income Taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation.

Current Tax

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and any adjustment to tax payable in respect of previous year.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, and the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018 at the rates specified below.

Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 44 on page 262 to the Financial Statements.

Company	Note	Page No.	Tax rate	
			2021	2020
People's Leasing & Finance PLC			24%	24%-28%
People's Leasing Fleet Management Limited			24%	24%-28%
People's Micro-commerce Ltd			24%	24%-28%
People's Insurance PLC			24%	24% - 28%
People's Leasing Property Development Limited	17.1	200	20%-24%	20%-28%
People's Leasing Havelock Properties Limited	17.2	200	Exempt	Exempt
Lankan Alliance Finance Limited	17.3	200	40%	40%

According to LKAS 12 "Income Taxes", Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. It has been proposed to reduce income tax rate on companies from 28% to 24% pending formal approval from the Parliament as an amendment to the Inland Revenue Act No. 24 of 2017. As per the guideline issued by the Institute of Chartered Accountants of Sri Lanka on 23 April 2021, it is considered as substantially enacted as at the reporting date. Substantively enacted means the Bill introducing the change being taken up at the Parliament for the first reading. The Bill was placed on the order paper of the Parliament for the first reading on 26 March 2021. Accordingly, Financial Statements having a period end after 26 March 2021, should use such proposed tax rules and rates in the bill for determination of current tax and deferred tax. Therefore the tax rate of 24% was adapted for the computation of current tax and deferred tax except for following subsidiaries.

17.1 People's Leasing Property Development Limited (PLPDL)

Pursuant to the agreement dated 3 December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which PLPDL 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. PLPDL 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. Non BOI income is liable for normal rate of 24% (2020 - 24%).

17.2 People's Leasing Havelock Properties Limited (PLHPL)

Pursuant to the agreement dated 16 December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which PLHPL 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. PLHPL 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.

17.3 Lankan Alliance Finance Limited

According to Bangladesh Income Tax Ordinance, 1984 and amendments made thereto, tax rate applicable for Lankan Alliance Finance Limited is 40%.

17.4 Income tax expense

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Profit or Loss						
Current income tax charge	17.5	201	1,909,079	2,822,836	2,505,241	3,258,757
Deferred tax (reversal)/charge for the year	17.5	201	(69,511)	(1,213,519)	(270,905)	(1,148,189)
Income tax expense recognised in Statement of Profit or Loss	17.5	201	1,839,568	1,609,317	2,234,336	2,110,568
Statement of Comprehensive Income						
Deferred tax charge/(reversal) for other comprehensive income	44	262	29,961	49	27,690	91
Income tax charge/(reversal) recognised in Statement of Comprehensive Income			29,961	49	27,690	91
Effective tax rate (excluding deferred tax)			32.51%	62.02%	31.99%	57.15%
Effective tax rate			31.32%	35.36%	28.53%	37.01%

17.5 Reconciliation of Accounting Profit and Taxable Income

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit as per Statement of Profit or Loss			5,872,588	4,551,825	7,830,670	5,702,317
Add: Disallowable expenses			3,147,900	6,374,026	4,762,952	7,037,717
Add: Lease capital recoverable			4,992,617	12,008,536	4,992,617	12,008,536
Less: Allowable expenses			6,101,406	11,751,442	6,370,337	11,986,518
Less: Exempted /allowable income			6,711	1,101,388	62,903	1,255,050
Statutory income			7,904,988	10,081,557	11,152,999	11,507,002
Less: Tax loss utilised during the year	17.6	201	-	-	7,863	29,755
Assessable income			7,904,988	10,081,557	11,145,136	11,477,247
Taxable income			7,904,988	10,081,557	11,145,136	11,477,247
Income tax expense at the statutory income	17.7	201	1,999,971	2,822,836	2,601,127	3,259,538
(Over)/ under provision- previous years			(90,892)	-	(95,886)	(781)
Current income tax charge			1,909,079	2,822,836	2,505,241	3,258,757
Deferred tax charged/(reversal) for the year	44	262	(69,511)	(1,213,519)	(270,905)	(1,148,189)
Income tax expense recognised in statement of profit or loss			1,839,568	1,609,317	2,234,336	2,110,568

17.6 Tax Losses Brought Forward and Utilised during the Year

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Tax losses brought forward	-	-	75,834	105,589
Tax losses utilised during the year	-	-	(7,863)	(29,755)
Tax losses not utilised and carried forward	-	-	67,971	75,834

17.7 Income tax Expense at the Statutory Income

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
People's Leasing & Finance PLC	1,999,971	2,822,836	1,999,971	2,822,836
People's Leasing Fleet Management Limited	-	-	22,303	6,211
People's Micro-commerce Ltd	-	-	71,377	40,707
People's Insurance PLC	-	-	422,685	310,271
People's Leasing Property Development Limited	-	-	4,269	-
Lankan Alliance Finance Limited	-	-	80,535	79,513
Total income tax at the statutory income	1,999,971	2,822,836	2,601,140	3,259,538

17.8 Summary of the Taxes Paid during the Year

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Direct taxes				
Income tax	3,349,938	3,071,709	3,534,648	3,339,472
Value added tax on financial services	834,720	1,463,382	864,943	1,498,978
Nation building tax on financial services	-	147,494	-	150,837
Crop insurance levy	18,373	56,002	24,679	56,002
Economic service charge	-	210,539	-	250,764
Debt Repayment Levy	-	762,822	-	762,822
Total direct taxes	4,203,031	5,711,948	4,424,270	6,058,875
Indirect taxes (collected and paid)				
Value added tax	132,211	281,796	556,156	892,932
Nation building tax	-	22,674	-	130,847
Stamp duty	133,173	250,144	141,036	257,991
Withholding tax on dividend and interest	-	605,245	-	690,842
PAYE/APIT tax	29,068	153,043	30,208	164,590
Total indirect taxes	294,452	1,312,902	727,400	2,137,202
Total taxes paid during the financial year	4,497,483	7,024,850	5,151,670	8,196,077

18. BASIC / DILUTED EARNINGS PER ORDINARY SHARE

ACCOUNTING POLICY

Basic earning per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Shares issued for no additional consideration are adjusted as if the event occurred at the beginning of the earliest period presented.

Basic/Diluted earnings per share is calculated as per Sri Lanka Accounting Standard - LKAS 33 - Earnings per share.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company (Rs.)	4,033,021,638	2,942,508,328	5,294,013,656	3,408,670,499
Weighted average number of ordinary shares outstanding	1,704,602,760	1,704,602,760	1,704,602,760	1,704,602,760
Basic/ Diluted earnings per ordinary share (Rs.)	2.37	1.73	3.11	2.00

19. DIVIDEND PER ORDINARY SHARE

For the year ended 31 March	Company	
	2021	2020
Dividend paid to Ordinary shares		
Out of dividend received (Rs.)	-	376,792,083
Out of normal profits (Rs.)	-	762,600,288
Total cash dividend paid (Rs.)	-	1,139,392,371
Cash dividend Paid (Rs.) -Interim	-	1,139,392,371
Scrip/Cash dividend Paid (Rs.) - Interim	976,622,033	789,931,241
Total dividend paid (Rs.)	976,622,033	1,929,323,612
Number of ordinary shares (Prior to dividend)	1,627,703,388	1,611,756,419
Dividend per Ordinary share (Rs.)	0.60	1.20

An interim scrip dividend of Rs. 0.60 per share was paid in December 2020 to the ordinary shareholders of the Company for the year 2020/21 (interim scrip dividend 2019/20 - Rs. 0.50).

20. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

ACCOUNTING POLICY

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 'Financial Instruments' under the headings of the Statement of Financial Position.

20.1 Company

As at 31 March 2021	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Financial assets						
Cash and cash equivalents	22	212	-	2,703,031	-	2,703,031
Balances with banks and financial institutions	23	213	-	5,399,071	-	5,399,071
Financial assets -Fair value through profit or loss	24	214	109,787	-	-	109,787
Loans and receivables - Amortised cost	25	216	-	141,387,907	-	141,387,907
Financial assets - Fair Value through other comprehensive income	27	234	-	-	309,118	309,118
Debt Instrument - Amortised cost	28	236	-	6,994,206	-	6,994,206
Other financial assets	31	240	-	126,949	-	126,949
Total financial assets			109,787	156,611,164	309,118	157,030,069
Financial liabilities						
Due to banks	35	248	-	6,439,310	-	6,439,310
Due to customers	36	251	-	101,502,931	-	101,502,931
Debt securities issued	37	252	-	13,825,553	-	13,825,553
Other financial liabilities	38	255	-	4,131,671	-	4,131,671
Lease liabilities	40	257	-	2,286,386	-	2,286,386
Total financial liabilities			-	128,185,851	-	128,185,851

20.2 Company

As at 31 March 2020		Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total	
Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Financial assets						
Cash and cash equivalents	22	212	-	7,164,139	-	7,164,139
Balances with banks and financial institutions	23	213	-	3,207,440	-	3,207,440
Financial assets - Fair value through profit or loss	24	214	1,031,719	-	-	1,031,719
Loans and receivables - Amortised cost	25	216	-	147,747,511	-	147,747,511
Financial assets - Fair Value through other comprehensive income	27	234	-	-	324,381	324,381
Debt Instrument - Amortised cost	28	236	-	4,106,963	-	4,106,963
Other financial assets	31	240	-	232,692	-	232,692
Total financial assets			1,031,719	162,458,745	324,381	163,814,845
Financial liabilities						
Due to banks	35	248	-	7,938,185	-	7,938,185
Due to customers	36	251	-	106,701,027	-	106,701,027
Debt securities issued	37	252	-	18,479,260	-	18,479,260
Other financial liabilities	38	255	-	3,014,117	-	3,014,117
Lease liabilities	40	257	-	1,909,098	-	1,909,098
Total financial liabilities			-	138,041,687	-	138,041,687

20.3 Group

As at 31 March 2021		Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total	
Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Financial assets						
Cash and cash equivalents	22	212	-	3,844,694	-	3,844,694
Balances with banks and financial institutions	23	213	-	8,231,101	-	8,231,101
Financial assets - Fair value through profit or loss	24	214	1,281,753	-	-	1,281,753
Loans and receivables - Amortised cost	25	216	-	149,342,332	-	149,342,332
Insurance and reinsurance receivables	26	233	-	1,024,461	-	1,024,461
Financial assets - Fair Value through other comprehensive income	27	234	-	-	735,494	735,494
Debt Instrument - Amortised cost	28	236	-	8,593,386	-	8,593,386
Total financial assets			1,281,753	171,035,974	735,494	173,053,221
Financial liabilities						
Due to banks	35	248	-	9,003,873	-	9,003,873
Due to customers	36	251	-	103,743,716	-	103,743,716
Debt securities issued	37	252	-	13,684,516	-	13,684,516
Other financial liabilities	38	255	-	4,110,795	-	4,110,795
Insurance liabilities and reinsurance payable	39	255	-	5,015,885	-	5,015,885
Lease liabilities	40	257	-	1,614,660	-	1,614,660
Total financial liabilities			-	137,173,445	-	137,173,445

20.4 Group

As at 31 March 2020		Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000
			Rs. '000	Rs. '000	Rs. '000
Financial assets					
Cash and cash equivalents	22	212	-	7,693,032	7,693,032
Balances with banks and financial institutions	23	213	-	6,661,407	6,661,407
Financial assets - Fair value through profit or loss	24	214	1,198,592	-	1,198,592
Loans and receivables - Amortised cost	25	216	-	154,134,934	154,134,934
Insurance and reinsurance receivables	26	233	-	1,194,933	1,194,933
Financial assets - Fair value through other comprehensive income	27	234	-	-	1,455,702
Debt Instrument - Amortised cost	28	236	-	4,813,439	4,813,439
Total financial assets			1,198,592	174,497,745	177,152,039
Financial liabilities					
Due to banks	35	248	-	10,978,046	10,978,046
Due to customers	36	251	-	107,685,592	107,685,592
Debt securities issued	37	252	-	18,338,039	18,338,039
Other financial liabilities	38	255	-	2,829,708	2,829,708
Insurance liabilities and reinsurance payable	39	255	-	5,065,220	5,065,220
Lease liabilities	40	257	-	1,594,245	1,594,245
Total financial liabilities			-	146,490,850	146,490,850

21. FAIR VALUE OF ASSETS AND LIABILITIES

ACCOUNTING POLICY

The following is a description of how fair values are determined for financial and non-financial assets and liabilities that are recorded at fair value using valuation techniques. These incorporate the Group's/Company's estimate of assumptions that a market participant would make when valuing the instruments.

21.1 Financial assets - Fair Value Through Other Comprehensive Income

Financial assets - Fair Value through other comprehensive income valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

21.2 Financial Assets -Fair Value Through Profit or Loss

Financial assets -Fair value through profit or loss valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

21.3 Financial Assets and Liabilities Carried at Amortised Cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorized under level 3 in the fair value hierarchy.

21.4 Property, Plant and Equipment Disclosed at Fair Value

Freehold land and buildings are disclosed at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

21.5 Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Valuation Framework

The Company has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include;

- Periodic (daily, monthly or quarterly) reviewing of fair value measurements against observable market data.
- Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgments and assumptions.

21.6 Determination of Fair Value and Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

Company			Date of	Level 1	Level 2	Level 3	Total
31 March 2021	Note	Page No.	Valuation	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Quoted Investments	27	234	31.03.2021	309,118	-	-	309,118
Subtotal				309,118	-	-	309,118
Financial assets -Fair value through profit or loss							
Quoted Investments	24	214	31.03.2021	9,768	-	-	9,768
Investment in Unit Trust	24	214	31.03.2021	-	100,019	-	100,019
Subtotal				9,768	100,019	-	109,787
Total				318,886	100,019	-	418,905
Non financial assets disclosed at fair value							
Freehold land and buildings (included under property, plant and equipment).	32.4	244		-	-	864,058	864,058
Total				-	-	864,058	864,058

Company			Date of	Level 1	Level 2	Level 3	Total
31 March 2020	Note	Page No.	Valuation	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Quoted Investments	27	234	21.03.2020	324,381	-	-	324,381
Subtotal				324,381	-	-	324,381
Financial assets -Fair value through profit or loss							
Quoted Investments	24	214	21.03.2020	13,547	-	-	13,547
Investment in Unit Trust	24	214	31.03.2020	-	1,018,172	-	1,018,172
Subtotal				13,547	1,018,172	-	1,031,719
Total				337,928	1,018,172	-	1,356,100
Non financial assets disclosed at fair value							
Freehold lands and buildings (included under property, plant and equipment)	32.4	244		-	-	864,058	864,058
Total				-	-	864,058	864,058

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

Group			Date of	Level 1	Level 2	Level 3	Total
31 March 2021	Note	Page No.	Valuation	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Quoted investments	27	234	31.03.2021	309,118	-	-	309,118
Treasury bills	27	234	31.03.2021	-	426,376	-	426,376
Subtotal				309,118	426,376	-	735,494
Financial assets -Fair value through profit or loss							
Quoted investments	24	214	31.03.2021	24,753	-	-	24,753
Investment in unit trust	24	214	31.03.2021	-	1,257,000	-	1,257,000
Subtotal				24,753	1,257,000	-	1,281,753
Non financial assets - Investment property							
Land and building	30	238	31.03.2021	-	-	820,664	820,664
Subtotal				-	-	820,664	820,664
Total				333,871	1,683,376	820,664	2,837,911
Non financial assets disclosed at fair value							
Freehold land and buildings (included under property, plant and equipment).	32.4	244		-	-	5,964,058	5,964,058
Total				-	-	5,964,058	5,964,058

Group			Date of	Level 1	Level 2	Level 3	Total
31 March 2020	Note	Page	Valuation				
		No.		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Treasury bills			27.03.2020	-	1,131,321	-	1,131,321
Quoted Investments	27	234	21.03.2020	324,381	-	-	324,381
Subtotal				324,381	1,131,321	-	1,455,702
Financial assets -Fair value through profit or loss							
Quoted Investments	24	214	21.03.2020	27,134	-	-	27,134
Investment in Unit Trust	24	214	31.03.2021		1,171,458		1,171,458
Subtotal				27,134	1,171,458	-	1,198,592
Non financial assets - Investment property							
Land and building	30	238	21.03.2020	-	-	1,131,652	1,131,652
Subtotal				-	-	1,131,652	1,131,652
Total				351,515	2,302,779	1,131,652	3,785,946
Non financial assets disclosed at fair value							
Freehold land and buildings (included under property, plant and equipment).	32.4	244		-	-	5,914,058	5,914,058
Total				-	-	5,914,058	5,914,058

There were no material transfers between level 1 and level 2 during the 2019/2020 and 2020/2021. Valuation was carried out for lands and buildings by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 - Fair Value Measurement.

The following table show total fair value gains/losses recognised in Statement of Profit or Loss during the year relating to assets and liabilities held at the respective year ended.

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Financial assets -Fair value through profit or loss				
Quoted Investments	162,616	11,017	228,258	19,586
Total	162,616	11,017	228,258	19,586

Level 3 fair value measurement

Reconciliation

The following note shows a reconciliation from the beginning balances to the ending balances of fair value measurements in level 3 of the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

	Note	Page No.	Company			Group		
			Investment property	Freehold Land Buildings	Total	Investment property	Freehold Land Buildings	Total
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2020			-	864,058	864,058	1,131,652	4,782,406	5,914,058
Additions			-	-	-	-	-	-
Disposals / transfers			-	-	-	(310,988)	310,988	-
Depreciation of buildings			-	-	-	-	(63,805)	(63,805)
Fair value disclosed during the year			-	-	-	-	113,805	113,805
Balance as at 31 March 2021	32.4	244	-	864,058	864,058	820,664	5,143,394	5,964,058
Balance as at 1 April 2019			-	795,585	795,585	1,131,596	4,563,989	5,695,585
Additions			-	6,659	6,659	-	12,455	12,455
Disposals / transfers			-	-	-	56	-	56
Depreciation of buildings			-	(361)	(361)	-	(60,521)	(60,521)
Fair value disclosed during the year			-	62,175	62,175	-	266,483	266,483
Balance as at 31 March 2020	32.4	244	-	864,058	864,058	1,131,652	4,782,406	5,914,058

Unobservable Inputs Used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used at 31 March 2021 and 31 March 2020 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

Type of instrument	Date of Valuation	Fair value Rs. '000	Valuation Technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Company						
As at 31 March 2021						
Property, plant and equipment						
Freehold lands	31.12.2019	821,458	MCM	Estimated price per perch	Rs. 60,000 - 6,000,000	*
Freehold buildings	31.12.2019	42,600	MCM	Estimated price per sq.ft	Rs. 1,000 - 4,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 20 - 60	*
As at 31 March 2020						
Property, plant and equipment						
Freehold lands	31.12.2019	821,458	MCM	Estimated price per perch	Rs. 60,000 - 6,000,000	*
Freehold buildings	31.12.2019	42,600	MCM	Estimated price per sq.ft	Rs. 1,000 - 4,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 20 - 60	*
Group						
As at 31 March 2021						
Investment Property						
Freehold lands	31.12.2020	261,075	MCM	Estimated price per perch	Rs. 600,000 - 13,000,000	*
Freehold buildings	31.12.2020	559,589	MCM	Estimated price per sq.ft	Rs. 200 - 300	*
			Income basis	Estimated rental value per sq.ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2019	3,025,383	MCM	Estimated price per perch	Rs. 50,000 - 13,000,000	*
Freehold buildings	31.12.2019	2,118,011	MCM	Estimated price per sq.ft	Rs. 500 - 11,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 250	*
As at 31 March 2020						
Investment Property						
Freehold lands	31.12.2019	360,014	MCM	Estimated price per perch	Rs. 600,000 - 13,000,000	*
Freehold buildings		771,638	MCM	Estimated price per sq.ft	Rs. 200 - 300	*
			Income basis	Estimated rental value per sq.ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2019	2,876,444	MCM	Estimated price per perch	Rs. 50,000 - 13,000,000	*
Freehold buildings	31.12.2019	1,905,962	MCM	Estimated price per sq.ft	Rs. 500 - 11,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 250	*

MCM - Market comparable method

* Significant increases / (decreases) in any of these inputs in isolation would result in a significantly higher / (lower) fair value.

21.7 Fair value of assets and liabilities not carried at fair value

Set out below is a comparison, by class, of the carrying amount and fair values of the Group's/Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

As at 31 March	2021					2020				
	Level 1	Level 2	Level 3	Total fair Value	Carrying amount	Level 1	Level 2	Level 3	Total fair Value	Carrying amount
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets										
Cash and cash equivalents	-	2,703,031	-	2,703,031	2,703,031	-	7,164,139	-	7,164,139	7,164,139
Balances with banks and financial institutions	-	5,900,872	-	5,900,872	5,399,071	-	3,205,140	-	3,205,140	3,207,440
Loans and receivables - Amortised cost (Gross)	-	163,635,284	-	163,635,284	150,655,845	-	155,825,013	-	155,825,013	156,497,746
Debt instrument - Amortised cost	-	6,984,078	-	6,984,078	6,994,206	-	4,114,978	-	4,114,978	4,106,963
Other financial assets	-	126,949	-	126,949	126,949	-	232,692	-	232,692	232,692
Total	-	179,350,214	-	179,350,214	165,879,102	-	170,541,962	-	170,541,962	171,208,980
Financial Liabilities										
Due to banks	-	6,936,408	-	6,936,408	6,439,310	-	8,057,554	-	8,057,554	7,938,185
Due to customers	-	102,019,672	-	102,019,672	101,502,931	-	106,798,094	-	106,798,094	106,701,027
Debt Securities issued	-	14,675,439	-	14,675,439	13,825,553	-	18,759,201	-	18,759,201	18,479,260
Other Financial liabilities	-	4,131,671	-	4,131,671	4,131,671	-	3,014,117	-	3,014,117	3,014,117
Lease liabilities	-	2,282,213	-	2,282,213	2,286,386	-	1,904,947	-	1,904,947	1,909,098
Total	-	130,045,403	-	130,045,403	128,185,851	-	138,533,913	-	138,533,913	138,041,687

As at 31 March	2021					2020				
	Level 1	Level 2	Level 3	Total fair Value	Carrying amount	Level 1	Level 2	Level 3	Total fair Value	Carrying amount
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets										
Cash and cash equivalents	-	3,844,694	-	3,844,694	3,844,694	-	7,693,032	-	7,693,032	7,693,032
Balances with banks and financial institutions	-	8,239,912	-	8,239,912	8,231,101	-	6,593,797	-	6,593,797	6,661,407
Loans and receivables - Amortised cost (Gross)	-	169,138,423	-	169,138,423	159,224,528	-	158,483,419	-	158,483,419	163,304,880
Insurance and reinsurance receivables	-	1,024,461	-	1,024,461	1,024,461	-	1,194,933	-	1,194,933	1,194,933
Debt instrument - Amortised cost	-	8,620,175	-	8,620,175	8,593,386	-	4,821,454	-	4,821,454	4,813,439
Total	-	190,867,665	-	190,867,665	180,918,170	-	178,786,635	-	178,786,635	183,667,691
Financial Liabilities										
Due to banks	-	9,739,721	-	9,739,721	9,003,873	-	11,097,415	-	11,097,415	10,978,046
Due to customers	-	104,256,546	-	104,256,546	103,743,716	-	106,796,726	-	106,796,726	107,685,592
Debt Securities issued	-	14,522,493	-	14,522,493	13,684,516	-	18,616,227	-	18,616,227	18,338,039
Other Financial liabilities	-	4,110,795	-	4,110,795	4,110,795	-	2,829,708	-	2,829,708	2,829,708
Insurance liabilities and reinsurance payable	-	5,015,885	-	5,015,885	5,015,885	-	5,065,220	-	5,065,220	5,065,220
Lease liabilities	-	1,609,725	-	1,609,725	1,614,660	-	1,590,805	-	1,590,805	1,594,245
Total	-	139,255,165	-	139,255,165	137,173,445	-	145,996,101	-	145,996,101	146,490,850

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received / paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgment involved in calculating the fair values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Balances with Banks and Financial Institutions

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity. The estimated fair value of balances with banks and financial institutions with maturity of more than three months represents the discounted amount of future cash flows expected to be received.

Loan and Receivables

The fair value of loans and advances to customers with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with maturity of more than one year represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Debt instrument - Amortised cost

Debt instruments at amortised cost represent the market price of the treasury bills and treasury bond at the reporting date. Market price is published by the Central Bank of the Sri Lanka each reporting date.

Due to Customers

The estimated fair value of deposits with no maturity period (Savings Deposits) is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits (Fixed Deposits) without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar risk and remaining maturity.

Due to Banks and Debt Securities Issued

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

The fair value of fixed rate borrowings with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of fixed rates borrowing with maturity of more than one year represents the discounted amount of future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

Lease liabilities

Estimated fair value of the lease liability represents the discounted amount of lease payment expected to be received in the future. Expected cash flows are discounted using incremental borrowing rate at the reporting date.

22. CASH AND CASH EQUIVALENTS**ACCOUNTING POLICY**

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They are brought to financial statements at their face values or the gross values, where appropriate. There were no cash and cash equivalent held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Securities Purchased Under Reverse Repurchase Agreements

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as alone by the Group. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash in hand			922,568	656,002	939,766	669,272
Current account with banks	22.1	213	1,573,040	1,172,669	1,788,506	1,675,364
Savings Account with banks			207,403	206,434	338,985	214,422
Saving deposit in foreign currency			20	19	20	19
Securities under reverse repurchase agreement			-	5,129,015	777,417	5,133,955
Total			2,703,031	7,164,139	3,844,694	7,693,032
Fair value			2,703,031	7,164,139	3,844,694	7,693,032

22.1 Balance with banks

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Local banks	1,573,040	1,172,669	1,788,506	1,675,364
Total	1,573,040	1,172,669	1,788,506	1,675,364

23. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

ACCOUNTING POLICY

Balances with banks and financial institutions include fixed deposits and deposits in foreign currency. Balances with banks and financial institutions are carried at amortised cost in the statement of financial position.

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed deposits				
Local currency	5,399,071	3,207,440	8,230,653	6,644,819
Foreign currency	-	-	448	16,588
Total	5,399,071	3,207,440	8,231,101	6,661,407
Fair value	5,900,872	3,205,140	8,239,912	6,593,797

24. FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS**ACCOUNTING POLICY**

The Group classifies financial assets as financial assets recognised through profit or loss (FATPL) when they have been purchased primarily for short term profit making through trading activities. FATPL are recorded and measured at fair value and changes in fair value are recognised in the Net gains/(losses) on financial assets - FVTPL in the Statement of Profit or Loss.

SLFRS 9 requires financial instruments to be classified based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. FATPL include quoted equity securities that have been acquired principally for short term profit making and are recorded at fair value using the market prices published by the Colombo Stock Exchange. Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

Dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the payment has been established.

The Group evaluates its portfolio of FVTPL, to determine if the intention to sell them in the near future is still appropriate. When the Group can not sell these financial assets due to inactive markets and the management intention to sell them in the foreseeable future significant changes, the Group may choose to reclassify these financial assets.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Quoted equity securities	24.1/24.2	214/216	9,768	13,547	24,753	27,134
Investment in unit trust	24.3	216	100,019	1,018,172	1,257,000	1,171,458
Total			109,787	1,031,719	1,281,753	1,198,592
Fair value			109,787	1,031,719	1,281,753	1,198,592

24.1 Quoted equity securities

As at 31 March	2021			2020		
	No. of Shares	Total Cost	Market Value	No. of Shares	Total Cost	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Company						
Bank, finance and insurance						
Commercial Bank of Ceylon PLC - Non voting	-	-	-	114,885	9,877	6,721
Seylan Bank PLC - Voting	-	-	-	109,406	7,449	3,665
Seylan Bank PLC - Non voting	-	-	-	143,028	4,403	3,161
Subtotal		-	-		21,729	13,547
Diversified holdings						
John Keells Holdings PLC	65,780	10,310	9,768	-	-	-
Subtotal		10,310	9,768		-	-
Total		10,310	9,768		21,729	13,547
Mark to market gains/(losses)		(542)			(8,182)	
Market value of equity securities		9,768			13,547	

As at 31 March	2021			2020		
	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000
Group						
Shares listed In Sri Lanka						
Bank, finance and insurance						
Commercial Bank of Ceylon PLC- voting	-	-	-	120,000	12,083	7,212
Commercial Bank of Ceylon PLC - Non voting	-	-	-	114,885	9,877	6,721
Seylan Bank PLC - Voting	-	-	-	109,406	7,449	3,665
Seylan Bank PLC - Non voting	-	-	-	143,028	4,403	3,161
Subtotal		-	-		33,812	20,759
Beverage food and tobacco						
Ceylon Tobacco Company PLC	-	-	-	5,000	5,400	5,000
Subtotal		-	-		5,400	5,000
Diversified holdings						
John Keells Holdings PLC	65,780	10,310	9,768	-	-	-
Subtotal		10,310	9,768		-	-
Manufacturing						
Piramal Glass Ceylon PLC	1,350,000	14,985	14,985	-	-	-
Subtotal		14,985	14,985		-	-
Shares Listed In Bangladesh						
Pharmaceuticals, biotechnology and life Sciences						
Indo-Bangla Pharmaceuticals	-	-	-	3,530	65	151
Silva Pharmaceuticals	-	-	-	9,653	204	399
Silco Pharmaceuticals	-	-	-	8,022	162	399
Subtotal		-	-		431	949
Diversified holdings						
VFS Tread Ltd.	-	-	-	8,515	156	426
Subtotal		-	-		156	426
Total		25,295	24,753		39,799	27,134
Mark to market gains/(losses)		(542)			(12,665)	
Market value of equity securities		24,753			27,134	

24.2 Industry/sector composition of equity securities – Company and Group

As at 31 March	2021			2020		
	Total Cost	Market Value	%	Total Cost	Market Value	%
Industry/Sector	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Company						
Bank, finance and insurance	-	-	-	21,729	13,547	100.00%
Diversified holdings	10,310	9,768	100.00%	-	-	-
Total	10,310	9,768	100.00%	21,729	13,547	100.00%
Mark to market gains/(losses)	(542)			(8,182)		
Market value of equity securities	9,768			13,547		
Group						
Bank, finance and insurance	-	-	-	33,812	20,759	76.51%
Beverage food and tobacco	-	-	-	5,400	5,000	18.43%
Pharmaceuticals, biotechnology and life sciences	-	-	-	431	949	3.50%
Diversified holdings	10,310	9,768	39.46%	156	426	1.57%
Manufacturing	14,985	14,985	60.54%	-	-	-
Total	25,295	24,753	100.00%	39,799	27,134	100.00%
Mark to market gains/(losses)	(542)			(12,665)		
Market value of equity securities	24,753			27,134		

Sensitivity analysis of financial assets - FVTPL - equity is given in Note 59.4.3 on page 303.

24.3 Investment in Unit Trust

As at 31 March	Company			Group		
	2021 No. of Units	2021 Rs. '000	2020 Rs. '000	2021 No. of Units	2021 Rs. '000	2020 Rs. '000
NDB Wealth Money Market Plus Fund	-	-	760,585	16,281,952	387,382	760,585
Guardian Money Market Fund	-	-	257,587	-	-	410,873
CAL Investment	4,976,560	100,019	-	24,153,997	485,447	-
JB Vantage Money Market Fund	-	-	-	13,749,775	384,171	-
Total		100,019	1,018,172		1,257,000	1,171,458

25. LOANS AND RECEIVABLES - AMORTISED COST

ACCOUNTING POLICY

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and Company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group and Company, upon initial recognition, designates as FVOCI
- Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

'Loans and receivables' are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in 'impairment charges for loans and receivables and other losses'.

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group/Company as a Lessee

Leases that do not transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Group/Company as a Lessor

Leases where the Group/Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Receivables on Lease, Hire Purchase and Islamic Finance

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

'Day 1' Difference for Staff Loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as 'day 1' difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs. Refer Note 31.1.1 on page 241.

Renegotiated Loans and Receivables

Where possible, the Group/Company seeks to restructure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the receivable is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The receivable continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be measured at amortised cost using original EIR and subject to an individual or collective impairment assessment.

Impairment Allowance for Loans and Receivable to Customers

Details on the Impairment allowance for loans and receivable to customers disclosed in the note 25.7 on page 228.

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 impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

Written off of Loans and Receivables

Loans and receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and receivables	25.1.2	219	150,655,845	156,497,746	159,224,528	163,304,880
(Less):						
Individual impairment charges	25.8	230	1,168,174	1,316,237	1,168,174	1,428,968
Collective impairment charges	25.8	230	8,099,764	7,433,998	8,714,022	7,740,978
Net loans and receivables			141,387,907	147,747,511	149,342,332	154,134,934
Fair value			163,635,284	155,825,013	169,138,423	158,483,419

25.1 Analysis

25.1.1 Analysis by stage wise

Company - As at 31 March 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and receivables	91,721,453	30,256,132	28,678,260	150,655,845
(Less):				
Individual impairment charges	-	-	1,168,174	1,168,174
Collective impairment charges	831,484	1,113,374	6,154,906	8,099,764
Net loans and receivables	90,889,969	29,142,758	21,355,180	141,387,907

Company - As at 31 March 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and receivables	85,842,549	38,427,765	32,227,432	156,497,746
(Less):				
Individual impairment charges	-	-	1,316,237	1,316,237
Collective impairment charges	675,172	1,183,272	5,575,553	7,433,997
Net loans and receivables	85,167,377	37,244,493	25,335,642	147,747,512

Group - As at 31 March 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and receivables	92,517,093	35,084,515	31,622,920	159,224,528
(Less):				
Individual impairment charges	-	-	1,168,174	1,168,174
Collective impairment charges	995,233	1,262,265	6,456,524	8,714,022
Net loans and receivables	91,521,860	33,822,250	23,998,222	149,342,332

Group - As at 31 March 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and receivables	88,207,562	41,813,456	33,283,862	163,304,880
(Less):				
Individual impairment charges	-	-	1,428,968	1,428,968
Collective impairment charges	749,718	1,333,159	5,658,101	7,740,978
Net loans and receivables	87,457,844	40,480,297	26,196,793	154,134,934

25.1.2 Analysis by product

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
By product						
Lease/Ijarah receivable	25.5.1/25.6.1	223/226	78,141,725	85,815,366	78,131,430	85,815,366
Hire-Purchase/ Murabah receivable	25.5.2/25.6.2	224/227	224,793	336,375	3,143,356	3,355,778
Term Loan and receivables	25.5.3/25.6.3	225/228	70,780,167	68,728,321	75,611,414	71,615,697
Related party receivables	25.2	220	1,509,160	1,617,684	-	-
Commercial Paper			-	-	155,245	-
Debentures	25.3	221	-	-	2,183,083	2,518,039
Gross total			150,655,845	156,497,746	159,224,528	163,304,880
Fair value			163,635,284	155,825,013	169,138,423	158,483,419

25.1.3 Analysis by Currency

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Rupee	150,655,845	156,497,746	154,452,244	160,611,510
Bangladesh Taka	-	-	4,772,284	2,693,370
Gross total	150,655,845	156,497,746	159,224,528	163,304,880

25.1.4 Analysis by Industry

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, forestry and fishing	30,661,009	30,535,229	31,237,276	31,148,829
Arts, entertainment and recreation	1,406,139	1,198,406	1,406,139	1,198,406
Construction and infrastructure development	10,972,649	11,861,226	9,780,857	10,905,103
Consumption	7,819,767	8,982,853	7,819,767	9,017,339
Education	1,888,245	1,790,145	1,888,245	1,790,145
Financial services	7,268,787	4,881,761	9,848,580	7,836,750
Health care, social services and support services	12,134,882	18,588,699	13,531,028	20,017,178
Information technology and communication	1,536,108	1,419,850	1,536,108	1,419,850
Manufacturing	9,094,435	9,267,973	10,625,482	11,378,906
Professional, scientific and technical activities	10,814,474	8,042,772	10,814,474	8,042,772
Tourism	3,666,967	4,337,271	3,679,932	4,352,849
Transportation and storage	33,506,084	35,230,788	33,611,307	35,265,304
Wholesale and retail trade	18,498,319	18,168,984	19,034,510	18,606,628
Other	1,387,980	2,191,789	2,072,495	2,324,821
Gross total	150,655,845	156,497,746	156,886,200	163,304,880

25.2 Related Party Receivables

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
People's Leasing Property Development Limited	599,301	614,680	-	-
People's Leasing Fleet Management Limited	-	17,654	-	-
People's Leasing Havelock Properties Limited	830,096	809,822	-	-
People's Micro-commerce Ltd.	2,700	112,505	-	-
People's Insurance PLC	49,908	35,868	-	-
Lankan Alliance Finance Limited	27,155	27,155	-	-
Total	1,509,160	1,617,684	-	-

25.3 Debentures

As at 31 March	Rate	Maturity date	Group			
			2021		2020	
			No. of Debentures	Carrying Value Rs. '000	No. of Debentures	Carrying Value Rs. '000
Sampath Bank PLC	9.90%	18-Nov-20	-	-	500,000	51,802
	12.50%	20-Mar-23	1,000,000	100,401	1,000,000	106,634
	13.90%	24-Feb-24	1,000,000	101,152	1,000,000	101,138
Siyapatha Finance PLC	13.33%	8-Aug-24	1,500,000	162,632	1,500,000	162,626
National Savings Bank	11.00%	10-Sep-22	1,000,000	105,941	1,000,000	105,970
National Development Bank PLC	9.40%	24-Jun-20	-	-	282,800	26,057
	13.95%	30-Mar-24	2,000,000	200,163	2,000,000	227,961
DFCC Bank PLC	9.40%	10-Jun-20	-	-	332,100	35,764
	12.75%	9-Nov-23	1,000,000	104,925	1,000,000	104,996
	13.00%	29-Mar-25	844,500	84,538	844,500	95,536
	13.50%	28-03-2024	1,000,000	100,143	1,000,000	113,627
	11.00%	12-Jun-25	1,190,000	128,912	-	-
Seylan Bank PLC	12.85%	29-Mar-23	750,000	75,051	750,000	79,883
MTD Walkers PLC	11.75%	30-Sep-19	-	-	254,784	26,954
Commercial Credit & Finance PLC	10.40%	10-Dec-20	1,000,000	26,954	1,000,000	103,189
Sanasa Development Bank PLC	10.30%	31-Dec-20	-	-	500,000	51,280
Commercial Bank PLC	10.75%	8-Mar-21	-	-	2,000,000	212,104
	12.00%	27-Oct-21	421,900	44,316	421,900	44,345
	12.00%	22-Jul-23	881,700	90,106	881,700	90,135
Hatton National Bank PLC	11.25%	28-Mar-21	-	-	2,000,000	222,954
	13.00%	1-Nov-23	193,300	20,332	193,300	20,339
	12.30%	22-Sep-24	413,300	43,900	413,300	43,914
Nations Trust Bank PLC	12.65%	8-Nov-21	2,000,000	209,851	2,000,000	209,619
	12.80%	23-Dec-24	2,000,000	206,568	2,000,000	206,634
Hayleys PLC	12.50%	31-Jul-23	1,000,000	101,978	1,000,000	102,012
LOLC PLC	10.25%	24-Feb-26	3,000,000	302,819	-	-
Subtotal				2,210,684		2,545,473
Less: Allowance for expected credit losses				(27,601)		(27,434)
Total				2,183,083		2,518,039

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

25.4 Movement in Gross Loan and Receivables during the Year (Under SLFRS 9)**Movement in gross loan and receivables 2021 - Company**

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2020	85,842,549	38,427,765	32,227,432	156,497,746
New assets originated or purchased	45,437,659	5,359,775	5,802,633	56,600,067
Assets derecognised or repaid (excluding write offs)	(34,540,620)	(15,262,704)	(12,491,832)	(62,295,156)
Transfers to Stage 2 and 3	(15,480,507)	13,868,554	1,611,953	-
Transfers to Stage 1 and 3	7,993,476	(15,696,865)	7,703,389	-
Transfers to Stage 1 and 2	2,468,896	3,559,607	(6,028,503)	-
Amounts written off	-	-	(146,812)	(146,812)
Gross carrying amount as at 31 March 2021	91,721,453	30,256,132	28,678,260	150,655,845

Movement in gross loan and receivables 2020 - Company

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2019	114,902,936	26,640,117	15,109,188	156,652,241
New assets originated or purchased	45,583,126	16,938,239	7,026,238	69,547,603
Assets derecognised or repaid (excluding write offs)	(49,915,849)	(13,501,435)	(6,284,814)	(69,702,098)
Transfers to Stage 2 and 3	(26,572,169)	16,957,385	9,614,784	-
Transfers to Stage 1 and 3	1,608,186	(9,125,199)	7,517,013	-
Transfers to Stage 1 and 2	236,319	518,658	(754,977)	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 March 2020	85,842,549	38,427,765	32,227,432	156,497,746

Movement in gross loan and receivables 2021 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2020	88,207,562	41,813,456	33,283,862	163,304,880
New assets originated or purchased	52,415,185	6,131,991	6,371,434	64,918,610
Assets derecognised or repaid (excluding write offs)	(41,520,185)	(15,048,355)	(12,283,610)	(68,852,150)
Transfers to Stage 2 and 3	(16,130,403)	14,368,752	1,761,651	-
Transfers to Stage 1 and 3	7,366,941	(15,816,240)	8,449,299	-
Transfers to Stage 1 and 2	2,177,993	3,634,911	(5,812,904)	-
Amounts written off	-	-	(146,812)	(146,812)
Gross carrying amount as at 31 March 2021	92,517,093	35,084,515	31,622,920	159,224,528

Movement in Gross Loan and Receivables 2020 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2019	118,132,249	28,664,658	15,435,958	162,232,865
New assets originated or purchased	51,127,542	19,378,635	7,714,983	78,221,160
Assets derecognised or repaid (excluding write offs)	(55,248,912)	(14,943,943)	(6,956,290)	(77,149,145)
Transfers to Stage 2 and 3	(27,728,058)	17,695,031	10,033,027	-
Transfers to Stage 1 and 3	1,678,142	(9,522,145)	7,844,003	-
Transfers to Stage 1 and 2	246,599	541,220	(787,819)	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31 March 2020	88,207,562	41,813,456	33,283,862	163,304,880

25.5 Remaining Contractual Maturity Analysis - Company

25.5.1 Lease/Ijarah Receivable

As at 31 March	2021				2020			
	Within one year	1-5 years	Over 5 years	Total	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivable	43,999,315	52,294,393	53,075	96,346,783	49,584,958	59,717,444	19,500	109,321,902
Less: Unearned income	9,942,866	8,256,450	3,185	18,202,501	12,002,025	11,498,996	1,241	23,502,262
Net rentals receivable	34,056,449	44,037,943	49,890	78,144,282	37,582,933	48,218,448	18,259	85,819,640
Less : Rentals received in advance				2,557				4,274
Lease/Ijarah receivable before impairment provision				78,141,725				85,815,366
Less : Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				-				61,413
Total individual impairment				-				61,413
Collective Impairment								
Stage 1				407,512				324,980
Stage 2				646,288				632,661
Stage 3				2,164,642				2,394,313
Total collective impairment				3,218,442				3,351,954
Total net rentals receivable	34,056,449	44,037,943	49,890	74,923,283	37,582,933	48,218,448	18,259	82,401,999

25.5.2 Hire-Purchase/ Murabah receivable

As at 31 March	2021				2020			
	Within one year	1-5 years	Over 5 years	Total	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivable	230,888	11,686	-	242,574	310,678	34,553	-	345,231
Less: Unearned income	17,085	522	-	17,607	6,612	1,783	-	8,395
Net rentals receivable	213,803	11,164	-	224,967	304,066	32,770	-	336,836
Less : Rentals received in advance				174				461
Hire-Purchase/ Murabah receivable before impairment provision				224,793				336,375
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				-				-
Total individual impairment				-				-
Collective Impairment								
Stage 1				137				200
Stage 2				671				1,034
Stage 3				182,224				123,874
Total collective impairment				183,032				125,108
Total net rentals receivable	213,803	11,164	-	41,761	304,066	32,770	-	211,267

25.5.3 Term Loan and receivables

As at 31 March	2021				2020			
	Within one year	1-5 years	Over 5 years	Total	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Motor Loans	12,293,886	27,878,428	39,835	40,212,149	13,395,016	21,440,497	-	34,835,513
Short and medium loans	6,074,667	5,810,178	69,797	11,954,642	6,534,786	7,511,149	64,677	14,110,612
Clean Basis Loan Stock	817,416	117,173	-	934,589	780,035	185,292	-	965,327
Self E Cash Loan	1,951,463	677,058	-	2,628,521	1,914,075	900,925	-	2,815,000
Fast Track Loan	1,228,751	522,933	-	1,751,684	5,190,508	824,658	181,583	6,196,749
Trading Murabah	309,166	78,721	-	387,887	647,923	129,116	-	777,039
Musharakah	937,696	1,574,502	-	2,512,198	611,187	1,008,473	1,033	1,620,693
Factoring receivable	2,611,936	-	-	2,611,936	3,142,703	-	-	3,142,703
Margin trading	4,832,679	-	-	4,832,679	2,265,923	-	-	2,265,923
Staff loans	191,822	507,272	24,555	723,649	171,683	506,130	28,429	706,242
Sundry loans	2,151,099	80,820	-	2,231,919	1,295,043	-	-	1,295,043
Less: Prepaid Rentals	(1,686)	-	-	(1,686)	(2,523)	-	-	(2,523)
Loan receivable before impairment provision	33,398,895	37,247,085	134,187	70,780,167	35,946,359	32,506,240	275,722	68,728,321
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				1,168,174				1,254,824
Total individual impairment				1,168,174				1,254,824
Collective Impairment								
Stage 1				423,835				349,992
Stage 2				466,415				549,577
Stage 3				3,808,040				3,057,366
Total collective impairment				4,698,290				3,956,935
Total net receivable	33,398,895	37,247,085	134,187	64,913,703	35,946,359	32,506,240	275,722	63,516,562

25.6 Remaining Contractual Maturity Analysis -Group

25.6.1 Lease/Ijarah receivable

As at 31 March	2021				2020			
	Within one year	1-5 years	Over 5 years	Total	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivable	43,996,067	52,284,615	53,076	96,333,758	49,584,958	59,717,444	19,500	109,321,902
Less: Unearned income	9,941,699	8,254,887	3,185	18,199,771	12,002,025	11,498,996	1,241	23,502,262
Net rentals receivable	34,054,368	44,029,728	49,891	78,133,987	37,582,933	48,218,448	18,259	85,819,640
Less : Rentals received in advance				2,557				4,274
Lease/Ijarah receivable before impairment provision				78,131,430				85,815,366
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				-				61,413
Total individual impairment				-				61,413
Collective Impairment								
Stage 1				407,512				324,980
Stage 2				646,288				632,661
Stage 3				2,164,642				2,394,313
Total collective impairment				3,218,442				3,351,954
Total net rentals receivable	34,054,368	44,029,728	49,891	74,912,988	37,582,933	48,218,448	18,259	82,401,999

25.6.2 Hire-Purchase/ Murabah receivable

As at 31 March	2021				2020			
	Within one year	1-5 years	Over 5 years	Total	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivable	2,090,271	2,176,206	-	4,266,477	2,244,239	2,342,823	-	4,587,062
Less: Unearned income	570,783	552,164	-	1,122,947	636,855	593,968	-	1,230,823
Net rentals receivable	1,519,488	1,624,042	-	3,143,530	1,607,384	1,748,855	-	3,356,239
Less : Rentals received in advance				174				461
Hire-Purchase/ Murabah receivable before impairment provision				3,143,356				3,355,778
Less : Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				-				33,824
Total individual impairment				-				33,824
Collective Impairment								
Stage 1				91,775				45,524
Stage 2				99,142				126,381
Stage 3				396,782				203,824
Total collective impairment				587,699				375,729
Total net rentals receivable	1,519,488	1,624,042	-	2,555,657	1,607,384	1,748,855	-	2,946,225

25.6.3 Term Loan and receivables

As at 31 March	2021				2020			
	Within one year	1-5 years	Over 5 years	Total	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Motor loans	12,293,886	27,878,428	39,835	40,212,149	13,395,016	21,440,497	-	34,835,513
Short and medium loans	8,700,465	8,015,627	69,797	16,785,889	9,422,162	7,511,149	64,677	16,997,988
Clean basis loan stock	817,416	117,173	-	934,589	780,035	185,292	-	965,327
Self E cash loan	1,951,463	677,058	-	2,628,521	1,914,075	900,925	-	2,815,000
Fast track loan	1,228,751	522,933	-	1,751,684	5,190,508	824,658	181,583	6,196,749
Trading murabah	309,166	78,721	-	387,887	647,923	129,116	-	777,039
Musharakah	937,696	1,574,502	-	2,512,198	611,187	1,008,473	1,033	1,620,693
Factoring receivable	2,611,936	-	-	2,611,936	3,142,703	-	-	3,142,703
Margin trading	4,832,679	-	-	4,832,679	2,265,923	-	-	2,265,923
Staff loans	191,822	507,272	24,555	723,649	171,683	506,130	28,429	706,242
Sundry loans	2,151,099	80,820	-	2,231,919	1,295,043	-	-	1,295,043
Less: prepaid rentals	(1,686)	-	-	(1,686)	(2,523)	-	-	(2,523)
Loan receivable before impairment provision	36,024,693	39,452,534	134,187	75,611,414	38,833,735	32,506,240	275,722	71,615,697
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				1,168,174				1,333,731
Total individual impairment				1,168,174				1,333,731
Collective Impairment								
Stage 1				495,946				379,214
Stage 2				516,835				574,117
Stage 3				3,895,100				3,059,964
Total collective impairment				4,907,881				4,013,295
Total net receivable	36,024,693	39,452,534	134,187	69,535,359	38,833,735	32,506,240	275,722	66,268,671

25.7 Impairment Allowance for Loans and Receivable to Customers

ACCOUNTING POLICY

As per SLFRS 9, the Group records an allowance for expected credit losses for loans and advances.

Individual Impairment

The Group will separately assess significant customer exposure to determine where there are any signs of impairment. In particular, management judgment was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance made. Loans with objective evidence of loss have been classified as Stage 3. Loans with a individually significant amount but not impaired will be collectively assessed for impairment in stage 1 or stage 2 according to the below specified criteria to determine whether significant credit deterioration has occurred since its inception.

Collective Impairment

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1

Loans and receivables that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.

Stage 3

If a loan is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

Significant Increase in Credit Risk

When determining whether the risk of default on financial instruments has increased significantly since the initial recognition, the Group will consider reasonable and supportable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information analysis based on the Group's historical experience and expert credit assessment, including forward-looking information.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default.

Definition of Default and Credit Impaired Assets

The Group considers loans and advances to other customers be defaulted when:

1. The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
2. The borrower becomes 90 days past due on its contractual payments.

Calculation of Expected Credit Loss (ECL)

The Group computes ECL using several components including three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information.

1. PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit impaired" above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation.

Two Types of PDs are Used for Calculating ECLs:

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for "Stage 2" and "Stage 3" exposures

- Loss given Default ("LGD") – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
- Exposure at Default ("EAD") – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Discount Rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition
- Economic Factor Adjustment (EFA)-When incorporate forward looking information, an entity should consider forecasted macroeconomic factors to assessing the expected credit loss.

Forward-looking Information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group also obtained experienced credit judgement to formulate a base case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
Interest rate (AWPLR)	Status of industry business
GDP growth	Regulatory impact
Rate of inflation	Government policies
Unemployment rate	
Exchange rate	

Revolving Facilities

Group offers revolving facilities such as Fast track, and calculates only the 12-month ECL (12mECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for Credit Conversion Factor (CCF) and the gross carrying amount of the loan (utilised amount). EAD of Stage 3 contracts are limited to the gross carrying amount which is the utilised amount since the Group freeze the limits of those contracts up to the utilised amount. The expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and EFA and discounted by an approximation to the original EIR.

25.8 Analysis of Impairment by Product Wise

A reconciliation of the allowance for impairment losses for loans and receivables, by class, is as follows:

Company	2021								
	Lease Rs. '000	Hire Purchase Rs. '000	Ijarah Rs. '000	Term Loans Rs. '000	Re-finance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
At 1 April 2020	3,170,385	112,933	242,982	4,217,079	15,622	12,176	145,538	833,520	8,750,235
Charge/(Reversal) for the year	(140,595)	61,754	(54,330)	364,494	4,525	(3,831)	(5,155)	290,841	517,703
At 31 March 2021	3,029,790	174,687	188,652	4,581,573	20,147	8,345	140,383	1,124,361	9,267,938
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Total Individual impairment	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Collective impairment									
Stage 1	381,601	124	25,911	400,833	-	13	2,363	20,639	831,484
Stage 2	606,640	646	39,648	459,226	-	25	1,674	5,515	1,113,374
Stage 3	2,041,549	173,917	123,093	3,009,206	17,744	8,307	132,555	648,535	6,154,906
Total Collective impairment	3,029,790	174,687	188,652	3,869,265	17,744	8,345	136,592	674,689	8,099,764
Total	3,029,790	174,687	188,652	4,581,573	20,147	8,345	140,383	1,124,361	9,267,938

Company	2020								
	Lease	Hire	Ijarah	Term	Re-finance	Murabah	Trading	Factoring	Total
	Rs. '000	Purchase Rs. '000	Rs. '000	Loans Rs. '000	loans Rs. '000	Rs. '000	Murabah Rs. '000	Rs. '000	Rs. '000
At 1 April 2019	1,626,579	72,613	92,465	2,815,266	14,206	3,866	129,608	189,736	4,944,339
Charge/(Reversal) for the year	1,543,806	40,320	150,517	1,401,813	1,416	8,310	15,930	643,784	3,805,896
At 31 March 2020	3,170,385	112,933	242,982	4,217,079	15,622	12,176	145,538	833,520	8,750,235
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	61,413	-	-	494,801	2,403	-	-	757,620	1,316,237
Total Individual impairment	61,413	-	-	494,801	2,403	-	-	757,620	1,316,237
Collective impairment									
Stage 1	301,497	88	23,483	268,660	110	112	5,323	75,899	675,172
Stage 2	583,738	788	48,923	535,113	4,426	246	10,038	-	1,183,272
Stage 3	2,223,737	112,057	170,576	2,918,505	8,683	11,817	130,178	-	5,575,553
Total Collective impairment	3,108,972	112,933	242,982	3,722,278	13,219	12,176	145,538	75,900	7,433,998
Total	3,170,385	112,933	242,982	4,217,079	15,622	12,176	145,538	833,520	8,750,235

Group	2021								
	Lease	Hire	Ijarah	Term	Re-finance	Murabah	Trading	Factoring	Total
	Rs. '000	Purchase Rs. '000	Rs. '000	Loans Rs. '000	loans Rs. '000	Rs. '000	Murabah Rs. '000	Rs. '000	Rs. '000
At 1 April 2020	3,170,385	397,378	242,982	4,352,345	15,622	12,175	145,539	833,520	9,169,946
Charge/(Reversal) for the year	(140,595)	181,976	(54,330)	436,960	4,525	(3,830)	(5,156)	290,841	710,391
Exchange rate variance	-	-	-	1,859	-	-	-	-	1,859
At 31 March 2021	3,029,790	579,354	188,652	4,791,164	20,147	8,345	140,383	1,124,361	9,882,196
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Total Individual impairment	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Collective impairment									
Stage 1	381,601	91,762	25,911	472,944	-	13	2,363	20,639	995,233
Stage 2	606,640	99,117	39,648	509,646	-	25	1,674	5,515	1,262,265
Stage 3	2,041,549	388,475	123,093	3,096,266	17,744	8,307	132,555	648,535	6,456,524
Total Collective impairment	3,029,790	579,354	188,652	4,078,856	17,744	8,345	136,592	674,689	8,714,022
Total	3,029,790	579,354	188,652	4,791,164	20,147	8,345	140,383	1,124,361	9,882,196

Group	2020								
	Lease	Hire	Ijarah	Term	Re-finance	Murabah	Trading	Factoring	Total
	Rs. '000	Purchase Rs. '000	Rs. '000	Loans Rs. '000	loans Rs. '000	Rs. '000	Murabah Rs. '000	Rs. '000	Rs. '000
At 1 April 2019	1,626,579	200,117	92,465	3,020,451	14,206	3,866	129,608	189,736	5,277,028
Charge/(Reversal) for the year	1,543,806	197,261	150,517	1,331,894	1,416	8,310	15,930	643,784	3,892,918
At 31 March 2020	3,170,385	397,378	242,982	4,352,345	15,622	12,176	145,538	833,520	9,169,946
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	61,413	33,824	-	573,707	2,403	-	-	757,621	1,428,968
Total individual impairment	61,413	33,824	-	573,707	2,403	-	-	757,621	1,428,968
Collective impairment									
Stage 1	301,497	45,412	23,483	297,882	110	112	5,323	75,899	749,718
Stage 2	583,738	126,135	48,923	559,653	4,426	246	10,038	-	1,333,159
Stage 3	2,223,737	192,007	170,576	2,921,103	8,683	11,817	130,178	-	5,658,101
Total collective impairment	3,108,972	363,554	242,982	3,778,638	13,219	12,176	145,538	75,899	7,740,978
Total	3,170,385	397,378	242,982	4,352,345	15,622	12,176	145,538	833,520	9,169,946

25.9 Movement in Provision for Impairment during the Year**Movement in impairment 2021 - Company**

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ECL allowance as at 1 April 2020	675,172	1,183,272	6,891,791	8,750,235
New assets originated or purchased	362,358	108,938	263,483	734,779
Assets derecognised or repaid (excluding write offs)	360,808	(366,251)	(275,162)	(280,605)
Transfers to Stage 2 and 3	(761,572)	289,030	472,542	-
Transfers to Stage 1 and 3	126,562	(620,498)	493,936	-
Transfers to Stage 1 and 2	26,289	293,663	(319,952)	-
Impact on year end ECL of exposures transferred between stages during the year	(227,219)	(22,819)	141,534	(108,504)
Changes to models and inputs used for ECL calculations	269,086	248,039	(272,310)	244,815
Amounts written off	-	-	(72,782)	(72,782)
Balance as at 31 March 2021	831,484	1,113,374	7,323,080	9,267,938

Movement in impairment 2020 - Company

	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ECL allowance as at 1 April 2019	694,115	683,710	3,566,514	4,944,339
New assets originated or purchased	331,309	612,170	1,115,561	2,059,040
Assets derecognised or repaid (excluding write offs)	(155,897)	(195,393)	(1,008,966)	(1,360,256)
Transfers to Stage 2 and 3	(1,767,220)	444,409	1,322,811	-
Transfers to Stage 1 and 3	15,466	(1,069,877)	1,054,411	-
Transfers to Stage 1 and 2	4,385	23,816	(28,201)	-
Impact on year end ECL of exposures transferred between stages during the year	1,259,054	253,065	790,015	2,302,134
Changes to models and inputs used for ECL calculations	293,960	431,372	79,646	804,978
Balance as at 31 March 2020	675,172	1,183,272	6,891,791	8,750,235

Movement in impairment 2021 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2020	749,718	1,333,159	7,087,069	9,169,946
New assets originated or purchased	482,566	212,977	205,397	900,940
Assets derecognised or repaid (excluding write offs)	395,853	(411,288)	(198,112)	(213,547)
Transfers to Stage 2 and 3	(880,310)	299,071	581,239	-
Transfers to Stage 1 and 3	125,361	(738,941)	613,580	-
Transfers to Stage 1 and 2	71,935	311,982	(383,917)	-
Impact on year end ECL of exposures transferred between stages during the year	(271,960)	(25,867)	147,364	(150,463)
Changes to models and inputs used for ECL calculations	322,070	281,172	(283,528)	319,714
Amounts written off	-	-	(144,394)	(144,394)
Balance as at 31 March 2021	995,233	1,262,265	7,624,698	9,882,196

Movement in impairment 2020 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2019	739,817	730,191	3,807,020	5,277,028
New assets originated or purchased	339,960	643,192	1,006,966	1,990,118
Assets derecognised or repaid (excluding write offs)	(161,955)	(238,824)	(989,970)	(1,390,749)
Transfers to Stage 2 and 3	(1,869,471)	470,122	1,399,349	-
Transfers to Stage 1 and 3	16,361	(1,131,780)	1,115,419	-
Transfers to Stage 1 and 2	4,639	25,194	(29,833)	-
Impact on year end ECL of exposures transferred between stages during the year	1,375,954	388,352	600,612	2,364,918
Changes to models and inputs used for ECL calculations	304,413	446,712	82,478	833,603
Amounts written off	-	-	95,028	95,028
Balance as at 31 March 2020	749,718	1,333,159	7,087,069	9,169,946

26. INSURANCE AND REINSURANCE RECEIVABLES

ACCOUNTING POLICY

Insurance - Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Insurance Receivables

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component, amortised cost will be equal to carrying value. Based on the three stages; performing (stage 1), under-performing (stage 2), nonperforming (stage 3), the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

De-recognition due to substantial Modification of Terms and Conditions

Group de-recognises premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, Group considers the following factors:

- Loss of insurable interest
- Change in counterparty

Assessment of Impairment of Insurance Receivables

The Group assessed the impairment provision based on the ECL method.

Reinsurance Receivable

The Company cedes insurance risk to reinsurance in the normal course of business. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short-term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short-term in nature. Since these are short-term balances without a financing component, the amortised cost will be equal to carrying value.

Assessment of Impairment of Reinsurance Receivables

Reinsurance receivables of the Company are not qualified for ECL model based on SLFRS 4 - Insurance Contracts, section 20. Impairment losses will be recognised on reinsurance receivables, if and only if, there is no objective evidence, as a result that occurred after initial recognition of the reinsurance assets, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Reinsurance receivables	-	-	277,279	518,059
Insurance Receivables	-	-	747,182	676,874
Total	-	-	1,024,461	1,194,933
Fair value	-	-	1,024,461	1,194,933

27. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**ACCOUNTING POLICY**

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its financial investments held for strategic purpose, as equity instruments at FVOCI when they are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Unrealised gains and losses were recognised in Equity through OCI in the "Fair value reserve". When these financial investments were disposed, the cumulative gain or loss previously recognised in fair value reserve transferred to retained earnings. Dividend earned while holding financial assets - FVOCI were recognised in the Income Statement as "Other Operating Income" when the right to receive the payment had been established. Equity instruments at FVOCI are not subject to an impairment assessment.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Equity securities	27.1	235	309,118	324,381	309,118	324,381
Treasury bills			-	-	426,376	1,131,321
Total			309,118	324,381	735,494	1,455,702
Fair value			309,118	324,381	735,494	1,455,702

27.1 Equity Securities - Company and Group

As at 31 March	Note	Page No.	2021			2020		
			No of Shares	Cost of Investment	Market Value	No of Shares	Cost of Investment	Market Value
				Rs. '000	Rs. '000		Rs. '000	Rs. '000
Quoted Investments								
People's Merchant Finance PLC			25,014,002	237,633	180,100	25,014,002	237,633	217,622
Sanasa Development Bank PLC			2,271,260	213,853	129,008	2,271,260	213,853	106,749
				451,486	309,108		451,486	324,371
Unquoted Investments								
Credit Information Bureau of Sri Lanka	27.2.1	235	100	10	10	100	10	10
Lanka Credit and Business Finance Limited	27.2.2	235	50,000,000	50,000	-	50,000,000	50,000	-
Total				501,496	309,118		501,496	324,381

27.2 Reconciliation of Fair Value Measurement for Unquoted Equity Securities Under level 3 Hierarchy

27.2.1 Credit Information Bureau of Sri Lanka

	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	10	10	10	10
Remeasurement recognised in OCI	-	-	-	-
Balance as at 31 March	10	10	10	10

27.2.2 Lanka Credit and Business Finance Limited

	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment as at 1 April	50,000	50,000	50,000	50,000
Remeasurement recognised in OCI	-	-	-	-
Investment as at 31 March	50,000	50,000	50,000	50,000
Less: provision	50,000	50,000	50,000	50,000
Balance as at 31 March	-	-	-	-

28. DEBT INSTRUMENT - AMORTISED COST**ACCOUNTING POLICY**

As per SLFRS 9, "Financial investments" are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "impairment charges for loans and other losses" in the Income Statement.

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Treasury bills	6,319,142	4,106,963	6,319,142	4,106,963
Treasury bonds	675,064	-	1,539,558	-
Unquoted preference shares	-	-	734,686	706,476
Total	6,994,206	4,106,963	8,593,386	4,813,439
Fair value	6,984,078	4,114,978	8,620,175	4,821,454

29. INVESTMENTS IN SUBSIDIARIES**ACCOUNTING POLICY**

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss in the Company's Financial Statements and it is in accordance with the Sri Lanka Accounting Standard LKAS 27 on 'Separate Financial Statements'.

Subsidiaries are entities that are controlled by the Company. Subsidiaries are consolidated from the date the Company obtained control of the subsidiary and continue to be consolidated until the date when such control is lost. The Company controls an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of equity in subsidiaries not attributable directly or indirectly, to the Company.

Non-controlling interests are presented in the consolidated Statement of Financial Position, with equity, but separately from the equity of the owner's of the Company. The profit or loss and each component of other comprehensive income is separately attributed to non controlling interest and presented separately in the consolidated statement of profit or loss. 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. Changes in the proportion held by non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the fair value of consideration paid or received and amount by which the non controlling interest are adjusted.

All subsidiaries of the Company have been incorporated in Sri Lanka other than Lankan Alliance Finance Limited which is incorporated in Bangladesh. A list of subsidiaries with their changes in the proposition held by principal activities are given in the Note 1.2 on page 179.

As at 31 March	2021			2020		
	Holding	Cost	Directors' / market valuation	Holding	Cost	Directors' market valuation
Company	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
People's Leasing Fleet Management Limited	100.00	175,000	332,983	100.00	175,000	304,841
People's Leasing Property Development Limited	100.00	550,000	1,013,914	100.00	550,000	1,104,209
People's Leasing Havelock Properties Limited	100.00	600,000	626,158	100.00	600,000	616,910
People's Micro-commerce Ltd	100.00	150,000	367,437	100.00	150,000	304,808
People's Insurance PLC	75.00	600,000	4,590,000	75.00	600,000	2,955,000
Lankan Alliance Finance Limited	51.00	1,138,788	1,482,658	51.00	1,138,788	1,440,838
Total		3,213,788	8,413,150		3,213,788	6,726,606

Subsidiaries are not quoted in the Colombo stock exchange except People's Insurance PLC. The directors' valuation of investment in subsidiaries has been carried out on net asset basis. People's Insurance PLC has been valued at market value basis.

The following table summaries the information relating to the Group's subsidiaries that have a material non-controlling interest (NCI).

For the year ended 31 March	2021			2020		
	People's Insurance PLC	Lankan Alliance Finance Limited	Total	People's Insurance PLC	Lankan Alliance Finance Limited	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-controlling interest (NCI) percentage	25%	49%		25%	49%	
Net operating income	5,294,873	361,819	5,656,692	5,252,053	381,416	5,633,469
Less : Operating expenses	3,728,072	303,451	4,031,523	4,437,888	182,443	4,620,331
Profit before income tax	1,566,801	58,368	1,625,169	814,165	198,973	1,013,138
Less : Income tax expense	363,208	55,468	418,676	320,626	77,147	397,773
Profit after tax	1,203,593	2,900	1,206,493	493,539	121,826	615,365
Profit allocated to Non-controlling interest (NCI)	300,898	1,421	302,319	123,384	59,695	183,079

As at 31 March	2021			2020		
	People's Insurance PLC	Lankan Alliance Finance Limited	Total	People's Insurance PLC	Lankan Alliance Finance Limited	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	1,045,082	42,604	1,087,686	350,478	43,773	394,251
Balances with banks & financial institutions	2,815,391	505,607	3,320,998	3,162,759	702,633	3,865,392
Loans and receivables	2,558,607	4,735,863	7,294,470	2,728,813	2,732,523	5,461,336
Insurance and reinsurance receivables	1,643,629	-	1,643,629	1,840,239	-	1,840,239
Financial assets - Fair value through other comprehensive income	426,376	-	426,376	1,131,321	-	1,131,321
Debt Instrument at amortised cost	864,494	691,274	1,555,768	-	666,840	666,840
Property, plant and equipment & intangible assets	182,322	147,778	330,100	224,164	184,843	409,007
Other assets	1,597,954	204,811	1,802,765	661,596	153,468	815,064
Total assets	11,133,855	6,327,937	17,461,792	10,099,370	4,484,080	14,583,450
Due to banks	3,020	105,449	108,469	359,447	-	359,447
Due to customers	-	2,944,262	2,944,262	-	1,487,573	1,487,573
Other financial liabilities	691,728	273,396	965,124	714,002	284,807	998,809
Other liabilities	482,995	97,658	580,653	242,858	91,413	334,271
Insurance liabilities and reinsurance payable	5,089,039	-	5,089,039	5,132,753	-	5,132,753
Total liabilities	6,266,782	3,420,765	9,687,547	6,449,060	1,863,793	8,312,853
Net assets value	4,867,073	2,907,172	7,774,245	3,650,310	2,620,287	6,270,597
Carrying amount of Non-controlling interest (NCI)	1,216,768	1,424,514	2,641,283	912,578	1,283,941	2,196,518
Cash flows from operating activities	360,314	2,920	363,234	249,203	55,222	304,425
Cash flows from investing activities	(163,440)	1,492	(161,948)	197,202	(1,912)	195,290
Cash flows from financing activities	(18,428)	(301,060)	(319,488)	53,078	85,248	138,326
Net increase in cash and cash equivalents	178,446	(296,648)	(118,202)	499,483	138,558	638,041

30. INVESTMENT PROPERTY

ACCOUNTING POLICY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Profit or Loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a another Group/Company, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per Sri Lanka Accounting Standard - LKAS 16 - "Property, Plant and Equipment".

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Subsequent Transfers to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from owner occupied property and inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss. When the Company/Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss.

Fair Value of Investment Property

Investment property of the Group and Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Group and Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of directors.

The fair values are based on market values, being the value in use or estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Owner Occupied Properties and Investment Property:

In determining if a property qualifies as Investment Property the Group/Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 1 April	-	-	1,131,652	1,131,596
Addition during the year	-	-	-	56
Transfer during the year	-	-	(310,988)	-
Balance as at 31 March	-	-	820,664	1,131,652

Land and building at No. 7 and 9, Havelock Road, Colombo 7 is rented to People's Bank, People's Insurance PLC and People's Leasing & Finance PLC by the People's Leasing Havelock Properties Limited. In the Group Financial Statements, such property have separated and part rented to People's Bank has been classified as Investment Property to the Group. Basis for the separation is based on the number of Sq.ft. rented. During the year, People's Bank vacated part of the rented area and such area has been transferred to as property, plant and equipment during the year.

Market valuation of the above investment property was carried out as at 31 December 2020 by Mr K T D Tissera, FRICS (Eng), who is independent valuer not connected with the Company/Group.

Rent income recognised in respect to the above investment property is disclosed in Note 10 on page 192.

Direct operational expenses recognised in respect to the above investment property is disclosed in Note 15 on page 198.

31. OTHER ASSETS**ACCOUNTING POLICY**

The Company and the Group classify all their other assets as other financial assets and other non financial assets. Other non financial assets mainly comprises of advance payments, VAT recoverable, inventory and sundry receivables. Advance payments are carried at historical cost.

Deferred Expenses**Deferred Acquisition Costs (DAC)**

Costs of acquiring new businesses including commission, underwriting, marketing and policy issuance 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) are amortised over the period on the basis unearned premium 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.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

As at 31 March	Note	Page No.	Company		Group	
			2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Other financial assets - Insurance Commission			126,949	232,692	-	-
Non financial assets	31.1	240	448,271	914,309	932,018	1,235,329
Total			575,220	1,147,001	932,018	1,235,329

31.1 Non Financial Assets

As at 31 March	Note	Page No.	Company		Group	
			2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Advance payments			105,693	145,383	68,320	124,859
Dividend receivable			-	310,000	-	-
Inventories			58,380	49,596	65,708	57,920
Prepaid Expense			72,367	67,914	81,759	76,409
Unamortised cost on staff loans (Day 1 difference)	31.1.1	241	78,624	123,264	78,924	123,264
Deferred expenses			-	-	210,104	244,874
Other non financial assets			133,207	218,152	427,203	608,003
Total			448,271	914,309	932,018	1,235,329

31.1.1 Unamortised cost on staff loans (Day 1 difference)

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	123,264	128,906	123,264	129,509
Charge for the year	(44,640)	(5,642)	(44,340)	(6,245)
Balance as at 31 March	78,624	123,264	78,924	123,264

32. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Basis of Recognition

Property, Plant and Equipment are tangible items that are held for use in supply of services, or for administrative purposes, and are expected to be used during more than one year.

Property, Plant and Equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

Basis of Measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Company and Group apply the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

Repairs & Maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the Statement of Profit or Loss in the year the asset is derecognised.

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Useful Lives of Property, Plant and Equipment

The Group and Company depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group and Company intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group/Company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

The estimated useful lives are as follows;

Class of asset	% per annum	Period
Freehold buildings	2	50 years
Improvement of leasehold property	25	4 years
Motor vehicles	12.5 - 20	5 - 8 years
Computer hardware	20	5 years
Office equipments	10 - 20	5 -10 years
Furniture and fittings	20	5 years

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

32.1 Property, Plant and Equipment - Company

	Freehold Land and Buildings Rs. '000	Improvement of Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipments Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2020	573,840	56,872	278,163	766,212	704,670	450,446	2,830,203
Additions	-	-	-	33,922	54,104	16,664	104,690
Disposals	-	-	(52,440)	(39,869)	(74,924)	(7,129)	(174,362)
Balance as at 31 March 2021	573,840	56,872	225,723	760,265	683,850	459,981	2,760,531
(Less): Accumulated depreciation							
Balance as at 1 April 2020	2,763	56,794	85,461	586,278	556,502	398,476	1,686,274
Charge for the year	471	78	15,841	63,242	64,589	23,139	167,360
Disposals	-	-	(26,047)	(36,647)	(73,604)	(6,055)	(142,353)
Balance as at 31 March 2021	3,234	56,872	75,255	612,873	547,487	415,560	1,711,281
Net book value at 31 March 2021	570,606	-	150,468	147,392	136,363	44,421	1,049,250
Cost							
Balance as at 1 April 2019	567,181	56,872	209,509	709,456	655,397	435,471	2,633,886
Additions	6,659	-	75,277	59,573	56,334	16,085	213,928
Disposals	-	-	(6,623)	(2,817)	(7,061)	(1,110)	(17,611)
Balance as at 31 March 2020	573,840	56,872	278,163	766,212	704,670	450,446	2,830,203
(Less): Accumulated depreciation							
Balance as at 1 April 2019	2,402	56,774	74,507	525,167	502,580	374,170	1,535,600
Charge for the year	361	20	14,859	63,928	60,081	25,243	164,492
Disposals	-	-	(3,905)	(2,817)	(6,159)	(937)	(13,818)
Balance as at 31 March 2020	2,763	56,794	85,461	586,278	556,502	398,476	1,686,274
Net book value at 31 March 2020	571,077	78	192,702	179,934	148,168	51,970	1,143,929

32.2 Property, Plant and Equipment - Group

	Freehold Land and Buildings Rs. '000	Improvement of Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipments Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2020	3,226,454	58,583	693,357	881,755	999,658	530,039	6,389,846
Additions	-	-	9,440	37,085	81,547	24,252	152,324
Disposals	(55)	-	(191,976)	(39,869)	(74,924)	(22,599)	(329,423)
Transfers	310,988	-	-	-	-	-	310,988
Exchange rate variance	-	-	-	899	445	293	1,637
Balance as at 31 March 2021	3,537,387	58,583	510,821	879,870	1,006,726	531,985	6,525,372
(Less): Accumulated depreciation							
Balance as at 1 April 2020	317,912	57,271	205,642	658,593	706,349	445,709	2,391,476
Charge for the year	63,805	78	44,373	74,400	75,807	33,782	292,245
Disposals	-	-	(74,643)	(33,611)	(73,604)	(11,980)	(193,838)
Transfers	-	-	-	-	-	-	-
Exchange rate variance	-	-	-	627	499	98	1,224
Balance as at 31 March 2021	381,717	57,349	175,372	700,009	709,051	467,609	2,491,107
Net book value at 31 March 2021	3,155,670	1,234	335,449	179,861	297,675	64,376	4,034,265
Cost							
Balance as at 1 April 2019	3,213,999	58,583	610,767	812,177	940,383	507,409	6,143,318
Additions	12,455	-	108,867	72,378	67,848	22,667	284,215
Disposals	-	-	(26,277)	(3,959)	(9,051)	(1,110)	(40,397)
Exchange rate variance	-	-	-	1,159	478	1,073	2,710
Balance as at 31 March 2020	3,226,454	58,583	693,357	881,755	999,658	530,039	6,389,846
(Less): Accumulated depreciation							
Balance as at 1 April 2019	257,391	57,251	176,593	585,965	644,807	404,010	2,126,017
Charge for the year	60,521	20	44,843	75,584	69,209	42,227	292,404
Disposals	-	-	(15,794)	(3,959)	(8,105)	(1,110)	(28,968)
Exchange rate variance	-	-	-	1,003	438	582	2,023
Balance as at 31 March 2020	317,912	57,271	205,642	658,593	706,349	445,709	2,391,476
Net book value at 31 March 2020	2,908,542	1,312	487,715	223,162	293,309	84,330	3,998,370

32.3 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated property, plant and equipment, which are still in use as at reporting date is as follows.

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Improvement of leasehold properties	53,282	53,282	53,282	53,282
Motor vehicles	37,971	37,971	37,971	37,971
Computer hardware	440,942	440,942	490,175	482,058
Office equipment	397,383	397,383	431,160	428,485
Furniture and fittings	327,178	327,178	338,727	338,371
Total	1,256,756	1,256,756	1,351,315	1,340,167

32.4 Group Freehold lands & buildings

Location	Address	Date of Valuation	Method of Valuation	Land Extent (perches)	Number of Building	Building Area (Sq.Ft)	2021 Cost Rs. '000	2021 Revaluation Rs. '000	2020 Revaluation Rs. '000
People's Leasing & Finance PLC									
Vehicle yards									
Makola	No. 496, Makola North, Makola	31.12.2019	MCM	90	1	11,600	7,632	49,000	49,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	31.12.2019	MCM	330.75	1	820	22,532	75,000	75,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	31.12.2019	MCM	260	1	1,836	27,558	24,000	24,000
Monaragala	No. 10, Pothuwil Road, Monaragala	31.12.2019	MCM	125.9	1	1,376	46,905	50,000	50,000
Administrative purpose									
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	31.12.2019	MCM	8.3	1	5,194	31,257	45,000	45,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	31.12.2019	MCM	44.72	-	-	45,764	155,063	155,063
Matara	No. 367, Anagarila Darmapala Mawatha Matara	31.12.2019	MCM	40	-	-	93,599	100,000	100,000
Kandy	No. 296, Senanayaka Road, Kandy	31.12.2019	MCM	47.1	-	-	142,711	183,700	183,700
Anuradhapura	No. 50, Maithripala Senanayake Road, Anuradhapura	31.12.2019	MCM	40.51	-	-	155,882	182,295	182,295
Subtotal					5		573,840	864,058	864,058
People's Leasing Property Development Limited									
Colombo 08	No. 1161, Maradana Road, Colombo 08	31.12.2020	MCM	104.9	2	127,621	1,532,414	2,500,000	2,450,000
Subtotal					2		1,532,414	2,500,000	2,450,000
People's Leasing Havelock Properties Limited									
Colombo 05*	No. 07, Havelock Road, Colombo 05	31.12.2020	MCM	111.45	1	84,024	2,059,690	2,600,000	2,600,000
Subtotal					1		2,059,690	2,600,000	2,600,000
Total					8		4,165,944	5,964,058	5,914,058

MCM : Market Comparable Method

* Land and building cost of Rs.628,556,600 is classified as investment property and Rs. 1,431,133,056 is classified as property, plant and equipment in the group financial statements.

Market valuation of the above Land & Buildings was carried out by Mr K T D Tissera, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor's Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy

Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment of the Group/Company idle as at 31 March 2021 and 31 March 2020.

Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment of the Group/Company retired from active use as at 31 March 2021 and 31 March 2020.

Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment of the Group/Company as at 31 March 2021 and 31 March 2020.

Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment of the Group/Company pledged as securities for liabilities other than disclosed in Note 57 on page 275 (asset pledged) to the Financial Statements.

Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of property, plant and equipment of the Group/Company that were impaired, lost or given up (2020 : Nil).

Unobservable Input Used in Measuring Fair Value

Significant unobservable input used in measuring non-financial assets categorised as level 3 in fair value hierarchy disclosed in to Note - 21.6 on page 206 to the Financial Statements.

33. RIGHT OF USE ASSETS

ACCOUNTING POLICY

SLFRS 16 – Leases

Measurement Basis

Right-of-use assets are recognised at the commencement of the lease at the present value of the lease payment (Refer note 40 on page 257) plus any prepaid lease rental.

Amortisation

The Company/Group amortised right-of-use assets, using the straight line method over their estimated useful lives.

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts for branches/head office that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cost				
Balance as at 1 April	2,522,565	91,985	2,017,197	91,985
Effect of adoption of SLFRS 16	-	2,080,315	-	1,547,546
Transfer from other asset (Prepaid rentals)	50,600	143,322	50,600	170,723
	2,573,165	2,315,622	2,067,797	1,810,254
Additions	858,510	206,943	292,305	206,943
Disposals	(69,214)	-	(69,214)	-
Transfers	(13,347)	-	-	-
Balance as at 31 March	3,349,114	2,522,565	2,290,888	2,017,197
(Less): Accumulated amortisation				
Balance as at 1 April	583,115	7,920	377,715	7,920
Amortisation	543,769	538,230	340,349	332,830
Transfer	(1,741)	-	-	-
Disposal	(18,473)	-	(18,473)	-
Impairment	-	36,965	-	36,965
Balance as at 31 March	1,106,670	583,115	699,591	377,715
Net book value at 31 March	2,242,444	1,939,450	1,591,297	1,639,482

34. GOODWILL AND INTANGIBLE ASSETS**ACCOUNTING POLICY**

The Group's intangible assets include the goodwill and customer list which acquired in business combination and value of computer software.

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group/Company in accordance with the Sri Lanka Accounting Standard- LKAS 38 - 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Lives, Amortisation and Impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of asset	% per annum	Period
Computer software	20	5 years

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Goodwill that arises upon the acquisition of subsidiary is included in intangible assets. Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss in such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill with infinite useful lives are assessed for impairment annually. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Profit or Loss in the year the asset is derecognised.

	Company			Group		
	Computer software	Goodwill	Total	Computer software	Goodwill	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
Balance as at 1 April 2020	199,914	308,545	508,459	222,221	417,099	639,320
Additions	360	-	360	11,661	-	11,661
Disposals	421	-	421	421	-	421
Balance as at 31 March 2021	199,853	308,545	508,398	233,461	417,099	650,560
(Less): Accumulated amortisation						
Balance as at 1 April 2020	163,153	87,725	250,878	183,021	87,725	270,746
Amortisation	11,865	-	11,865	15,099	-	15,099
Impairment	-	99,209	99,209	-	99,209	99,209
Balance as at 31 March 2021	175,018	186,934	361,952	198,120	186,934	385,054
Net book value at 31 March 2021	24,835	121,611	146,446	35,341	230,165	265,506
Cost						
Balance as at 1 April 2019	184,794	308,545	493,339	206,765	417,099	623,864
Additions	15,120	-	15,120	15,120	-	15,120
Exchange rate variance	-	-	-	336	-	336
Balance as at 31 March 2020	199,914	308,545	508,459	222,221	417,099	639,320
(Less): Accumulated amortisation						
Balance as at 1 April 2019	148,854	19,580	168,434	171,944	19,580	191,524
Amortisation	14,299	-	14,299	10,764	-	10,764
Impairment	-	68,145	68,145	-	68,145	68,145
Exchange rate variance	-	-	-	313	-	313
Balance as at 31 March 2020	163,153	87,725	250,878	183,021	87,725	270,746
Net book value at 31 March 2020	36,761	220,820	257,581	39,200	329,374	368,574

Intangible assets include fully amortised software amounting to Rs. 139,001,271 for the Company and Rs. 139,902,771 for the Group as at 31 March 2021 (Rs. 136,106,914 for Company and Rs. 136,401,914 for Group as at 31 March 2020), which are still in use as at the reporting date.

Impairment Tests for Goodwill

The Group undertakes an annual test for impairment, based on value in use computation using cash flow projections based on financial budgets approved by the senior management. The discount rate of 15.98% (2020 - 17.86%) and the projected growth rate based on GDP are the key assumptions used for this purpose. The discount rate was estimated based on an average percentage of cost of equity of the Company. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

There were no restrictions existed on the title of the intangible assets of the Group/Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2021 (2020 - Nil).

35. DUE TO BANKS**ACCOUNTING POLICY**

Due to banks include bank overdrafts and long term and short term loans obtained from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

Company has not had any defaults of principal, interest or other breaches with regard to Due to Banks during 2021 or 2020.

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Overdrafts	716,374	24,683	891,879	694,954
Short term loans	-	500,127	105,449	500,127
Long term loans	-	456,546	2,283,609	2,826,136
Asset backed securities	5,722,936	6,956,829	5,722,936	6,956,829
Total	6,439,310	7,938,185	9,003,873	10,978,046
Fair value	6,936,408	8,057,554	9,739,721	11,097,415

35.1 Movement of due to banks

	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	7,938,185	27,273,933	10,978,046	30,475,326
Amount borrowed during the year	1,000,000	12,950,000	1,500,000	12,950,000
Repayments during the year	(3,886,355)	(34,046,652)	(5,315,691)	(35,209,177)
Interest expenses during the year	671,106	1,736,221	949,639	2,066,943
Subtotal	5,722,936	7,913,502	8,111,994	10,283,092
Overdrafts	716,374	24,683	891,879	694,954
Balance as at 31 March	6,439,310	7,938,185	9,003,873	10,978,046

35.2 Long Details

Long Term Loans

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest Rate	Security status
Commercial Bank of Ceylon PLC	14.07.2015	2,000,000	04 years	7.25% - 10.5%	Secured
Commercial Bank of Ceylon PLC	08.09.2016	1,000,000	04 years	14.00%	Secured
Sampath Bank PLC	31.12.2014	2,000,000	05 years	7.00% - 8.5%	Secured
Axis Bank	27.03.2017	150,000	04 years	AWPLR+1.25%	Secured
Axis Bank	27.03.2017	250,000	04 years	AWPLR+1.25%	Secured
People's Bank	26.05.2015	4,250,000	04 years	8.50%	Secured
People's Bank	27.11.2015	2,000,000	04 years	10.00%	Secured
People's Bank	15.03.2016	2,000,000	04 years	AWPLR+1.75%	Secured
People's Bank	02.06.2016	2,500,000	04 years	06 month SLIBOR+1.75%	Secured
Bank of Ceylon	07.07.2016	3,000,000	04 years	11.50%	Secured
RAK Bank	27.04.2017	5,355,000	03 years	13.50%	Secured
MCB Bank	26.09.2017	500,000	04 years	AWPLR+1.5%	Secured

Asset Backed Securities

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest Rate*	Security status
Bank of Ceylon	30.09.2016	2,146,200	04 years	13.81%	Secured
Deutsche Bank PLC	03.07.2015	3,000,000	04 years	8.82%	Secured
Deutsche Bank PLC	28.10.2016	1,769,900	04 years	14.47%	Secured
Deutsche Bank PLC	25.02.2016	4,250,700	04 years	11.75%	Secured
Hatton National Bank PLC	29.06.2018	2,000,000	05 years	12.27%	Secured
Hatton National Bank PLC	13.03.2019	2,000,000	05 years	13.08%	Secured
People's Bank	18.08.2016	3,000,000	04 years	13.32%	Secured
People's Bank	09.02.2018	1,000,000	02 years	11.71%	Secured
People's Bank	10.09.2018	2,000,000	02 years	13.15%	Secured
People's Bank	23.05.2019	1,000,000	03 years	11.16%	Secured

* The interest rate for each securitization is given as the weighted average interest rate

Details of the securities disclosed in Note 57 on page 275 - 'Asset pledged' to the Financial Statements.

35.3 Contractual Maturity Analysis**35.3.1 Remaining Contractual Maturity Analysis of Due to bank -Company**

As at 31 March 2021	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	716,374	-	-	716,374
Asset backed securities	2,249,108	3,473,828	-	5,722,936
Total	2,965,482	3,473,828	-	6,439,310

As at 31 March 2020	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	24,683	-	-	24,683
Short term loans	500,127	-	-	500,127
Long term loans	456,546	-	-	456,546
Asset backed securities	2,588,636	4,368,193	-	6,956,829
Total	3,569,992	4,368,193	-	7,938,185

35.3.2 Remaining Contractual Maturity Analysis of Due to bank -Group

As at 31 March 2021	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	891,879	-	-	891,879
Short term loans	105,449	-	-	105,449
Long term loans	936,819	1,346,790	-	2,283,609
Asset backed securities	2,249,108	3,473,828	-	5,722,936
Total	4,183,255	4,820,618	-	9,003,873

As at 31 March 2020	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	694,954	-	-	694,954
Short term loans	500,127	-	-	500,127
Long term loans	1,479,347	1,346,789	-	2,826,136
Asset backed securities	2,588,636	4,368,193	-	6,956,829
Total	5,263,064	5,714,982	-	10,978,046

36. DUE TO CUSTOMERS

ACCOUNTING POLICY

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

Deposits of Rs. 8.1 billion (2020 Rs.8.2 billion) held as collateral for Loans against deposits were included in Due to customers.

In compliance with the Finance Companies (Insurance of Deposit Liabilities) Direction No. 02 of 2010 all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure that will safeguard customer rights and confidence. The company has paid Rs. 151.87 million as the premium for the above insurance scheme during the year. (2020 - Rs. 141.84 million).

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Fixed Deposits	92,999,765	99,930,391	95,378,121	100,929,548
Savings Deposits	8,503,166	6,770,636	8,365,595	6,756,044
Total	101,502,931	106,701,027	103,743,716	107,685,592
Fair value	102,019,672	106,798,094	104,256,546	106,796,726

36.1 Remaining Contractual Maturity Analysis of Due to Customers - Company

As at 31 March	2021			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed Deposits	74,108,732	18,891,033	-	92,999,765
Savings Deposits	8,288,671	50,466	164,029	8,503,166
Total	82,397,403	18,941,499	164,029	101,502,931

As at 31 March	2020			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed Deposits	74,874,182	25,056,209	-	99,930,391
Savings Deposits	6,573,515	53,391	143,730	6,770,636
Total	81,447,697	25,109,600	143,730	106,701,027

36.2 Remaining Contractual Maturity Analysis of Due to Customers - Group

As at 31 March	2021			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Deposits	76,487,088	18,891,033	-	95,378,121
Savings Deposits	8,151,100	50,466	164,029	8,365,595
Total	84,638,188	18,941,499	164,029	103,743,716

As at 31 March	2020			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Deposits	75,873,339	25,056,209	-	100,929,548
Savings Deposits	6,558,923	53,391	143,730	6,756,044
Total	82,432,262	25,109,600	143,730	107,685,592

37. DEBT SECURITIES ISSUED

ACCOUNTING POLICY

Debt Securities issued represent the funds borrowed by the Company and Group for long term and short term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

As at 31 March			Company		Group	
	Note	Page No.	2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory Notes			-	17,087	-	17,087
Listed Debentures	37.2	253	13,825,553	18,462,173	13,684,516	18,320,952
Total	37.1	252	13,825,553	18,479,260	13,684,516	18,338,039
Fair value			14,675,439	18,759,201	14,522,493	18,616,227

37.1 Movement of debt securities issued

	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	18,479,260	21,275,031	18,338,039	21,134,040
Amount borrowed during the year	-	-	-	-
Redemption of debt securities issued	(4,500,657)	(3,338,413)	(4,500,657)	(3,338,413)
Interest expenses on debt securities issued	1,935,761	2,281,180	1,916,991	2,264,940
Interest paid on debt securities issued	(2,088,811)	(1,738,538)	(2,069,857)	(1,722,528)
Balance as at 31 March	13,825,553	18,479,260	13,684,516	18,338,039

37.2 Listed debentures

Issued date	Maturity date	Face value Rs. '000	Interest rate	Repayment term	Type	Company		Group	
						2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Senior, unsecured, redeemable, AA(-) rated									
13-Nov-2015	12-Nov-2020	3,824,220	9.95%	Annually	Type B	-	3,961,709	-	3,961,709
				Semi					
16-Nov-2016	16-Nov-2020	659,350	12.25%	Annually	Type B	-	686,167	-	686,167
				Semi					
16-Nov-2016	16-Nov-2021	6,798,610	12.60%	Annually	Type C	7,108,347	7,104,422	7,108,347	7,104,422
18-Apr-2018	18-Apr-2022	704,600	12.40%	Annually	Type A	784,097	783,316	784,097	783,316
18-Apr-2018	18-Apr-2023	5,295,400	12.80%	Annually	Type B	5,933,109	5,926,559	5,792,072	5,785,338
		17,282,180				13,825,553	18,462,173	13,684,516	18,320,952

37.2.1 Utilisation of Funds Raised via Capital Market

Objective as per Prospectus	Amount allocated as per Prospectus in Rs.'000	Proposed date of utilisation as per Prospectus	Amount allocated from proceeds in Rs.'000 (A)	% of total proceeds	Amounts utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2016							
The funds raised through this Debenture Issue will be utilized to finance working capital requirements to match the medium to long term lending of PLC and to minimize the interest rate risk.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2017							
The funds raised through this Debenture Issue will be utilized to finance the budgeted lending portfolio and working capital requirements	8,000,000	Within the next 12 months from the date of allotment	8,000,000	100	8,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2019							
The funds raised through this Debenture Issue utilized to repay the short term facilities obtained to settle the debentures matured on the 26th March 2018 and for Company's working capital requirements.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A

37.2.2 Maturity Analysis of Debt Securities Issued

Remaining Contractual Maturity Analysis of Debt Securities Issued - Company

As at 31 March	2021			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Listed Debentures	7,835,316	5,990,237	-	13,825,553
Total	7,835,316	5,990,237	-	13,825,553

As at 31 March	2020			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory Notes	17,087	-	-	17,087
Listed Debentures	5,696,827	12,765,346	-	18,462,173
Total	5,713,914	12,765,346	-	18,479,260

Remaining Contractual Maturity Analysis of Debt Securities Issued - Group

As at 31 March	2021			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Listed Debentures	7,820,059	5,864,457	-	13,684,516
Total	7,820,059	5,864,457	-	13,684,516

As at 31 March	2020			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory Notes	17,087	-	-	17,087
Listed Debentures	5,693,924	12,627,028	-	18,320,952
Total	5,711,011	12,627,028	-	18,338,039

38. OTHER FINANCIAL LIABILITIES

ACCOUNTING POLICY

Other financial liabilities includes amount payable to suppliers, insurance payable, dividend payable and other payables. These liabilities are non interest bearing and recorded at amounts expected to be payable as at the reporting date.

All other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost.

Amount payable to suppliers

Amount payable to suppliers includes obligation to pay for vehicle suppliers in the ordinary course of business.

Insurance payable

Insurance payable includes premium amount payable to insurance companies in relation to vehicles.

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount payable to suppliers	2,923,795	2,079,540	2,981,030	2,378,782
Insurance payable	619,168	645,306	-	-
Other payables	588,708	289,271	1,129,765	450,926
Total	4,131,671	3,014,117	4,110,795	2,829,708

39. INSURANCE LIABILITIES AND REINSURANCE PAYABLE

ACCOUNTING POLICY

Insurance Liabilities

Provision for Net Unearned Premium

Provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, the Group performs a liability adequacy test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Provision for Gross Outstanding Claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

Provision for Gross Incurred But Not Reported Claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency/Severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative 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.

Reinsurance Liabilities

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Insurance Liabilities	39.1	256	-	-	4,717,294	5,026,503
Reinsurance payables			-	-	298,591	38,717
Total			-	-	5,015,885	5,065,220

39.1 Insurance Liabilities

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision for net unearned premiums	-	-	3,509,920	1,462,009
Provision for gross outstanding claims			587,614	773,189
Provision for gross incurred but not reported claim	-	-	619,760	688,820
Total	-	-	4,717,294	5,026,503

The LAT was carried out by M/S. NMG Financial Services Consulting Pte Limited, Singapore.

40. LEASE LIABILITIES

ACCOUNTING POLICY

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group applied modified retrospective approach in accordance with SLFRS 16 on 1 April 2019 when adopting the standards and used 12.45% as a weighted average incremental borrowing rate in order to record the right-of-use assets and lease liabilities.

	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 1 April	1,909,098	-	1,594,245	-
Effect of adoption of SLFRS 16	-	2,080,315	-	1,547,546
	1,909,098	2,080,315	1,594,245	1,547,546
Additions/renewal of lease agreements during the year	858,510	206,943	292,305	206,943
Accretion of interest	228,985	238,581	191,935	183,724
Payments to lease creditors	(655,969)	(616,741)	(409,587)	(343,968)
Early termination of lease agreements during the year	(54,238)	-	(54,238)	-
Balance as at 31 March	2,286,386	1,909,098	1,614,660	1,594,245

Sensitivity analysis of Lease liability

The impact arising from the possible changes in the incremental borrowing rate on the lease liability disclosed in Risk Management Disclosure 59.4.1 on page 298.

Remaining Contractual Maturity Analysis of Lease Liability - Company

As at 31 March	2021			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Liability	404,863	1,509,462	372,061	2,286,386
Total	404,863	1,509,462	372,061	2,286,386

As at 31 March	2020			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Liability	415,531	1,157,562	336,005	1,909,098
Total	415,531	1,157,562	336,005	1,909,098

Remaining Contractual Maturity Analysis of Lease Liability - Group

As at 31 March	2021			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Liability	236,269	1,038,946	339,446	1,614,661
Total	236,269	1,038,946	339,446	1,614,661

As at 31 March	2020			
	Within one year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Liability	239,223	975,782	379,240	1,594,245
Total	239,223	975,782	379,240	1,594,245

GRI 207-1, 207-4

41. CURRENT TAX LIABILITIES

ACCOUNTING POLICY

The Company and its subsidiaries are subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Group and Company recognized 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.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current tax liability	41.1	258	362,450	1,803,309	883,900	2,077,418
Total			362,450	1,803,309	883,900	2,077,418

41.1 Current Tax Liability

	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	1,803,309	2,238,257	2,077,418	2,323,647
Provision for the year	1,999,971	2,822,836	2,601,127	3,259,538
Under/(Over) provision in respect of previous year	(90,892)	-	(95,886)	(781)
Payment of income tax	(3,349,938)	(3,071,709)	(3,534,648)	(3,339,472)
Tax credits				
WHT /Other Credit	-	(44,991)	13	(18,416)
Economic Service Charge	-	(141,084)	(164,124)	(147,098)
Balance as at 31 March	362,450	1,803,309	883,900	2,077,418

41.2 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.5% on "Exempt Turnover" and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years. As per Notice published dated January 1, 2020 by the Department of Inland Revenue, ESC was abolished with effect from January 01, 2020.

41.3 Withholding Tax (WHT) on Fixed Deposits and Saving Accounts

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company made Fixed Deposit and Savings Accounts interest income on which WHT had been deducted at 10% per annum at the time of payment or credited to the account. This tax deduction can be claimed as tax credit to the income tax payments. As per Section 84 of the Inland Revenue Act No. 24 of 2017, WHT on interest or discount paid to a person rate was reduced to 5% with effect from 1 April 2018. As per Notice dated February 18, 2020 published by the Department of Inland Revenue, requirement to deduct WHT has been removed effective January 1, 2020.

42. OTHER LIABILITIES

ACCOUNTING POLICY

Other liabilities include VAT on financial services payable, Value Added Tax (VAT) payable, other tax payable and other payable. These Non-Financial Liabilities should be measured at amounts that would rationally be paid to settle the present obligation or amount to transfer it to a third party on the balance sheet date.

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
VAT on financial services payable	351,885	-	367,928	-
Value Added Tax (VAT) payable	19,590	10,502	61,394	62,173
W H T payable	7,192	123,135	7,370	123,355
Crop Insurance Levy payable	18,372	-	16,132	-
Amount payable to customers	320,699	401,960	321,655	409,602
Stamp Duty payable	61,790	53,008	64,295	55,087
Other payable	289,592	387,089	318,048	402,539
Total	1,069,120	975,694	1,156,822	1,052,756

43. RETIREMENT BENEFIT OBLIGATION

ACCOUNTING POLICY

Employee Benefits

Retirement Benefit Obligation - Gratuity

The Group/Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 - 'Employee Benefits'.

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.

Recognition of Actuarial Gains and Losses

The Group/Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Statement of Comprehensive Income during the period in which it occurs.

Funding Arrangements

The gratuity liability is not externally funded.

Defined Contribution Plans -Employees' Provident Fund & Defined Contribution Plans - Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits)

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Group/Company and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

The Group/Company contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April			592,871	492,444	647,929	536,753
Amount recognised in Statement of Profit or Loss	43.1	260	111,742	111,325	129,888	124,504
Amount recognised in Statement of Comprehensive Income	43.2	260	(107,003)	(172)	(106,891)	(1,225)
Benefits paid during the year			(10,353)	(10,726)	(13,148)	(12,103)
Balance as at 31 March			587,257	592,871	657,778	647,929

43.1 Amount recognised in Statement of Profit or Loss

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current service cost	52,455	57,157	69,823	70,335
Net interest on the net defined benefit liability	59,287	54,168	60,065	54,169
Total amount recognised in Statement of Profit or Loss	111,742	111,325	129,888	124,504

43.2 Amount recognised in Statement of Comprehensive Income

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Losses/(Gains) due to changes in assumptions	(38,363)	(2,410)	(42,779)	(1,716)
Experience Losses/(Gains) arising during the year	(68,640)	2,238	(64,111)	491
Total actuarial (losses)/gain recognised in Statement of Comprehensive Income	(107,003)	(172)	(106,890)	(1,225)

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2021 by Messrs Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries (31 March 2020 by Messrs Smiles Global (Private) Limited). The valuation method used by the actuaries to value the liability is the 'Projected Unit Credit (PUC)', the method recommended by the Sri Lanka Accounting Standard, LKAS 19 - 'Employee Benefits'.

As at 31 March	2021	2020
Company /Group		
Actuarial assumptions		
Discount rate	7.87%	10.00%
Future salary increment rate	6.00%	9.00%
Mortality	A1967/70 ultimate mortality	A1967/70 ultimate mortality
Disability	Standard RI rates	Standard RI rates
Retirement age	55 Years	55 Years

Expected average working life of the active participants is 10.68 years for the year ended 31 March 2021. (8.87 - 2020)

43.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate & salary increment rate on the employment benefit obligation for the year.

	2021		2020		
	Effect on Statement of Comprehensive Income-increase/(reduction) in results for the year	Effect on employee benefit obligation-increase/(reduction) in the liability	Effect on Statement of Comprehensive Income-increase/(reduction) in results for the year	Effect on employee benefit obligation-increase/(reduction) in the liability	
	%	Rs. '000	Rs. '000	Rs. '000	
Increase/ (decrease) in discount rate	1	37,667	(37,667)	33,376	(33,376)
	-1	(42,606)	42,606	(37,348)	37,348
Increase/ (decrease) in future salary increment rate	1	(42,735)	42,735	(38,666)	38,666
	-1	38,416	(38,416)	35,140	(35,140)

43.4 Analysis of retirement benefit obligation by Maturity Profile

Following note analysed the defined benefit obligation by expected future working life time of each individual employee. The expected future working life considers the probability of an exit due to withdrawal, death or disability prior to retirement date.

As at 31 March	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Within the next 12 months	90,630	48,003	92,778	51,911
Between 1-5 years	197,715	67,487	223,127	83,388
Beyond 5 years	298,912	477,381	341,873	512,630
Total	587,257	592,871	657,778	647,929

GRI 207-1, 207-4

44. DEFERRED TAX LIABILITIES / (ASSETS)**ACCOUNTING POLICY**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Recognised under assets	(415,841)	(376,291)	(594,495)	(471,841)
Recognised under liabilities	-	-	297,568	418,132
Deferred tax liability/(Asset)	(415,841)	(376,291)	(296,927)	(53,709)

Net deferred tax assets/liabilities of one entity cannot set-off against another entity's assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

Revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from January 01, 2020. On 23 April 2021, CA Sri Lanka issued Guideline on Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12 Income Tax to provide an interpretation on the application of tax rates which is substantively enacted in the measurement of current tax and deferred tax for financial reporting period ending 31 March 2021. Due to revised income tax rates from 28% to 24% deferred tax asset decreased by Rs. 69.3 million for the Company. For the group deferred tax asset decreased by Rs. 99.0 million and deferred tax liability decreased by Rs. 49.5 million.

44.1 Movement in Deferred Tax

	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 01 April	(376,291)	837,179	(53,709)	1,094,389
Charge for the year relating to Statement of Profit or Loss	(69,511)	(1,213,519)	(270,905)	(1,148,189)
Deferred Tax charge relating to components of Statement of Comprehensive Income	29,961	49	27,690	91
Balance as at 31 March	(415,841)	(376,291)	(296,924)	(53,709)

As at 31 March 2021	Company					Group				
	Deferred Tax Assets Rs. '000	Deferred Tax Liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred Tax Assets Rs. '000	Deferred Tax Liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	166,597	-	(30,564)	29,961	29,961	171,164	-	18,973	27,690	27,690
Carry forward tax losses	-	-	-	-	-	-	-	268	-	-
Impairment allowances for loan receivables	1,786,426	465,774	172,933	-	-	2,078,889	465,774	59,002	-	-
Deferred tax on transitional Adjustment	214,911	-	35,818	-	-	228,423	-	38,071	-	-
Accelerated depreciation allowance for tax purpose (Lease)	-	1,244,197	(243,171)	-	-	-	1,244,197	(243,171)	-	-
Accelerated depreciation allowance for tax purpose (PPE)	-	32,685	28,197	-	-	-	224,050	92,393	-	-
Deferred Tax on SLFRS 16	26,701	36,138	(32,724)	-	-	26,701	36,138	(37,787)	-	-
Fair value gains/losses - investment property	-	-	-	-	-	51,899	289,990	(198,654)	-	-
	2,194,635	1,778,794	(69,511)	29,961	29,961	2,557,076	2,260,149	(270,905)	27,690	27,690
Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year			(69,511)	29,961				(270,905)	27,690	
Recognised under equity					29,961					27,690
Recognised under assets		(415,841)					(594,495)			
Recognised under liabilities		-					297,568			
Net deferred tax liability/(assets) as at 31 March 2021		(415,841)					(296,927)			

As at 31 March 2020	Company					Group				
	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Statement of Comprehensive Income	Statement of Changes in Equity	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Statement of Comprehensive Income	Statement of Changes in Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Retirement benefit obligation	166,020	-	(28,087)	49	49	176,625	-	(36,483)	91	91
Carry forward tax losses	-	-	-	-	-	227	-	13,158	-	-
Impairment allowances for loan receivables	1,933,299	439,714	(589,257)	-	-	1,998,246	440,392	(660,265)	-	-
Deffered tax on transitional Adjustment	250,729	-	-	-	250,729	266,494	-	-	-	266,494
Accelerated depreciation allowance for tax purpose (Lease)	-	1,487,393	(596,118)	-	-	-	1,487,393	(596,118)	-	-
Accelerated depreciation allowance for tax purpose (PPE)	-	4,488	(57)	-	-	-	131,656	11,659	-	-
Deferred Tax on SLFRS 16	-	42,162	-	-	-	5,763	42,162	36,399	-	-
Fair value gains/losses - freehold building	-	-	-	-	-	-	-	42,155	-	-
Fair value gains/losses - investment property	-	-	-	-	-	41,073	333,116	41,306	-	-
	2,350,048	1,973,757	(1,213,519)	49	250,778	2,488,428	2,434,719	(1,148,189)	91	266,585
Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year			(1,213,519)	49				(1,148,189)	91	
Recognised under equity					250,778					266,585
Recognised under assets		(376,291)					(471,841)			
Recognised under liabilities		-					418,132			
Net deferred tax liability as at 31 March 2020		(376,291)					(53,709)			

Deferred tax assets/liabilities have been calculated at the rate specific to each company.

45. STATED CAPITAL

ACCOUNTING POLICY

Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Sri Lanka.

The Company has complied in full with all its externally imposed capital requirements over the reported period.

Capital Management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

	Company/Group 2021		Company/Group 2020	
	Number	Rs. '000	Number	Rs. '000
Balance as at 1 April	1,627,703,388	13,915,414	1,579,862,482	13,236,073
Scrip Dividend	76,899,372	976,622	47,840,906	679,341
Balance as at 31 March	1,704,602,760	14,892,036	1,627,703,388	13,915,414

During the year 2021 the Company issued scrip dividend shares 76,899,372 of Rs. 12.70. (For the financial year 2020 - Shares 47,840,906 of Rs. 14.20).

Rights, Preferences and Restrictions of Classes of Capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

Regulatory Capital

As at 31 March	2021		2020	
	Actual Rs. '000	Required Rs. '000	Actual Rs. '000	Required Rs. '000
Tier 1 Capital / Core capital	33,109,148	2,000,000	29,269,430	2,000,000
Tier 1 Capital Ratio	17.72%	7.00%	15.12%	7.00%
Total Capital Ratio	18.58%	11.00%	15.99%	11.00%

As per Finance Business Act Directions No 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general & other reserves less goodwill, other intangible assets, other comprehensive income losses, deferred tax assets, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies.

Even though Finance Business Act Direction No. 2 of 2017 required every Licensed Finance Company to maintain minimum core capital at not less than Rs. 2.5 billion by 1 January 2021, through the letter dated 31 March 2020 issued by the Central Bank of Sri Lanka with the subject of "Regulatory measures taken by the Central Bank of Sri Lanka to provide flexibility to Licensed Finance Companies to support business and individual affected by the outbreak of Coronavirus Disease (COVID-19)", concessions were granted to defer the enhancement of minimum core capital requirement of Rs. 2.5 billion until 1 January 2022. Further such letter has defer the maintenance of capital adequacy requirements which will be to meet the minimum capital requirements by 01.07.2020 and 01.07.2021 in terms of the Finance Business Act Direction No. 3 of 2018 – Capital Adequacy Requirements, until 01.07.2021 and 01.07.2022 respectively.

46. STATUTORY RESERVE FUND

	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 1 April	2,205,344	2,058,219	2,235,077	2,070,667
Transfer during the year	201,651	147,125	229,874	164,410
Balance as at 31 March	2,406,995	2,205,344	2,464,951	2,235,077

People's Leasing & Finance PLC

According to the Paragraph 3 (a) of Finance Companies (Capital Funds) Direction No.1 of 2003, every finance company shall maintain reserve fund and as per Paragraph 3 (b) (i) of the said direction, so long the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits shall be transferred to reserve fund each year.

Since the capital funds are not less than twenty five (25) per cent of total deposit liabilities, company has transferred five (5) per cent of the net profits to reserve fund.

Lankan Alliance Finance Limited

As per Financial regulation 1994 of Bangladesh, every Non-Banking Financial Institution is required to transfer at least 20% of it's current years profit to the fund until such reserve fund equal to its paid up share capital and share premium (if any). In conformity with the above requirement the Company transferred 20% of net profit to statutory reserve before declaration of dividend.

47. RETAINED EARNINGS

	Company		Group	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	14,227,988	13,361,805	16,517,824	15,198,424
Capital Gain Tax	-	-	-	14
Profit for the year	4,033,020	2,942,508	5,294,015	3,408,670
Comprehensive income	77,042	123	76,764	4,449
Transfers to reserves	(201,651)	(147,125)	(229,875)	(164,410)
Dividend paid	(976,622)	(1,929,323)	(976,622)	(1,929,323)
Balance as at 31 March	17,159,777	14,227,988	20,682,106	16,517,824

48. OTHER RESERVES**ACCOUNTING POLICY****Equity Reserves**

The reserves recorded in equity (Statement of Comprehensive Income) on the Statement of Financial Position include;

○ Fairvalue reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income (Refer Note 48.3 on page 267).

○ "Foreign currency translation reserve

As at the reporting date, the assets and liabilities of the Lankan Alliance Finance Limited a subsidiary of the Company was translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Statement of Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statement is taken to foreign currency translation reserve through Statement of other comprehensive income (Refer Note 48.4 on page 267).

48.1 Current Year 2021

	Note	Page No.	Company			Group		
			Opening balance at 01-04-2020	Movement/ transfers	Closing balance at 31-03-2021	Opening balance at 01-04-2020	Movement/ transfers	Closing balance at 31-03-2021
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fair value reserve	48.3	267	(102,114)	(15,263)	(117,377)	(116,005)	(5,512)	(121,517)
Foreign currency translation reserve	48.4	267	-	-	-	401,108	141,728	542,836
Total			(102,114)	(15,263)	(117,377)	285,103	136,216	421,319

48.2 Previous year 2020

	Note	Page No.	Company			Group		
			Opening balance at 01-04-2019 Rs. '000	Movement/transfers Rs. '000	Closing balance at 31-03-2020 Rs. '000	Opening balance at 01-04-2019 Rs. '000	Movement/transfers Rs. '000	Closing balance at 31-03-2020 Rs. '000
Fair value reserve	48.3	267	(52,742)	(49,372)	(102,114)	(54,705)	(61,300)	(116,005)
Foreign currency translation reserve	48.4	267	-	-	-	261,979	139,129	401,108
Total			(52,742)	(49,372)	(102,114)	207,274	77,829	285,103

48.3 Fair Value Reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 01 April	(102,114)	(52,742)	(116,005)	(54,705)
Net fair value gains/(losses) on remeasuring financial investments	(15,263)	(49,372)	(5,512)	(61,300)
Balance as at 31 March	(117,377)	(102,114)	(121,517)	(116,005)

48.4 Foreign currency translation reserve

The foreign currency translation reserve comprises cumulative foreign currency differences arising from the translation of the Financial Statements of foreign subsidiary until the subsidiary is derecognised.

	Group	
	2021 Rs. '000	2020 Rs. '000
Balance as at 01 April	401,108	261,979
Net gains/(losses) arising from translating the Financial Statements	141,728	139,129
Balance as at 31 March	542,836	401,108

49. NON -CONTROLLING INTEREST

ACCOUNTING POLICY

Non controlling interest are initially measured at their proportionate share of the fair value of acquiree's identifiable net assets at the date of acquisition. Subsequently, the profit or loss and each component of other comprehensive income attributable to NCI and dividend paid are adjusted to this balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non controlling interest represents 25% of net assets of the Subsidiary, People's Insurance PLC and 49% of net assets of the subsidiary, Lankan Alliance Finance Limited.

	Group	
	2021	2020
	Rs. '000	Rs. '000
Balance as at 01 April	2,356,784	2,269,520
Profit for the year	302,319	183,079
Other comprehensive income	2,438	(3,315)
Dividend paid for the year	-	(92,500)
Balance as at 31 March	2,661,541	2,356,784

50. RECONCILIATION FOR THE NET CASH FROM OPERATING ACTIVITIES

For the year ended 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities						
Profit before income tax			5,872,588	4,551,825	7,830,670	5,702,317
Adjustment for:						
Non-cash items included in profit before income tax	50.1	269	1,787,723	5,562,638	1,865,920	5,707,098
Change in operating assets	51	269	1,879,170	2,348,793	(571,331)	33,870
Change in operating liabilities	52	269	(4,411,470)	18,639,660	(2,289,908)	20,229,961
Dividend income from investments	10	192	(110,673)	(423,091)	(918)	(17,280)
Interest expense on due to banks	6.2	189	671,106	1,736,221	949,639	2,066,943
Interest expense on debt securities issued	6.2	189	1,935,761	2,281,180	1,916,991	2,264,940
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign subsidiary	48.4	267	-	-	141,728	139,129
Benefits paid on retirement benefit obligation	43	259	(10,353)	(10,726)	(13,148)	(12,103)
Income tax paid	17.8	202	(3,349,938)	(3,071,709)	(3,534,648)	(3,339,472)
Net cash from operating activities			4,263,914	31,614,791	6,294,995	32,775,403

50.1 Non-cash items included in profit before income tax

As at 31 March	Note	Page No.	Company		Group	
			2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Depreciation of property, plant and equipment	13	196	167,360	164,492	292,245	292,404
Amortisation of right-of-use assets	13	196	543,769	538,230	340,349	332,830
Amortisation of intangible assets	13	196	11,865	14,299	15,099	10,764
Impairment charges for right-of-use assets	33	245	-	36,965	-	36,965
Impairment charges for goodwill	34	246	99,209	68,145	99,209	68,145
Impairment losses of loans and receivables	11	193	1,043,837	4,646,683	1,296,782	4,867,556
Charge for retirement benefit obligation	12	196	111,742	111,325	129,888	124,504
Gain/(Loss) on sale of property, plant and equipment	10	192	(22,823)	(6,183)	(74,774)	(6,183)
Net trading income from sale of vehicles	10	192	(4,620)	(301)	(4,620)	(301)
Net gain/(Loss) on financial assets - FVTPL	9	192	(162,616)	(11,017)	(228,258)	(19,586)
Total			1,787,723	5,562,638	1,865,920	5,707,098

51. CHANGE IN OPERATING ASSETS

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Net (increase)/decrease in other balances with bank & financial institutions	(2,191,631)	197,093	(1,569,694)	714,016
Net (increase)/decrease in financial assets - FVTPL	1,084,548	(997,512)	145,097	(1,106,620)
Net (increase)/decrease in Loans and receivables	5,339,059	(685,991)	3,500,440	(2,046,352)
Net (increase)/decrease in insurance and reinsurance receivables	-	-	170,472	(309,538)
Net (increase)/decrease in financial assets - FVOCI	-	(248,102)	714,696	(1,391,351)
Net (increase)/decrease in debt instrument at amortised cost	(2,887,243)	3,895,662	(3,779,947)	4,278,506
Net (increase)/decrease in other assets	534,437	187,643	247,605	(104,791)
Total	1,879,170	2,348,793	(571,331)	33,870

52. CHANGE IN OPERATING LIABILITIES

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Net increase/(decrease) in due to customers	(5,198,096)	18,332,371	(3,941,876)	18,762,396
Net increase/(decrease) in other financial liabilities	1,117,554	535,224	1,281,087	366,256
Net increase/(decrease) in insurance and reinsurance payables	-	-	(49,335)	184,347
Net increase/(decrease) in other liabilities	(330,928)	(227,935)	420,216	916,962
Total	(4,411,470)	18,639,660	(2,289,908)	20,229,961

53. CONTINGENT LIABILITIES AND COMMITMENTS**ACCOUNTING POLICY****Commitments and Contingencies**

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard-LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Contingent liabilities	53.1	270	697,502	689,290	744,491	707,179
Commitments	53.2	271	10,300,609	4,627,602	10,300,609	4,643,436
Total			10,998,111	5,316,892	11,045,100	5,350,615

53.1 Contingent Liabilities

In the normal course of business, the Group and Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Group and Company. However no material losses are anticipated as a result of these transactions.

As at 31 March	Note	Page No.	Company		Group	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Litigation against the Company	53.1.1	270	182,451	287,415	182,451	287,415
Guarantees - Related parties	53.1.2	270	300,000	300,000	300,000	300,000
Guarantees - Others	53.1.3	270	164,098	32,798	164,098	32,798
Assessment received from Inland Revenue Department	53.1.4	270	50,953	67,938	97,942	85,827
Pending bill retirements			-	1,139	-	1,139
Total			697,502	689,290	744,491	707,179

53.1.1 Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Pending legal claims where the Company had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not included below as the Company does not expect cash outflows from such claims.

As of the date of the Statement of Financial Position, forty one (41) clients have filed cases against the Company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

53.1.2 Guarantees - Related parties

Guarantee provided by the Company for Micro Commerce Ltd in order to obtain overdraft facility from a bank, The Company assure Bank that Micro Commerce Ltd is unable to make its loan repayments, the Company commits to repay the loan on behalf of the subsidiary.

53.1.3 Guarantees - Other

Guarantee provided by the Company with the request of Fixed deposits customers to third party and assure to make the obligation at the time of customer is unable to settle the payment.

53.1.4 Assessment received from Inland Revenue Department

Assessment (VATFS/BFSU/2014/579 and 580) received by the Company from the Inland Revenue Department for Year of Assessment 2010/11 is Rs. 50,953,390/- heard and concluded in favour of Inland Revenue Department. This decision has been appealed by the Company at the court of Appeal with reasonable grounds. The tax consultants are appearing for and on behalf of the Company.

53.2 Commitments

The Group/Company has commitments for acquisition of property, plant and equipment, intangible assets and un-utilised facilities incidental to the ordinary course of business as at 31 March as follows:

As at 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Capital Commitments				
Approved and contracted for	-	-	-	4,534
Approved but not contracted for	1,485,544	-	1,485,544	11,300
Subtotal	1,485,544	-	1,485,544	15,834
Un-utilised facilities				
Margin trading	6,646,678	1,106,598	6,646,678	1,106,598
Fast track	828,677	2,132,016	828,677	2,132,016
Factoring	1,339,710	1,388,988	1,339,710	1,388,988
Subtotal	8,815,065	4,627,602	8,815,065	4,627,602
Total	10,300,609	4,627,602	10,300,609	4,643,436

In the computation of Expected Credit Loss company consider un utilised amount of revolving facility. Therefore allowance for un utilised facility is included in Note 25.7 on page 228.

54. NET ASSETS VALUE PER ORDINARY SHARE

As at 31 March	Company		Group	
	2021	2020	2021	2020
Total equity attributable to equity holders of the Company (Rs. '000)	34,341,431	30,246,632	38,460,412	32,953,418
Total number of shares	1,704,602,760	1,627,703,388	1,704,602,760	1,627,703,388
Net assets value per share (Rs.)	20.15	18.58	22.56	20.25

55. CURRENT/NON CURRENT ANALYSIS

As at 31 March	2021			2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and cash equivalents	2,703,031	-	2,703,031	7,164,139	-	7,164,139
Balances with banks and financial institutions	5,399,071	-	5,399,071	3,207,440	-	3,207,440
Financial assets -Fair value through profit or loss	109,787	-	109,787	1,031,719	-	1,031,719
Loans and receivables - Amortised cost	60,898,074	80,489,833	141,387,907	65,360,573	82,386,938	147,747,511
Financial assets - Fair value through other comprehensive income	309,108	10	309,118	324,371	10	324,381
Debt instrument - Amortised cost	6,994,206	-	6,994,206	4,106,963	-	4,106,963
Investments in subsidiaries	-	3,213,788	3,213,788	-	3,213,788	3,213,788
Other assets	414,337	160,883	575,220	981,430	165,571	1,147,001
Property, plant and equipment	-	1,049,250	1,049,250	-	1,143,929	1,143,929
Right-of-use assets	-	2,242,444	2,242,444	-	1,939,450	1,939,450
Deferred tax assets	-	415,841	415,841	-	376,291	376,291
Goodwill and intangible assets	-	146,446	146,446	-	257,581	257,581
Total assets	76,827,614	87,718,495	164,546,109	82,176,635	89,483,558	171,660,193
Liabilities						
Due to banks	2,965,482	3,473,828	6,439,310	3,569,992	4,368,193	7,938,185
Due to customers	82,397,403	19,105,528	101,502,931	81,447,697	25,253,330	106,701,027
Debt securities issued	7,835,316	5,990,237	13,825,553	5,713,914	12,765,346	18,479,260
Other financial liabilities	4,131,671	-	4,131,671	3,014,117	-	3,014,117
Lease liabilities	2,286,386	-	2,286,386	1,909,098	-	1,909,098
Current tax liabilities	362,450	-	362,450	1,803,309	-	1,803,309
Other liabilities	1,069,120	-	1,069,120	975,694	-	975,694
Retirement benefit obligation	90,630	496,627	587,257	48,003	544,868	592,871
Total liabilities	101,138,458	29,066,220	130,204,678	98,481,824	42,931,737	141,413,561
Net assets	(24,310,844)	58,652,275	34,341,431	(16,305,189)	46,551,821	30,246,632

As at 31 March	2021			2020		
	Within	After	Total	Within	After	Total
	12 months	12 months		12 months	12 months	
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and cash equivalents	3,844,694	-	3,844,694	7,693,032	-	7,693,032
Balances with banks and financial institutions	8,231,101	-	8,231,101	6,661,407	-	6,661,407
Financial assets -Fair value through profit or loss	1,281,753	-	1,281,753	1,198,592	-	1,198,592
Loans and receivables - Amortised cost	63,738,250	85,604,082	149,342,332	66,973,007	87,161,927	154,134,934
Reinsurance and insurance receivables	1,024,461	-	1,024,461	1,194,933	-	1,194,933
Financial assets - Fair value through other comprehensive income	735,484	10	735,494	1,455,692	10	1,455,702
Debt instrument - Amortised cost	7,636,956	956,430	8,593,386	4,157,713	655,726	4,813,439
Investment properties	-	820,664	820,664	-	1,131,652	1,131,652
Other assets	771,135	160,883	932,018	1,069,758	165,571	1,235,329
Property, plant and equipment	-	4,034,265	4,034,265	-	3,998,370	3,998,370
Right-of-use assets	-	1,591,297	1,591,297	-	1,639,482	1,639,482
Deferred tax assets	-	594,495	594,495	-	471,841	471,841
Goodwill and intangible assets	-	265,506	265,506	-	368,574	368,574
Total assets	87,263,834	94,027,632	181,291,466	90,404,134	95,593,153	185,997,287
Liabilities						
Due to banks	4,183,255	4,820,618	9,003,873	5,263,064	5,714,982	10,978,046
Due to customers	84,638,188	19,105,528	103,743,716	82,432,262	25,253,330	107,685,592
Debt securities issued	7,820,059	5,864,457	13,684,516	5,711,011	12,627,028	18,338,039
Other financial liabilities	4,110,795	-	4,110,795	2,829,708	-	2,829,708
Insurance and reinsurance payable	-	5,015,885	5,015,885	-	5,065,220	5,065,220
Lease liabilities	-	1,614,660	1,614,660	-	1,594,245	1,594,245
Current tax liabilities	883,900	-	883,900	2,077,418	-	2,077,418
Other liabilities	1,156,822	-	1,156,822	1,052,756	-	1,052,756
Retirement benefit obligation	92,778	565,000	657,778	51,911	596,018	647,929
Deferred tax liabilities	-	297,568	297,568	-	418,132	418,132
Total liabilities	102,885,797	37,283,716	140,169,513	99,418,130	51,268,955	150,687,085
Net assets	(15,621,963)	56,743,916	41,121,953	(9,013,996)	44,324,198	35,310,202

56. FINANCIAL REPORTING BY SEGMENT

ACCOUNTING POLICY

The group's segmental reporting is based on the 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 intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Reporting Standard -SLFRS- 8, the operating segment of the group has been identify based on the product and services offered by the group of which level of risk and rewards are significantly differ from one another.

Top management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows;

Lease and Hire-purchase

This segment includes Leasing and Hire Purchase products offered to the customers.

Loans

This segment includes Loan products offered to the customers.

Islamic

This segment includes Ijarah, Murabah, Musharakah and Trading Murabah products offered to the customers.

Insurance business

Insurance business segment includes general insurance

Other business

This segment include all other business activities that group engaged other than above segments.

For the year ended 31 March	Lease & HP		Loan		Islamic		Insurance		Other		Eliminations		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	14,076,446	17,074,973	10,175,781	12,902,498	1,180,184	1,477,951	718,734	782,716	872,270	1,308,340	(201,577)	(263,599)	26,821,838	33,282,879
Net earned premium	-	-	-	-	-	-	5,198,693	5,357,949	-	-	(170,144)	(155,919)	5,028,549	5,202,030
Fee and commission income	1,147,474	1,082,308	829,502	817,833	96,205	93,681	-	-	209,887	191,201	(1,085,014)	(1,019,391)	1,198,054	1,165,632
Net gains/(losses) on financial Assets														
- FVTPL	-	-	-	-	-	-	65,631	8,622	162,627	10,964	-	-	228,258	19,586
Other operating income	90,553	237,426	65,460	179,408	7,592	20,551	61,820	78,649	311,463	352,332	(168,322)	(483,663)	368,566	384,703
Gross income	15,314,473	18,394,707	11,070,743	13,899,739	1,283,981	1,592,183	6,044,878	6,227,936	1,556,247	1,862,837	(1,625,057)	(1,922,572)	33,645,265	40,054,830
Interest expenses	7,114,388	8,425,432	5,142,949	6,366,577	596,477	729,277	-	-	722,960	853,246	(201,577)	(263,597)	13,375,197	16,110,935
Total Operating income	8,200,085	9,969,275	5,927,794	7,533,162	687,504	862,906	6,044,878	6,227,936	833,287	1,009,591	(1,423,480)	(1,658,975)	20,270,068	23,943,895
Impairment charges and other losses for loans and receivables	670,935	2,768,746	693,649	1,929,504	(67,802)	169,306	-	-	55,707	34,346	-	-	1,352,489	4,901,902
Net operating income	7,529,150	7,200,529	5,234,145	5,603,658	755,306	693,600	6,044,878	6,227,936	777,580	975,245	(1,423,480)	(1,658,975)	18,917,579	19,041,993
Depreciation and amortisation	343,502	354,765	316,567	292,987	21,563	27,591	97,289	90,245	57,405	39,359	(188,633)	(168,949)	647,693	635,998
Segment result	4,037,333	3,648,381	2,918,564	2,756,857	338,494	315,792	1,570,221	1,053,624	410,271	369,475	(170,247)	(411,280)	9,104,636	7,732,849
Less: Tax on financial services													1,273,966	2,030,532
Less: Income tax expense													2,234,336	2,110,568
Profit for the year													5,596,334	3,591,749
As at 31 March														
Segment assets	82,140,914	90,379,077	75,700,016	74,640,489	5,156,381	7,029,126	11,133,855	10,099,370	13,727,137	10,026,879	(6,566,842)	(6,177,654)	181,291,461	185,997,287
Total assets	82,140,914	90,379,077	75,700,016	74,640,489	5,156,381	7,029,126	11,133,855	10,099,370	13,727,137	10,026,879	(6,566,842)	(6,177,654)	181,291,461	185,997,287
Segment liabilities	64,265,746	73,522,577	59,226,490	60,719,375	4,034,271	5,718,132	6,266,782	6,449,060	10,739,894	8,156,777	(4,363,675)	(3,878,836)	140,169,508	150,687,085
Total liability	64,265,746	73,522,577	59,226,490	60,719,375	4,034,271	5,718,132	6,266,782	6,449,060	10,739,894	8,156,777	(4,363,675)	(3,878,836)	140,169,508	150,687,085

57. ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged				Included under
		Company		Group		
		31 March 2021 Rs. '000	31 March 2020 Rs. '000	31 March 2021 Rs. '000	31 March 2020 Rs. '000	
Rentals receivables on lease	Securitisation	10,701,499	13,674,060	10,701,499	13,674,060	Loans and receivables
	Term loan	-	-	-	-	Loans and receivables
	Short term loans	17,408,077	14,644,573	17,408,077	14,644,573	Loans and receivables
Rentals receivables on hire-purchase	Securitisation	-	-	-	-	Loans and receivables
	Term loan	-	-	1,037,255	1,037,255	Loans and receivables
	Short term loans	2,340	12,362	49,045	59,067	Loans and receivables
Rentals receivables on loans	Securitisation	1,315,592	3,920,262	1,315,592	3,920,262	Loans and receivables
	Short term loans	3,754,149	6,866,971	3,754,149	6,866,971	Loans and receivables
Fixed deposits	Bank guarantee for assessment	-	-	14,000	-	Contingent liabilities and commitments
Fixed deposits	Overdrafts	-	-	75,000	75,000	Balances with banks and financial institutions
Freehold lands and buildings	Term loan	-	-	3,818,007	3,818,007	Property, plant and equipment

58. RELATED PARTY DISCLOSURE

ACCOUNTING POLICY

The Company and the Group out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards – LKAS 24 (Related Party Disclosure), the details of which are reported below:

58.1 Parent and ultimate controlling party

The immediate Parent of the Company is People's Bank which is a Government owned entity.

58.2 Transactions with Key Management Personnel (KMP) and their Family Members

As per the Sri Lanka Accounting Standard - LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates.

Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

58.2.1 Remuneration to Key Management Personnel

For the year ended 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
(a) Remuneration to Board of Directors				
Short term employees benefits	3,863	6,269	7,919	13,143
Total	3,863	6,269	7,919	13,143

For the year ended 31 March	Company		Group	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
(b) Remuneration to Corporate Management				
Short term employees benefits	153,815	181,362	213,700	199,122
Post employment benefits	14,351	8,051	16,235	8,051
Total	168,166	189,413	229,935	207,173

In addition to the above, the Company has also provided non cash benefits such as Company maintained vehicles to KMPs in line with the approved employment terms of the Company.

58.2.2 Share Transactions with Key management Personnel

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
No. of ordinary shares held	1,147,720	945,947	1,326,220	1,285,009
Cash dividend paid (Rs. '000)	-	607	-	820
Scrip dividend (No. of shares)	51,773	28,001	51,773	28,001

58.2.3 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities

Company	Board of Directors		Corporate Management		Total	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
For the year ended 31 March						
(a) Items in Statement of Profit or Loss						
Interest income	26	-	5,488	502	5,514	502
Interest expense	9,179	9,487	37,140	29,376	46,319	38,864
As at 31 March						
(b) Items in Statement of Financial Position						
Assets						
Loans and receivables - Amortised cost	-	-	10,317	2,272	10,317	2,272
	-	-	10,317	2,272	10,317	2,272
Liabilities						
Due to customers	59,748	79,438	351,430	238,619	411,178	318,057
	59,748	79,438	351,430	238,619	411,178	318,057

58.3 Net accommodation and Net accommodation as a Percentage of Capital funds

	2021	2020	2021	2020
	Rs. '000	Rs. '000	%	%
People's Bank	-	-	-	-
People's Leasing Property Development Limited	599,301	614,680	1.75	2.03
People's Leasing Fleet Management Limited	-	24,630	-	0.08
People's Leasing Havelock Properties Limited	830,096	809,822	2.42	2.68
People's Micro-Commerce Ltd.	2,700	152,095	-	1.00
People's Insurance PLC	49,908	35,868	0.15	0.12
Lankan Alliance Finance Limited	27,155	39,152	0.08	0.13
Board of Directors	-	-	-	-
Corporate management	10,317	7,497	0.03	0.02
Total net accommodation	1,519,477	1,683,744	4.42	6.06

58.4 Transactions with Related Entities

Transactions with Government of Sri Lanka and Government Related Entities

The immediate parent of the Company is People's Bank which is Government owned entity. The Company enters into transactions, arrangements and agreements with Government of Sri Lanka and its related entities. There were no individually or collectively significant transactions with the Government of Sri Lanka and Government related entities, other than taxes paid to government disclosed in Note 17.8 to the financial statements on page 202.

Transactions with State Owned Enterprises (SOE)

The financial dealings with SOE other than People's Bank are as follows. Transactions with people's bank are disclosed in note 58.4.1 to the financial statements on page 278.

	Company	
	2021	2020
	Rs. '000	Rs. '000
For the year ended 31 March		
(a) Items in Statement of Profit or Loss		
Interest income	4,391	5,433
Interest expenses	561,100	804,036
As at 31 March		
(b) Items in Statement of Financial Position		
Assets		
Loans and receivables - Amortised cost	26,802	32,929
Total	26,802	32,929
Liabilities		
Due to banks	-	268,026
Due to customer	4,288,972	4,480,813
Total	4,288,972	4,748,838

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 - ETF
- Payment of incidentals such as RMV charges and CRIB fees that are paid based on standard rates.

58.4.1 Company

The Company had the under mentioned financial dealings during the financial year with the following related entities

	Parent		Subsidiaries	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
For the year ended 31 March				
(a) Items in Statement of Profit or Loss				
Interest income	755,692	1,132,518	131,352	188,265
Interest expense	118,748	443,451	126,096	157,142
Fee and Commission income	-	-	715,240	680,264
Other operating income	-	-	110,000	475,829
Depreciation and amortisation	22,928	22,371	231,555	229,687
Other operating expenses	-	-	195,950	190,996
As at 31 March				
(b) Items in Statement of Financial Position				
Assets				
Cash and cash equivalents	1,755,592	6,290,427	-	-
Balances with banks and financial institutions	5,399,071	2,801,890	-	-
Loans and receivables - Amortised cost	-	-	1,509,160	1,676,247
Financial assets - Amortised cost	6,319,142	7,976,782	-	-
Investments in subsidiaries	-	-	3,213,788	3,213,788
Other assets	-	-	168,802	262,509
Right-of-use asset	134,618	155,122	798,632	515,374
Total	13,608,423	17,224,221	5,690,382	5,667,918
Liabilities				
Due to banks	1,398,943	1,644,494	-	-
Due to customers	1,128,019	763,397	703,477	503,009
Debt securities issued	-	-	141,037	141,222
Other financial liabilities	-	-	685,294	703,566
Other liabilities	3,018	3,179	11,109	9,260
Lease liabilities	149,204	163,090	835,759	547,991
Total	2,679,184	2,574,160	2,376,676	1,905,048
(c) Transactions				
Building rent paid	36,231	35,322	-	-
Cash and cash equivalents - Repo investments	4,950,000	25,122,245	-	-
Cash and cash equivalents - Repo settlements	10,117,940	23,236,534	-	-
Balances with banks and financial institutions - FD investments	24,145,286	2,610,079	-	-
Balances with banks and financial institutions - FD withdrawals	22,294,433	4,060,829	-	-
Loans and receivables- Amortised cost - Granings	-	-	537,481	608,624
Loans and receivables - Repayments - Amortised cost	-	-	663,796	507,911
Financial assets - Amortised cost - Investments	22,598,347	13,164,970	-	-
Financial assets - Amortised cost - Settlements	20,089,756	17,787,216	-	-
Due to banks - Borrowings	1,000,000	4,800,000	-	-
Due to banks - Repayment	1,575,922	7,625,383	-	-
Due to customers - Investments	516,030	287,153	702,487	470,485
Due to customers - Withdrawals	186,774	11,779	441,997	320,485
Dividend paid	732,467	1,446,993	-	-
Dividend received	-	-	110,000	406,750
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	3,397,566	3,595,939
Total	107,504,629	99,859,099	5,853,327	5,910,194
(d) Off- Balance Sheet Items				
Guarantees	-	-	300,000	300,000
Total	-	-	300,000	300,000

58.4.2 Group

The group had the under mentioned financial dealings during the financial year with the following related entities.

	Parent	
	2021	2020
	Rs. '000	Rs. '000
For the year ended 31 March		
(a) Items in Statement of Profit or Loss		
Interest income	800,369	1,196,187
Interest expenses	113,534	437,704
Net earned premiums	404,434	232,100
Fee and commission income	33,601	49,207
Other operating income	132,221	146,318
Benefits, claims and underwriting expenditure	74,736	162,557
Other operating expenses	35,323	44,303
As at 31 March		
(b) Items in Statement of Financial Position		
Assets		
Cash and cash equivalents	2,054,940	6,517,002
Balances with banks and financial institutions	6,137,065	3,555,637
Insurance and reinsurance receivables	184,548	273,277
Financial assets - Amortised cost	6,319,142	4,106,963
Other assets	10,166	28,528
Total	14,705,861	14,481,407
Liabilities		
Due to banks	1,524,537	2,143,641
Debt Securities issued	1,128,019	763,397
Other liabilities	10,940	13,103
Total	1,535,477	2,156,744

58.5 Transactions exceeding 10% of the gross income of the Company.

Name of the Related party	Relationship	Nature of the transaction	Transaction value		Transaction value as a % of gross income		Terms and conditions
			2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	
People's Bank	Parent	Repo investments	4,950,000	25,122,245	18.26%	74.77%	Normal terms/ arm's lengths
		Repo settlements	10,117,940	23,236,534	37.33%	69.16%	Normal terms/ arm's lengths
		FD withdrawals	22,294,433	4,060,829	82.26%	12.09%	Normal terms/ arm's lengths
		Tbill investments	22,598,347	13,164,970	83.38%	39.18%	Normal terms/ arm's lengths
		Tbill settlements	20,089,756	17,787,216	74.12%	52.94%	Normal terms/ arm's lengths
		Borrowings	1,000,000	4,800,000	3.69%	14.29%	Normal terms/ arm's lengths
		Repayment of borrowings	1,575,922	7,625,383	5.81%	22.70%	Normal terms/ arm's lengths
People's Insurance PLC	Subsidiary	Insurance premium	3,397,566	3,595,939	12.54%	10.70%	Normal terms/ arm's lengths

59. RISK MANAGEMENT

59.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability, sustainability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks. Detailed risk analysis is given in risk management section.

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk Management and Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Chief Executive Officer. Other permanent members of the ALCO include, Senior Deputy General Managers- Operations, Deputy General Manager-Risk & Control, Deputy General Manager- Recoveries & Administration, Deputy General Manager-Marketing, Head of Deposits, Head of Finance, Head of Treasury and the Committee Secretary. The Committee meetings should be held at least once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements. The Chairman of ALCO upon a request of any permanent member may convene a special meeting of the Committee when an issue arises that cannot wait until the next regularly scheduled meeting.

Integrated Risk Management Operating Committee

Integrated Risk Management Operating Committee ("IRMOC" or "the Committee") has been formed as a management level committee to further strengthen the Risk Governance Structure of the Company and support the Board, Board Sub-Committees and the Corporate Management in managing the risks associated with the business operations of the Company in an integrated manner.

The TOR of the Committee clearly set out the authority, constitution, meeting frequency, accountability and responsibilities, quorum, reporting and other procedures of the Committee. This TOR has been adopted by the Board in March 2019.

IRMOC is chaired by the Head of Risk. The members of the Committee include the members of Corporate Management, Chief Managers- Operations and Senior Managers (except the Senior Managers attached to Branches). All business managers that involved in the operations of the Company can be recognised as "Risk Owners" as they negotiate to assume risk exposures with potential customers within the Board approved Risk Management policies and Risk Tolerance limits. Accordingly, Members of Senior Management involved in business operations can be considered as Senior Risk Owners. Therefore, At IRMOC, it is mandatory to have a higher level of involvement by the Senior Risk Owners of the Company.

The Committee shall focus on reviewing assumed risks at the front-line, specifically focusing on Credit Risk, Operational Risk and Compliance Risk.

The IRMOC shall meet at least quarterly or more frequently as and when required. The Committee met four (04) times quarterly during the year under review. The IRMOC is accountable to the Integrated Risk Management Committee (IRMC). The Committee submitted the highlights of the Minutes of IRMOC Meetings to the IRMC for seeking the Committee's views, concurrence and or specific directions.

The impact of COVID-19 on the business/operations and risk management of the Company

COVID-19's impact on individuals, communities and organizations is rapidly increasing. In addition to the effects on the supply and demand dynamics, COVID-19 has already disrupted the financial markets. Since the outbreak, bond yields, oil and equity prices have sharply fallen on the global market. The disruption and implications of COVID-19 are also being experienced in our economy. Rapidly changing social norms, restrictions on transportation, slowdown in the level of economic activity, possible disruptions in the supply chain, and high degrees of volatility in the markets. With ongoing shocks to supply and demand following the lockdown of some parts of the country, there is potential for further market disruption.

Operational Risk

The spread of COVID-19 has resulted in work disruptions like never before.. The pandemic has led to some branches closing temporarily as some employees are required to work remotely. The additional operational cost of procuring logistics to equip staff work remotely is expected to impact revenue. Company could also experience delays in orders for laptops, servers and networking equipment which may further impact productivity. Since the scare of COVID-19, there has been a global spike in malware and fraud incidents. A timely intervention is required by Company to strengthen the cyber security landscape and protect sensitive data.

59.2 Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and group and by monitoring exposures in relation to such limits.

Credit Risk -Impairment Provision as per ECL for Financial Assets

Locally, the spread of COVID-19 will negatively impact many firms, mainly through potential disruptions in manufacturing supply chains, domestic consumption, tourism and exports, posting downside risks to their earnings prospects. This will in turn impact the capacity of such firms to meet contractual obligations that leads to an increase in NPLs.

Expected Credit Loss at 31 March 2021 was estimated based on a range of forecast economic conditions prevailing as at that date. As the situation continues to evolve and timelines for a normalization of economic activity remains yet an unknown, the impact to our core markets and the Company's financial results cannot be reasonably estimated or reliably measured based on reasonable and supportable information that is available at the current stage.

In view of the current economic status of the country due to the spread of COVID-19 virus, following adjustments were made in respect to the impairment provision during the year ended 31 March 2021.

- EFA scenarios were adjusted by decreasing the best case and increasing the worst case.
- An additional impairment was made in respect of the facilities for which a second moratorium was granted. This was made based on the probability of default resulted in the first moratorium.
- Further, specific adjustment was made in respect of the certain impacted industries such as tourism and passenger transport by moving up one age bucket from the existing age bucket.

Impairment Assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually Assessed Allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchases and loans on an individual basis, including any overdue payments of interests or credit rating downgrades. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty projected receipts and the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on leases, hire purchases and loans and for held to maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Detailed Note on impairment method has disclosed in note 25 on page 216.

59.2.1 Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets

The Company manages the credit quality of financial assets using internal credit evaluation system. The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Company's internal credit evaluation system. The amounts presented are gross of impairment allowances.

Definition of Past Due

The Company considers that any amounts uncollected one day or more beyond their contractual due date as 'past due'.

As at 31 March 2021	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		1-30 Days	31-60 days	61-90 days	Over 90 days		
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	1,780,463	-	-	-	-	-	1,780,463
Balances with banks and financial institutions	5,399,071	-	-	-	-	-	5,399,071
Financial assets -Fair value through profit or loss	109,787	-	-	-	-	-	109,787
Loans and receivables - Amortised cost	76,540,202	15,174,455	20,580,873	9,682,055	26,709,922	1,968,338	150,655,845
Financial assets - Fair value other comprehensive income	309,118	-	-	-	-	-	309,118
Debt instrument - Amortised cost	6,994,206	-	-	-	-	-	6,994,206
Other financial assets	126,949	-	-	-	-	-	126,949
Total	91,259,796	15,174,455	20,580,873	9,682,055	26,709,922	1,968,338	165,375,439

As at 31 March 2020	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		1-30 Days	31-60 days	61-90 days	Over 90 days		
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	6,508,137	-	-	-	-	-	6,508,137
Balances with banks and financial institutions	3,207,440	-	-	-	-	-	3,207,440
Financial assets -Fair value through profit or loss	1,031,719	-	-	-	-	-	1,031,719
Loans and receivables - Amortised cost	13,989,178	72,124,229	26,852,168	11,575,597	30,259,094	1,697,480	156,497,746
Financial assets - Fair value other comprehensive income	324,381	-	-	-	-	-	324,381
Debt instrument - Amortised cost	4,106,963	-	-	-	-	-	4,106,963
Other financial assets	232,692	-	-	-	-	-	232,692
Total	29,400,510	72,124,229	26,852,168	11,575,597	30,259,094	1,697,480	171,909,078

As at 31 March 2021	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		1-30 Days	31-60 days	61-90 days	Over 90 days		
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	2,904,928	-	-	-	-	-	2,904,928
Balances with banks and financial institutions	8,231,101	-	-	-	-	-	8,231,101
Financial assets -Fair value through profit or loss	1,281,753	-	-	-	-	-	1,281,753
Loans and receivables - Amortised cost	75,265,407	17,251,686	24,716,058	10,368,457	29,925,440	1,697,480	159,224,528
Insurance and reinsurance receivables	1,024,461	-	-	-	-	-	1,024,461
Financial assets - Fair value other comprehensive income	735,494	-	-	-	-	-	735,494
Debt instrument - Amortised cost	8,593,386	-	-	-	-	-	8,593,386
Total	98,036,530	17,251,686	24,716,058	10,368,457	29,925,440	1,697,480	181,995,651

As at 31 March 2020	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		< 3	3.1 to 6.0	6.1 to 12.0	> 12		
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	7,023,760	-	-	-	-	-	7,023,760
Balances with banks and financial institutions	6,661,407	-	-	-	-	-	6,661,407
Financial assets - Held-for-trading	1,198,592	-	-	-	-	-	1,198,592
Loans and receivables - Amortised cost	59,572,933	28,634,629	29,228,859	12,584,597	31,473,652	1,810,210	163,304,880
Insurance and reinsurance receivables	1,194,933	-	-	-	-	-	1,194,933
Financial assets - Fair value other comprehensive income	1,455,702	-	-	-	-	-	1,455,702
Debt instrument - Amortised cost	4,813,439	-	-	-	-	-	4,813,439
Total	81,920,766	28,634,629	29,228,859	12,584,597	31,473,652	1,810,210	185,652,713

59.2.2 Analysis of Risk Concentration

The following table shows the risk concentration by industry for the components of the statement of financial position.

Industry Analysis

31 March 2021	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	2,703,031	-	-	-	-	-	-	-	-	-	2,703,031
Balances with banks and financial institutions	5,399,071	-	-	-	-	-	-	-	-	-	5,399,071
Financial assets -Fair value through profit or loss	100,019	-	-	-	-	-	-	9,768	-	-	109,787
Loans and receivables - Amortised cost	7,268,787	30,661,009	9,094,435	3,666,967	33,506,084	10,972,649	18,498,319	24,837,601	2,942,247	9,207,747	150,655,845
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	9,267,938
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	141,387,907
Financial assets - Fair value other comprehensive income	309,108	-	-	-	-	-	-	10	-	-	309,118
Debt instrument - Amortised cost	6,994,206	-	-	-	-	-	-	-	-	-	6,994,206
Other financial assets	126,949	-	-	-	-	-	-	-	-	-	126,949

31 March 2020	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	7,164,139	-	-	-	-	-	-	-	-	-	7,164,139
Balances with Banks and financial institutions	3,207,440	-	-	-	-	-	-	-	-	-	3,207,440
Financial assets -Fair value through profit or loss	1,031,719	-	-	-	-	-	-	-	-	-	1,031,719
Loans and receivables - Amortised cost	4,881,761	30,535,229	9,267,973	4,337,271	35,230,788	11,861,226	18,168,984	28,421,616	2,618,256	11,174,642	156,497,746
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	8,750,235
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	147,747,511
Financial assets - Fair value other comprehensive income	324,371	-	-	-	-	-	-	10	-	-	324,381
Debt instrument - Amortised cost	4,106,963	-	-	-	-	-	-	-	-	-	4,106,963
Other financial assets	232,692	-	-	-	-	-	-	-	-	-	232,692

* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

Industry analysis

31 March 2021	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	3,844,694	-	-	-	-	-	-	-	-	-	3,844,694
Balances with banks & financial institutions	8,231,101	-	-	-	-	-	-	-	-	-	8,231,101
Financial assets - Fair value through profit or loss	1,257,000	-	14,985	-	-	-	-	9,768	-	-	1,281,753
Loans and receivables - Amortised cost	12,186,908	31,237,276	10,625,482	3,679,932	33,611,307	9,780,857	19,034,510	26,233,747	2,942,247	9,892,262	159,224,528
Less - Impairment charges											9,882,196
Net loans and receivables											149,342,332
Reinsurance and insurance receivable	-	-	-	-	-	-	-	-	-	1,024,461	1,024,461
Financial assets - Fair value other comprehensive income	735,484	-	-	-	-	-	-	10	-	-	735,494
Debt instrument - Amortised cost	8,593,386	-	-	-	-	-	-	-	-	-	8,593,386

31 March 2020	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	7,693,032	-	-	-	-	-	-	-	-	-	7,693,032
Balances with banks & financial institutions	6,661,407	-	-	-	-	-	-	-	-	-	6,661,407
Financial assets - Fair value through profit or loss	1,192,217	-	5,000	-	-	-	-	1,375	-	-	1,198,592
Loans and receivables - Amortised cost	7,836,750	31,148,829	11,378,906	4,352,849	35,265,304	10,905,103	18,606,628	29,850,095	2,618,256	11,342,160	163,304,880
Less - Impairment charges											9,169,946
Net loans and receivables											154,134,934
Reinsurance and insurance receivable	-	-	-	-	-	-	-	-	-	885,395	885,395
Financial assets - Fair value other comprehensive income	1,455,692	-	-	-	-	-	-	10	-	-	1,455,702
Debt instrument - Amortised cost	4,813,439	-	-	-	-	-	-	-	-	-	4,813,439

* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

Geographical Distribution of Loans and Receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows:

Company	Lease/Ijarah receivable Rs. '000	Hire- Purchase Murabah receivable Rs. '000	Term Loan and receivables Rs. '000	Related party receivables Rs. '000	Total Rs. '000
As at 31 March 2021					
Central	9,702,115	20,365	4,943,754	-	14,666,234
Eastern	3,989,744	10,077	1,838,905	-	5,838,726
North Central	4,574,021	11,640	2,401,930	-	6,987,591
Northern	2,637,478	3,766	1,724,093	-	4,365,337
North Western	7,707,196	17,838	4,133,335	-	11,858,369
Sabaragamuwa	5,776,852	10,063	2,248,670	-	8,035,585
Southern	11,046,940	21,944	8,134,466	-	19,203,350
Uva	5,272,230	12,448	2,392,564	-	7,677,242
Western	27,435,149	116,652	42,962,450	1,509,160	72,023,411
Total	78,141,725	224,793	70,780,167	1,509,160	150,655,845
As at 31 March 2020					
Central	10,488,737	32,233	4,664,620	-	15,185,590
Eastern	4,660,950	26,090	1,787,178	-	6,474,218
North Central	5,183,078	19,171	2,001,699	-	7,203,948
Northern	2,893,775	7,168	1,358,179	-	4,259,122
North Western	8,283,316	27,345	3,915,850	-	12,226,511
Sabaragamuwa	5,873,327	11,819	2,436,144	-	8,321,290
Southern	12,306,699	23,835	10,064,149	-	22,394,683
Uva	5,717,660	13,738	2,781,660	-	8,513,058
Western	30,407,824	174,976	39,718,842	1,617,684	71,919,326
Total	85,815,366	336,375	68,728,321	1,617,684	156,497,746

Group	Lease/Ijarah receivable	Hire- Purchase/ Murabah receivable	Term Loan and receivables	Debentures and Commercial Papers	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2021					
Central	9,702,115	463,874	4,950,118	-	15,116,107
Eastern	3,989,744	377,074	1,849,011	-	6,215,829
North Central	4,574,021	332,374	2,408,489	-	7,314,884
Northern	2,637,478	3,766	1,728,774	-	4,370,018
North Western	7,707,196	310,247	4,143,126	-	12,160,569
Sabaragamuwa	5,776,852	269,912	2,253,827	-	8,300,591
Southern	11,046,940	320,759	8,154,142	-	19,521,841
Uva	5,272,230	570,913	2,424,802	-	8,267,945
Western	27,424,854	494,437	42,926,841	2,338,328	73,184,460
Bangladesh	-	-	4,772,284	-	4,772,284
Total	78,131,430	3,143,356	75,611,414	2,338,328	159,224,528
As at 31 March 2020					
Central	10,488,737	537,826	4,670,984	-	15,697,547
Eastern	4,660,950	385,414	1,797,284	-	6,843,648
North Central	5,183,078	409,598	2,008,258	-	7,600,934
Northern	2,893,775	136,711	1,362,860	-	4,393,346
North Western	8,283,316	317,036	3,925,641	-	12,525,993
Sabaragamuwa	5,873,327	333,076	2,441,301	-	8,647,704
Southern	12,306,699	671,809	10,083,825	-	23,062,333
Uva	5,717,660	389,332	2,813,898	-	8,920,890
Western	30,407,824	174,976	39,818,276	2,518,039	72,919,115
Bangladesh	-	-	2,693,370	-	2,693,370
Total	85,815,366	3,355,778	71,615,697	2,518,039	163,304,880

59.2.3 Fair Value of Collateral and Credit Enhancements Held

As a general principle, the Company endeavors to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles.
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles.

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their credit worthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customers. For impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

The following table shows the fair value of collateral and credit enhancements held by the Company.

Company	31 March 2021		31 March 2020	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	1,780,463	1,780,463	6,508,137	6,508,137
Balances with banks and financial institutions	5,399,071	5,399,071	3,207,440	3,207,440
Financial assets - Fair value through profit or loss	109,787	109,787	1,031,719	1,031,719
Loans and receivables - Amortised cost	141,387,907	551,368	147,747,511	517,217
Financial assets - Fair value through other comprehensive income	309,118	309,118	324,381	324,381
Debt instrument - Amortised cost	6,994,206	6,994,206	4,106,963	4,106,963
Other financial assets	126,949	126,949	232,692	232,692
Total	156,107,501	15,270,962	163,158,843	15,928,549

The following table shows the fair value of collateral and credit enhancements held by the Group.

Group	31 March 2021		31 March 2020	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	2,904,928	2,904,928	7,023,760	7,023,760
Balances with banks and financial institutions	8,231,101	8,231,101	6,661,407	6,661,407
Financial assets - Fair value through profit or loss	1,281,753	1,281,753	1,198,592	1,198,592
Loans and receivables - Amortised cost	149,342,332	551,368	154,134,934	517,217
Reinsurance and insurance receivable	1,024,461	1,024,461	1,194,933	1,194,933
Financial assets - Fair value through other comprehensive income	735,494	735,494	1,455,702	1,455,702
Debt instrument - Amortised cost	8,593,386	8,593,386	4,813,439	4,813,439
Total	172,113,455	23,322,491	176,482,767	22,865,050

59.2.4 Collateral and Other Credit Enhancements

The below table provides an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even if the future value of collateral is forecasted using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Type of collateral or credit enhancement	Fair value of collateral and credit enhancements held under the base case scenario			Total collateral	Net exposure	Associated ECL
	Maximum exposure to credit risk	Movable securities	Immovable securities			
In Rs.'000						
Company						
As at 31 March 2021						
Loans and receivables - Amortised cost	28,678,260	13,536,876	31,319,598	44,856,474	(16,178,214)	7,323,080
As at 31 March 2020						
Loans and receivables - Amortised cost	32,227,432	16,125,508	22,048,802	38,174,310	(5,946,878)	6,891,790
Group						
As at 31 March 2021						
Loans and receivables - Amortised cost	31,622,920	16,060,082	31,319,598	47,379,680	(15,756,760)	7,624,698
As at 31 March 2020						
Loans and receivables - Amortised cost	33,283,862	18,490,474	22,048,802	40,539,276	(7,255,414)	7,087,069

59.2.5 Offsetting Financial Assets & Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

59.2.6 Financial Assets & Liabilities Not Subject to Offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase agreements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

As at 31 March	2021			2020		
	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount
Company & Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Loans and receivables - Amortised cost	8,115,689	2,724,435	5,391,254	8,255,369	3,014,640	5,240,729

59.2.7 Sensitivity of Impairment Provision on Loans and Receivables

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1	Stage 2	Stage 3	Total	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	
Company - As at 31 March 2021					
PD 1% increase across all age buckets	7,876	10,928	-	18,804	18,804
PD 1% decrease across all age buckets	(7,876)	(10,928)	-	(18,804)	(18,804)
LGD 5% increase	39,385	54,963	206,864	301,212	301,212
LGD 5% decrease	(39,385)	(54,963)	(206,864)	(301,212)	(301,212)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(1,515)	(564)	-	(2,079)	(2,079)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	1,515	564	-	2,079	2,079

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1	Stage 2	Stage 3	Total	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	
Company - As at 31 March 2020					
PD 1% increase across all age buckets	5,857	10,622	-	16,479	16,479
PD 1% decrease across all age buckets	(5,857)	(10,622)	-	(16,479)	(16,479)
LGD 5% increase	29,285	58,172	258,700	346,157	346,157
LGD 5% decrease	(29,285)	(58,172)	(258,700)	(346,157)	(346,157)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(657)	(703)	-	(1,360)	(1,360)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	657	703	-	1,360	1,360

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1	Stage 2	Stage 3	Total	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	
Group - As at 31 March 2021					
PD 1% increase across all age buckets	8,330	11,557	-	19,887	19,887
PD 1% decrease across all age buckets	(8,330)	(11,557)	-	(19,887)	(19,887)
LGD 5% increase	42,536	59,360	279,396	381,292	381,292
LGD 5% decrease	(42,536)	(59,360)	(279,396)	(381,292)	(381,292)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(1,538)	(572)	-	(2,110)	(2,110)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	1,538	572	-	2,110	2,110

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1	Stage 2	Stage 3	Total	
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	
Group - As at 31 March 2020					
PD 1% increase across all age buckets	6,194	11,234	-	17,428	17,428
PD 1% decrease across all age buckets	(6,194)	(11,234)	-	(17,428)	(17,428)
LGD 5% increase	31,628	62,826	279,396	373,850	373,850
LGD 5% decrease	(31,628)	(62,826)	(279,396)	(373,850)	(373,850)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(667)	(714)	-	(1,381)	(1,381)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	667	714	-	1,381	1,381

59.3 Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Management considered different possible outcomes to assess the possible impact from COVID-19 to the Company's operations and forecast cash flows in order to absorb sudden liquidity shock to comply financial covenant and CBSL Liquidity Requirement. I.e. consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short term needs, restructure operations to reduce operating costs and defer capital expenditure.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

To ensure adequate liquidity in the market, Central Bank has intervened by reducing Policy rates in order to inject market liquidity. This may be as a result of the increased withdrawals within affected sectors potentially leading to reduced net inflows in Company. In addition to providing loan moratoriums, concessionary loans via banks and Non-Banking Financial Institutions (NBFIs) for businesses and individuals impacted by the COVID-19 lockdown to further provide liquidity and drive the economy.

In compliance with Finance Companies (Liquid Assets) Direction No: 4 of 2013 which shall not as the close of the business on any day, be less than the total of;

- (a) 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- (b) 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- (c) 10% of the total outstanding borrowings

Further the Company shall maintain liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

However, due to the COVID-19, Central Bank of Sri Lanka issued Finance Business Act Direction No 02 of 2021 "Amendments to Direction on Liquid Assets" and subsequent amendments through No 07 of 2020 and No 03 of 2021 such requirements have changes as follows until 30 June 2021.

- (a) 6% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- (b) 10% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- (c) 5% of the total outstanding borrowings

Further the Company shall maintain liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, balances with banks and financial institutions and investment in Government securities.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

The ratios at the end of the year was as follows:

Liquidity ratios As at 31 March	Company		Group	
	2021	2020	2021	2020
Advances to deposit ratios (Times)	1.39	1.36	1.44	1.40
Liquid Assets to Deposit (%)	14	14	17	18

59.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2021.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

59.3.2 Remaining Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities

As at 31 March 2021	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	2,703,031	-	-	-	-	-	2,703,031
Balances with banks and financial institutions	-	5,291,634	116,854	-	-	-	5,408,488
Financial assets -Fair value through profit or loss	-	109,787	-	-	-	-	109,787
Loans and receivables - Amortised cost	9,539,408	28,396,273	47,980,789	78,310,609	18,763,721	389,923	183,380,723
Financial assets - Fair value through other comprehensive income	-	309,108	-	-	-	10	309,118
Debt instrument - Amortised cost	-	5,200,037	1,885,456	-	-	-	7,085,493
Other financial assets	-	126,949	-	-	-	-	126,949
Total undiscounted financial assets	12,242,439	39,433,788	49,983,099	78,310,609	18,763,721	389,933	199,123,589
Financial liabilities							
Due to banks	716,374	209,970	909,506	5,980,493	-	-	7,816,343
Due to customers	8,265,964	27,414,568	47,916,279	16,918,724	3,774,746	164,029	104,454,310
Debt securities issued	-	1,189,974	7,230,443	7,442,993	-	-	15,863,410
Other financial liabilities	-	4,131,671	-	-	-	-	4,131,671
Lease liabilities	-	165,100	504,043	1,327,457	695,916	445,445	3,137,961
Total undiscounted financial liabilities	8,982,338	33,111,283	56,560,271	31,669,667	4,470,662	609,474	135,403,695
Net undiscounted financial assets/(liabilities)	3,260,101	6,322,505	(6,577,172)	46,640,942	14,293,059	(219,541)	63,719,894

As at 31 March 2020	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	2,034,316	5,129,823	-	-	-	-	7,164,139
Balances with banks and financial institutions	-	2,945,763	298,866	-	-	-	3,244,629
Financial assets -Fair value through profit or loss	-	1,031,719	-	-	-	-	1,031,719
Loans and receivables - Amortised cost	14,878,433	27,421,600	51,465,418	81,262,031	18,863,910	163,703	194,055,095
Financial assets -Fair value through profit or loss	-	324,371	-	-	-	10	324,381
Debt instrument - Amortised cost	-	2,187,464	2,005,192	-	-	-	4,192,656
Other financial assets	-	232,692	-	-	-	-	232,692
Total undiscounted financial assets	16,912,749	39,273,432	53,769,476	81,262,031	18,863,910	163,713	210,245,311
Financial liabilities							
Due to banks	24,683	1,823,909	708,180	2,639,718	3,777,203	-	8,973,693
Due to customers	26,333	33,749,133	49,883,951	25,232,970	5,752,380	143,730	114,788,497
Debt securities issued	17,087	1,231,318	5,336,381	9,890,198	5,973,211	-	22,448,195
Other financial liabilities	-	3,014,117	-	-	-	-	3,014,117
Lease liabilities	-	156,667	473,932	1,038,303	517,268	411,070	2,597,240
Total undiscounted financial liabilities	68,103	39,975,144	56,402,444	38,801,189	16,020,062	554,800	151,821,742
Net undiscounted financial assets/(liabilities)	16,844,646	(701,712)	(2,632,968)	42,460,842	2,843,848	(391,087)	58,423,569

As at 31 March 2021	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	3,844,694	-	-	-	-	-	3,844,694
Balances with banks and financial institutions	-	6,363,103	1,847,720	78,302	-	-	8,289,125
Financial assets -Fair value through profit or loss	-	1,281,753	-	-	-	-	1,281,753
Loans and receivables - Amortised cost	9,980,624	29,213,835	50,107,709	82,746,614	20,727,091	696,060	193,471,933
Insurance and reinsurance receivable	-	1,268,209	572,030	-	-	-	1,840,239
Financial assets - Fair value through other comprehensive income	-	735,484	-	-	-	10	735,494
Debt instrument - Amortised cost	-	5,625,023	2,045,474	742,973	340,013	52,021	8,805,504
Total undiscounted financial assets	13,825,318	44,487,407	54,572,933	83,567,889	21,067,104	748,091	218,268,742
Financial liabilities							
Due to banks	719,394	406,341	1,671,103	7,118,036	347,088	-	10,261,962
Due to customers	8,324,960	28,746,198	49,379,419	16,995,421	3,778,713	174,457	107,399,168
Debt securities issued	-	1,173,874	7,230,443	7,285,013	-	-	15,689,330
Other financial liabilities	-	4,110,795	-	-	-	-	4,110,795
Insurance liabilities and reinsurance payable	4,977,168	38,717	-	-	-	-	5,015,885
Lease liabilities	-	93,154	283,394	720,481	517,268	411,070	2,025,367
Total undiscounted financial liabilities	14,021,522	34,569,079	58,564,359	32,118,951	4,643,069	585,527	144,502,507
Net undiscounted financial assets/(liabilities)	(196,204)	9,918,328	(3,991,426)	51,448,938	16,424,035	162,564	73,766,235

As at 31 March 2020	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	2,563,209	5,129,823	-	-	-	-	7,693,032
Balances with banks and financial institutions	-	3,384,603	2,416,361	75,632	-	-	5,876,596
Financial assets -Fair value through profit or loss	-	1,198,592	-	-	-	-	1,198,592
Loans and receivables - Amortised cost	14,878,433	27,245,770	52,119,800	81,806,295	20,192,323	259,239	196,501,860
Insurance and reinsurance receivable	-	1,268,209	572,030	-	-	-	1,840,239
Financial assets - Fair value through other comprehensive income	-	1,455,692	-	-	-	10	1,455,702
Debt instrument - Amortised cost	-	2,187,562	2,066,319	361,538	340,866	202,942	5,159,227
Total undiscounted financial assets	17,441,642	41,870,251	57,174,510	82,243,465	20,533,189	462,191	219,725,248
Financial liabilities							
Due to banks	384,130	2,120,541	1,434,440	4,053,119	4,179,169	-	12,171,399
Due to customers	26,333	33,554,416	49,658,988	25,121,858	5,752,380	143,730	114,257,705
Debt securities issued	17,087	1,215,318	5,336,381	9,858,198	5,832,211	-	22,259,195
Other financial liabilities	-	2,829,708	-	-	-	-	2,829,708
Insurance liabilities and reinsurance payable	5,026,503	38,717	-	-	-	-	5,065,220
Lease liabilities	-	93,154	283,394	720,481	517,268	411,070	2,025,367
Total undiscounted financial liabilities	5,454,053	39,851,854	56,713,203	39,753,656	16,281,028	554,800	158,608,594
Net undiscounted financial assets/(liabilities)	11,987,589	2,018,397	461,307	42,489,809	4,252,161	(92,609)	61,116,654

59.3.3 Commitments and Guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Company	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2021						
Guarantees	-	2,500	334,098	127,500	-	464,098
Assessment received from Inland Revenue Department	-	-	-	50,953	-	50,953
Litigation against the Company	-	92,110	90,341	-	-	182,451
Capital commitment	-	9,186,451	1,114,158	-	-	10,300,609
Total commitments and guarantees	-	9,281,061	1,538,597	178,453	-	10,998,111
As at 31 March 2020						
Guarantees	-	5,300	327,498	-	-	332,798
Assessment received from Inland Revenue Department	-	-	-	67,938	-	67,938
Letter of credits	-	1,139	-	-	-	1,139
Accidents of leased out vehicles	-	280,735	6,680	-	-	287,415
Capital commitment	-	4,627,602	-	-	-	4,627,602
Total commitments and guarantees	-	4,914,776	334,178	67,938	-	5,316,892

Group	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2021						
Guarantees	-	2,500	334,098	127,500	-	464,098
Assessment received from Inland Revenue Department	-	-	-	97,942	-	97,942
Litigation against the Company	-	92,110	90,341	-	-	182,451
Capital commitment	-	9,186,451	1,114,158	-	-	10,300,609
Total commitments and guarantees	-	9,281,061	1,538,597	225,442	-	11,045,100
As at 31 March 2020						
Guarantees	-	5,300	327,498	-	-	332,798
Assessment received from Inland Revenue Department	-	-	-	85,827	-	85,827
Letter of credits	-	1,139	-	-	-	1,139
Accidents of leased out vehicles	-	280,735	6,680	-	-	287,415
Capital commitment	-	4,627,602	15,834	-	-	4,643,436
Total commitments and guarantees	-	4,914,776	350,012	85,827	-	5,350,615

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

59.3.4 Total liquid assets

The table below sets out the components of the Company's liquid assets;

As at 31 March	2021 Amount Rs. '000	2020 Amount Rs. '000
Cash in hand	922,568	656,002
Balances in current accounts	442,176	1,148,826
Deposits in commercial banks	5,606,470	3,413,893
Treasury bills and Treasury Bonds	6,955,980	4,111,641
Other approved securities	-	5,129,015
Total liquidity assets	13,927,194	14,459,377

59.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

Currently, increased volatility and decline in value of many financial asset classes may impact the trading books of most company due to the increased market risk. The uncertainty caused by the pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk.

Company estimate how the reduction in interest rates will impact their rate sensitive assets and liabilities and the subsequent implication on profitability.

59.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31 March 2021 and 31 March 2020 to a reasonable possible change in interest rates, with all other variable constant.

As at 31 March	2021 Rs. '000	2020 Rs. '000
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	5,060	4,277
1%	10,120	8,554
-0.50%	(5,060)	(4,277)
-1%	(10,120)	(8,554)

Sensitivity of Lease Liability to Key Assumption

Sensitivity to Incremental Borrowing Rates	2021 Rs. '000	2020 Rs. '000
Impact on Company's Statement of Financial Position due to interest rate shock		
1%	(51,625)	(41,257)
-1%	53,585	43,486

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.

As at 31 March 2021	Company							
	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	2,703,031	207,423	-	-	-	-	-	2,495,608
Balances with banks and financial institutions	5,399,071	48,621	5,239,950	110,500	-	-	-	-
Financial assets -Fair value through profit or loss	109,787	-	-	-	-	-	-	109,787
Loans and receivables - Amortised cost	150,655,845	10,084,836	23,646,215	37,222,146	64,874,601	14,683,282	144,765	-
Less - Impairment charges	9,267,938	-	-	-	-	-	-	-
Net loans and receivables	141,387,907	-	-	-	-	-	-	-
Financial assets - Fair value through other comprehensive income	309,118	-	-	-	-	-	-	309,118
Debt instrument - Amortised cost	6,994,206	42,014	5,136,618	1,815,574	-	-	-	-
Other financial assets	126,949	-	-	-	-	-	-	126,949
Total	157,030,069	10,382,894	34,022,783	39,148,220	64,874,601	14,683,282	144,765	3,041,462
Liabilities								
Due to banks	6,439,310	2,044,668	212,751	708,063	3,473,828	-	-	-
Due to customers	101,502,931	12,983,261	25,217,406	44,196,736	15,373,365	3,568,134	164,029	-
Debt securities issued	13,825,553	1,047,215	-	6,788,101	5,990,237	-	-	-
Other Financial liabilities	4,131,671	-	-	-	-	-	-	4,131,671
Lease liabilities	2,286,386	-	94,358	310,505	968,680	540,782	372,061	-
Total	128,185,851	16,075,144	25,524,515	52,003,405	25,806,110	4,108,916	536,090	4,131,671
Total interest sensitivity gap	28,844,218	(5,692,250)	8,498,268	(12,855,185)	39,068,491	10,574,366	(391,325)	

As at 31 March 2020	Company							
	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	7,164,139	384,414	5,129,015	-	-	-	-	1,650,710
Balances with banks and financial institutions	3,207,440	202,756	2,734,287	270,397	-	-	-	-
Financial assets -Fair value through profit or loss	1,031,719	-	-	-	-	-	-	1,031,719
Loans and receivables - Amortised cost	156,497,746	15,287,682	21,649,373	37,960,938	64,522,858	16,980,219	96,676	-
Less - Impairment charges	8,750,235	-	-	-	-	-	-	-
Net loans and receivables	147,747,511	-	-	-	-	-	-	-
Financial assets - Fair value through other comprehensive income	324,381	-	-	-	-	-	-	324,381
Debt instrument - Amortised cost	4,106,963	28,443	2,141,057	1,937,463	-	-	-	-
Other financial assets	232,692	-	-	-	-	-	-	232,692
Total	163,814,845	15,903,295	31,653,732	40,168,798	64,522,858	16,980,219	96,676	3,239,502
Liabilities								
Due to banks	7,938,185	1,289,463	1,728,144	552,385	2,246,877	2,121,316	-	-
Due to customers	106,701,027	11,753,079	24,697,553	44,997,065	20,285,055	4,824,545	143,730	-
Debt securities issued	18,479,260	1,241,443	-	4,472,471	7,483,709	5,281,637	-	-
Other financial liabilities	3,014,117	-	-	-	-	-	-	3,014,117
Lease liabilities	1,909,098	-	98,137	317,394	773,246	384,316	336,005	-
Total	138,041,687	14,283,985	26,523,834	50,339,315	30,788,887	12,611,814	479,735	3,014,117
Total interest sensitivity gap	25,773,158	1,619,310	5,129,898	(10,170,517)	33,733,971	4,368,405	(383,059)	

The table below analyses the Group's interest rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 March 2021	Group							
	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	3,844,694	1,116,437	-	-	-	-	-	2,728,257
Balances with banks and financial institutions	8,231,101	155,656	6,748,378	1,255,928	71,139	-	-	-
Financial assets -Fair value through profit or loss	1,281,753	-	-	-	-	-	-	1,281,753
Loans and receivables - Amortised cost	159,224,528	10,988,903	23,551,567	39,867,161	68,200,436	16,165,559	450,902	-
Less-Impairment charges	9,882,196	-	-	-	-	-	-	-
Net loans and receivables	149,342,332	-	-	-	-	-	-	-
Insurance and reinsurance receivable	1,024,461	-	-	-	-	-	-	1,024,461
Financial assets - Fair value through other comprehensive income	735,494	-	426,376	-	-	-	-	309,118
Debt instrument - Amortised cost	8,593,386	87,767	5,621,571	1,927,618	628,368	281,196	46,866	-
Total	173,053,221	12,348,763	36,347,892	43,050,707	68,899,943	16,446,755	497,768	5,343,589
Liabilities								
Due to banks	9,003,873	2,224,999	350,754	1,469,660	4,611,372	347,088	-	-
Due to customers	103,743,716	12,883,575	26,307,059	45,356,462	15,450,062	3,572,101	174,457	-
Debt securities issued	13,684,516	1,031,958	-	6,788,101	5,864,457	-	-	-
Other financial liabilities	4,110,795	-	-	-	-	-	-	4,110,795
Insurance liabilities and reinsurance payables	5,015,885	-	-	-	-	-	-	5,015,885
Lease liabilities	1,614,660	-	54,905	181,364	561,175	477,770	339,446	-
Total	137,173,445	16,140,532	26,712,718	53,795,587	26,487,066	4,396,959	513,903	9,126,680
Total interest sensitivity gap	35,879,776	(3,791,769)	9,635,174	(10,744,880)	42,412,877	12,049,796	(16,135)	

As at 31 March 2020	Group							
	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	7,693,032	397,361	5,129,015	-	-	-	-	2,166,656
Balances with banks and financial institutions	6,661,407	202,756	3,722,590	2,736,061	-	-	-	-
Financial assets - Held-for-trading	1,198,592	-	-	-	-	-	-	1,198,592
Loans and receivables - Amortised cost	163,304,880	15,744,959	21,275,125	39,910,054	66,197,005	19,860,190	317,547	-
Less-Impairment charges	9,169,946	-	-	-	-	-	-	-
Net loans and receivables	154,134,934	-	-	-	-	-	-	-
Insurance and reinsurance receivable	1,194,933	-	-	-	-	-	-	1,194,933
Financial assets - Fair value through other comprehensive income	1,455,702	-	-	234,540	161,440	681,618	53,723	324,381
Debt instrument - Amortised cost	4,813,439	28,443	2,180,693	1,948,577	222,280	255,622	177,824	-
Total	177,152,039	16,373,519	32,307,423	44,829,232	66,580,725	20,797,430	549,094	4,884,562
Liabilities								
Due to banks	10,978,046	1,966,084	1,938,458	1,146,479	3,431,789	2,495,236	-	-
Due to customers	107,685,592	11,732,213	24,991,570	44,814,342	21,166,927	4,836,742	143,798	-
Debt securities issued	18,338,039	1,226,001	-	4,472,472	7,483,709	5,155,857	-	-
Other financial liabilities	2,829,708	-	-	-	-	-	-	2,829,708
Lease liabilities	1,594,245	-	55,961	183,262	542,017	433,765	379,240	-
Insurance liabilities and reinsurance payables	5,065,220	-	-	-	-	-	-	5,065,220
Total	146,490,850	14,924,298	26,985,989	50,616,555	32,624,442	12,921,600	523,038	7,894,928
Total interest sensitivity gap	30,661,189	1,449,221	5,321,434	(5,787,323)	33,956,283	7,875,830	26,056	

59.4.2 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Since investments in USD deposits were low, the currency risk of the Company/Group is minimal.

The tables below indicate the currencies to which the Company had significant exposures as at 31st March 2021 and the effect to the Gains/Losses in case of a market exchange rates up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the LKR, with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non trading monetary assets and liabilities).

Impact on Statement of Profit or Loss due to Exchange Rate Shocks

For the year ended 31 March	Change in currency rate in %	Company		Group	
		2021	2020	2021	2020
		Effect on profit before tax Rs. '000			
USD	1	-	-	375	482
USD	-1	-	-	(375)	(482)

59.4.3 Equity Price Risk

The sensitivity analysis for equity risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of +/- 1%.

1% increase/decrease in equity market prices	2021			2020		
	Effect on net asset value	Effect on profit before tax	Effect on comprehensive income	Effect on net asset value	Effect on profit before tax	Effect on comprehensive income
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company						
Financial assets - FVTPL	98	98	-	136	136	-
Financial assets - FVOCI	3,091	-	3,091	3,244	-	3,244
Group						
Financial assets - FVTPL	248	248	-	272	272	-
Financial assets - FVOCI	3,091	-	3,091	3,244	-	3,244

59.4.4 Commodity price risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the group, volatility in gold prices may adversely affect Statement of Profit or Loss. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Following strategies are used to manages the credit and market risks arising from adverse changes in gold prices by the Group.

- LTV - The Group implements a process of revising the advance payments for each gold sovereign to reflect market value volatility to maintain an ideal loan-to-value ratio.
- Product Lifetime - As a credit risk management strategy, the Group deliver services in less time, enabling a faster recovery process.

59.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

59.6 Insurance Risks

People's Insurance PLC (PI) is a subsidiary of the Company whose principle line of business is carrying out general insurance business. The following are the risks and their management arising from PI for its statutory year ended 31 March 2021.

59.6.1 Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PI is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PI maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PI are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PI has taken necessary action to comply with and complied with applicable regulations throughout the year.

59.6.2 Nature and Extent of Risks Arising from Insurance Contracts

Objectives, Policies and Processes for Managing Risks Arising from Insurance Contracts

PI willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PI's risk management framework focuses on strategic risk, assumed risks and the potential risks. PI identifies and categorises risks in terms of their source, their impact on PI and preferred strategies for dealing with them.

*Method used to Manage Risks***Risk Appetite and Risk Tolerance**

PI has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. PI manages the volatility and potential downward risk through diversification.

Identification of Shock Losses

There are three areas of risk which have the potential to materially damage economic value that PI identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and equity investment risk. PI manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that PI is willing to expose.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	31 March 2021			31 March 2020		
	Gross liabilities	Reinsurance receivable	Net liabilities	Gross liabilities	Reinsurance receivable	Net liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Motor	655,925	70,757	585,168	769,853	46,757	723,096
Marine	5,792	5,607	185	1,695	1,160	535
Fire	96,986	120,000	(23,014)	411,378	334,342	77,036
Miscellaneous	182,361	80,914	101,447	143,830	50	143,780
Total	941,064	277,278	663,786	1,326,756	382,309	944,447

Claims Development Table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date.

Gross Non-Life Insurance Outstanding Claims Provision for 2021

Accident Period	Current estimate of cumulative claims incurred											
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2020/21	193	10,771	1,012	685	539	2,236	10,692	11,085	32,949	3,072	3,536,534	3,609,768
2019/20	-	42,085	5,515	1,591	1,014	2,662	4,183	31,282	92,881	3,803,005		3,984,218
2018/19	(120)	11,385	51	(8,584)	4,918	(9,647)	21,099	73,912	3,165,480			3,258,494
2017/18	(844)	4,738	(608)	8,298	5,704	21,071	33,255	2,792,805				2,864,419
2016/17	(945)	(113)	(17,006)	(8,555)	5,397	50,267	2,635,203					2,664,248
2015/16	1,703	6,377	(5,165)	35,874	31,044	2,182,704						2,252,537
2014/15	1,465	1,577	28,391	(15,126)	2,040,473							2,056,780
2013/14	3,148	50,297	(167,837)	2,042,094								1,927,702
2012/13	4,224	(58,704)	2,042,934									1,988,454
2011/12	2,762	1,396,938										1,399,700
2010/11	213,653											213,653
Current estimated of cumulative claims incurred	225,239	1,465,351	1,887,287	2,056,277	2,089,089	2,249,293	2,704,432	2,909,084	3,291,310	3,806,077	3,536,534	26,219,973

Accident Period	Cumulative payments to date											
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2020/21	(193)	(3,154)	(9,536)	(6,513)	(8,510)	(11,979)	(16,068)	(19,079)	(33,096)	(761,838)	(3,025,348)	(3,895,314)
2019/20	-	(84,791)	(9,222)	(4,101)	(13,820)	(21,259)	(15,975)	(39,809)	(551,787)	(2,956,804)		(3,697,568)
2018/19	-	(16,329)	(5,532)	(14,079)	(15,396)	(26,780)	(26,927)	(515,478)	(2,646,682)			(3,267,203)
2017/18	(2,129)	(8,627)	(10,057)	(10,447)	(13,186)	(30,768)	(468,923)	(2,267,584)				(2,811,721)
2016/17	(390)	(8,262)	(16,478)	(12,958)	(23,979)	(389,878)	(2,129,944)					(2,581,889)
2015/16	(1,718)	(16,664)	(53,691)	(28,525)	(395,617)	(1,743,315)						(2,239,530)
2014/15	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)							(1,967,676)
2013/14	(3,495)	(57,574)	(252,384)	(1,621,312)								(1,934,765)
2012/13	(5,154)	(311,763)	(1,465,582)									(1,782,499)
2011/12	(72,227)	(893,615)										(965,842)
2010/11	(134,902)											(134,902)
Cumulative payments to date	(222,537)	(1,419,994)	(1,852,242)	(2,027,928)	(2,056,887)	(2,223,979)	(2,657,837)	(2,841,950)	(3,231,565)	(3,718,642)	(3,025,348)	(25,278,909)
Total Gross claims outstanding	2,702	45,357	35,045	28,349	32,202	25,314	46,595	67,134	59,745	87,435	511,186	941,064

Net Non-life insurance outstanding claims provision for 2021

Accident Period	Current estimate of cumulative claims incurred											
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2020/21	193	10,771	1,012	685	539	2,236	10,139	12,479	34,119	88,484	3,339,422	3,500,079
2019/20	-	321	5,515	1,591	1,014	2,667	4,325	37,666	79,873	3,398,413		3,531,385
2018/19	(120)	11,400	51	(11,575)	5,037	(3,500)	24,501	77,270	3,106,289			3,209,353
2017/18	(844)	9,001	(608)	14,290	5,742	15,721	37,716	2,692,279				2,773,297
2016/17	(945)	(128)	(16,949)	(10,511)	6,864	59,287	2,549,666					2,587,284
2015/16	1,599	6,454	(3,982)	34,203	16,076	2,100,737						2,155,087
2014/15	1,465	2,382	28,151	(15,127)	2,023,094							2,039,965
2013/14	3,157	51,344	(158,485)	2,034,121								1,930,137
2012/13	4,239	(15,515)	1,976,422									1,965,146
2011/12	4,621	1,224,086										1,228,707
2010/11	209,132											209,132
Current estimated of cumulative claims incurred	222,497	1,300,116	1,831,127	2,047,677	2,058,366	2,177,148	2,626,347	2,819,694	3,220,281	3,486,897	3,339,422	25,129,572

Accident Period	Cumulative payments to date											
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2020/21	(193)	(3,154)	(9,536)	(6,513)	(8,510)	(11,979)	(15,515)	(18,797)	(19,011)	(508,359)	(2,938,267)	(3,539,834)
2019/20	-	(13,201)	(9,222)	(4,101)	(13,820)	(21,259)	(15,969)	(32,630)	(521,977)	(2,902,120)		(3,534,299)
2018/19	-	(16,329)	(5,532)	(11,079)	(15,396)	(26,799)	(25,385)	(492,761)	(2,619,040)			(3,212,321)
2017/18	(2,129)	(8,627)	(10,057)	(10,432)	(13,132)	(30,608)	(446,918)	(2,209,836)				(2,731,739)
2016/17	(390)	(8,244)	(16,282)	(12,833)	(23,866)	(387,579)	(2,075,965)					(2,525,159)
2015/16	(1,614)	(16,664)	(31,860)	(27,883)	(369,486)	(1,756,890)						(2,204,397)
2014/15	(2,329)	(17,417)	(29,152)	(329,883)	(1,564,956)							(1,943,737)
2013/14	(3,495)	(32,280)	(226,969)	(1,593,260)								(1,856,004)
2012/13	(5,123)	(248,760)	(1,424,239)									(1,678,122)
2011/12	(71,904)	(881,711)										(953,615)
2010/11	(131,282)											(131,282)
Cumulative payments to date	(218,459)	(1,246,387)	(1,762,849)	(1,995,984)	(2,009,166)	(2,235,114)	(2,579,752)	(2,754,024)	(3,160,028)	(3,410,479)	(2,938,267)	(24,310,509)
Total net claims outstanding	4,038	53,729	68,278	51,693	49,200	(57,966)	46,595	65,670	60,253	76,418	401,155	819,063

60. EVENTS AFTER THE REPORTING PERIOD

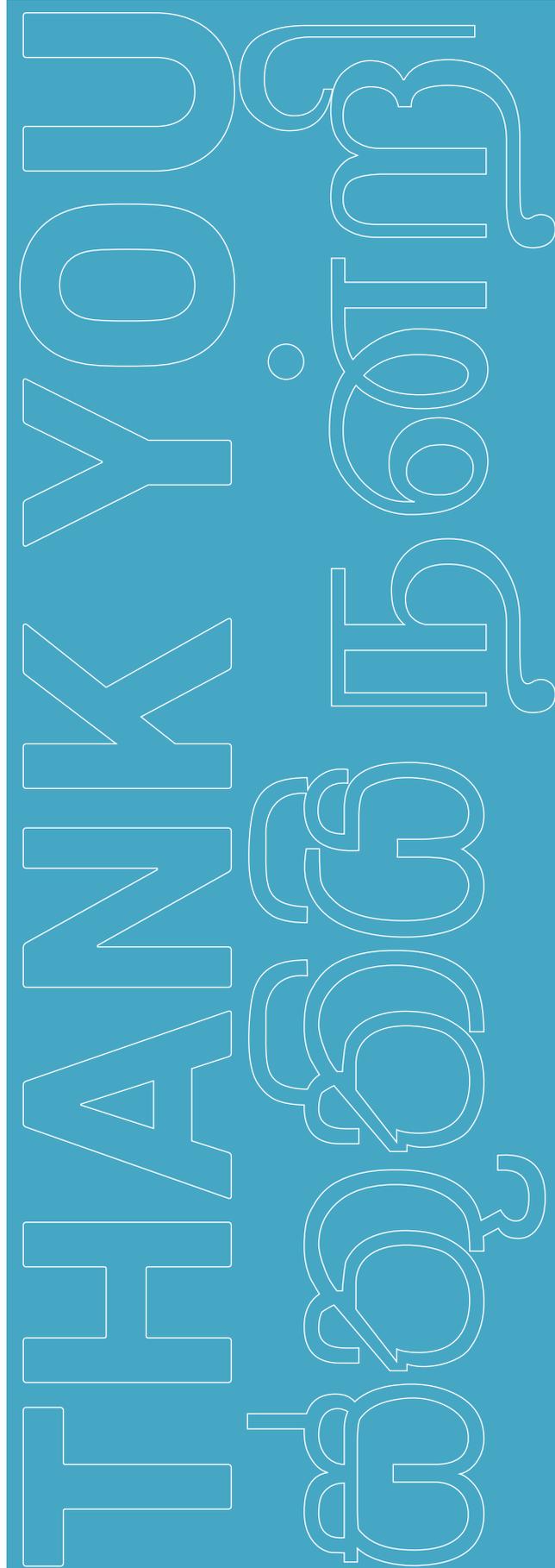
No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

The COVID-19 outbreak in March 2020 followed by the second and the third waves continues to pose challenges to businesses and industries both locally and globally due to uncertainties, restrictions and limitations associated with the pandemic. Considering the difficulties and constraints faced by businesses and individuals engaged in passenger transportation services and tourism industry due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) has requested licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (financial institutions), to provide concessions for lease facilities obtained by such businesses and individuals for six months or a shorter period, as applicable, commencing from 1 April 2021. The eligible borrowers are businesses and individuals engaged in providing public passenger transportation, private passenger transportation, and tourism sector.

Further the Company has carried out a preliminary impact assessment and the management is of the view that the negative impact would not pose any additional stress on the Company's ability to fulfill the regulatory capital requirements. However, the Company would continue to assess the situation and take mitigating actions to minimize the potential impacts by updating its contingency plans and risk management measures, as the situation evolves. The Company would continue its efforts in providing support to affected customers in line with the CBSL relief schemes.

The process of evaluating the requests for eligibility for these concessions is still underway and once the exercise is complete, we will be able to quantify the impact on the Company's revenue and profitability more accurately. These relief measures occurs subsequent to the reporting date that is not adjusted in Annual Financial statements of 2021.

Assessment on risk management relating to COVID-19 is disclosed in Note 59 on page 280 of the Financial Statements.



SUPPLEMENTARY REPORTS

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INTRODUCTION

Significance of Investors

Investors consist of both shareholders and holders of debt instruments issued by the Company. Investors take up a primary role as a key stakeholder, paving the way for the organisation to progress and create value. They are a key source of financial capital; equity capital and debt. Our shareholders provide equity capital and actively react to the strategic decisions while expecting a reasonable return on their investment. The Company has always maintained mutually-beneficial relationships with its investors and shareholders which drive sustainable business. The investors are periodically kept informed of the performance of the Company through various digital and physical channels such as the Annual General Meeting, Annual Report, Interim Financial Statements, announcement at the Colombo Stock Exchange (CSE), press conferences, media releases.

In keeping with our good governance practice of keeping investors informed on the performance of their investments with us, this section details information relating to our share capital, the performance of our shares in the market, our financial stability, and composition of shareholders and other investors. It also deals with the mandatory disclosures that the Company has to comply as required by the relevant regulatory authorities.

Key Expectations of Investors

Given that the investors have a multitude of investment avenues for their money, they have certain expectations when such money has been invested in us. We are cognizant of such expectations which primarily relate to the return on their investment and the underlying risk. In order to meet (and exceed) their expectations, we need to achieve the optimum risk – return trade off. This in turn calls for a certain standard of performance that ensures sustainable value creation underpinned by a sound system of corporate governance and risk management.

Our Responsibility

It becomes our responsibility then to engender satisfactory returns on the capital invested, in a sustainable manner.

With a public holding (free float) of 24.94% in voting shares against the regulatory minimum of 5%, the Company's shares are actively traded in the CSE, and investors are provided with a convenient "enter and exit" mechanism.

Investor Engagement

Method	Frequency
Annual General Meeting	Annually
Annual Report	Annually
Interim Financial Statements	Quarterly
Updates on investor	As required
Interim paper publications	Semi-annually
Corporate website	Ongoing
Corporate disclosures to CSE	As required
Press release	As required

PEOPLE'S LEASING FINANCIAL PERFORMANCE

	2020/21	2019/20
Earnings per share – Group (Rs.)	3.11	2.00
Dividend per share (Rs.) (Note 1)	0.60	1.20
Dividend payout (%) (Note 1)	24.22	65.57
Dividend yield (%) (Note 1)	5.08	9.84
Dividend cover (times) (Note 1)	4.13	1.53
Net asset value per share (Rs.)	20.15	18.58
Price earning (times)	4.99	6.67
Price to book value (times)	0.59	0.66
Return on equity (%)	12.49	10.00
Earning growth (%)	37.06	(33.37)

Note 1 - Proposed dividend of Rs. 0.75 per share amounting to Rs. 1,278,452,070 has not considered.

PEOPLE'S LEASING SHARE

The ordinary shares issued by People's Leasing are listed on the CSE and the code of shares is "PLCN000".

PEOPLE'S LEASING SHARE TRADING (TURNOVER)

Even though People's Leasing share trading has decreased in the first three months of the financial year 2020/21 due to the impact of the pandemic situation, on the entire share market, it has gradually increased within second and third quarters. The last two months of the financial year 2020/21, People's Leasing reflected decline in share trading, in line with the trend pattern of the stock market.

Market price of People's Leasing as at 31 March 2021 is Rs. 11.80, showing a decline compared to the price as at 31 March 2020 which was Rs. 12.20.

People's Leasing share trading (Turnover)



MARKET CAPITALISATION



From 25 March 2020 to 11 May 2020 CSE was closed for trading due to COVID-19.

SHARE INFORMATION

	2020/21	Q4	Q3	Q2	Q1	2019/20
Share price (Rs.)						
Highest	15.40	15.40	13.70	13.60	13.30	18.30
Lowest	9.10	11.70	11.30	11.00	9.10	12.00
Closing	11.80	11.80	12.40	13.10	12.90	12.20
Number of transactions	33,248	9,200	9,873	12,353	1,822	7,012
Number of shares traded (million)	181.88	41.92	37.97	95.91	6.09	41.77
People's Leasing Turnover (Rs. million)	2,256	563.44	477.19	1,144.54	70.87	668.31
People's Leasing turnover to total market turnover (%)	0.34	0.17	0.27	1.01	0.14	0.36
Number of days traded	219	58	62	64	35	230
People's Leasing Average daily turnover (Rs. million)	10.30	9.71	7.70	17.88	2.02	2.91
Market capitalisation - CSE (Rs. billion)	3,111.26	3,111.26	2,960.65	2,595.84	2,404.67	2,128.27
Market capitalisation - People's Leasing (Rs. billion)	20.11	20.11	21.14	21.32	21.00	19.86
People's Leasing market capitalisation to total market capitalisation (%)	0.65	0.65	0.71	0.82	0.87	0.93
Market turnover- (Rs. million)	668,811.71	324,454.28	179,081.70	113,394.51	51,881.22	186,176.46

SHARE CAPITAL

	2020/21		2019/20	
	Number	Rs. million	Number	Rs. million
Balance as at 1 April	1,627,703,388	13,915.41	1,579,862,482	13,236.07
Scrip Dividend	76,899,372	976.62	47,840,906	679.34
Balance as at 31 March	1,704,602,760	14,892.03	1,627,703,388	13,915.41

Share capital of the Company increased to Rs. 14,892.03 million with scrip dividend of Rs. 976.62 million. Accordingly, total number of shares increased to 1,704,602,760 through the scrip dividend of 76,899,372 shares (2019/20 Scrip dividend - 47,840,906 shares.)

COMPOSITION OF EQUITY



INFORMATION ON MOVEMENT OF SHARES REPRESENTED BY STATED CAPITAL

Year ended	No. of Shares at the Beginning of the Financial Year		Addition/(redemption) of Shares during the Financial Year		Cumulative Shares at the end of the Financial Year		Issued Capital at the end of the Financial Year (Rs.)
	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares	
1995/96	2	-	-	-	2	-	20
1996/97	2	-	-	-	2	-	20
1997/98	2	-	2,500,000	-	2,500,002	-	25,000,020
1998/99	2,500,002	-	-	-	2,500,002	-	25,000,020
1999/00	2,500,002	-	1,500,000	-	4,000,002	-	40,000,020
2000/01	4,000,002	-	2,000,006	-	6,000,008	-	60,000,080
2001/02	6,000,008	-	4,000,000	-	10,000,008	-	100,000,080
2002/03	10,000,008	-	-	-	10,000,008	-	100,000,080
2003/04	10,000,008	-	10,000,000	50,000,000	20,000,008	50,000,000	700,000,080
2004/05	20,000,008	50,000,000	-	-	20,000,008	50,000,000	700,000,080
2005/06	20,000,008	50,000,000	30,000,000	-	50,000,008	50,000,000	1,000,000,080
2006/07	50,000,008	50,000,000	-	(5,000,000)	50,000,008	45,000,000	950,000,080
2007/08	50,000,008	45,000,000	-	(10,000,000)	50,000,008	35,000,000	850,000,080
2008/09	50,000,008	35,000,000	-	(10,000,000)	50,000,008	125,000,000	1,850,000,080
2009/10	50,000,008	125,000,000	-	(10,000,000)	50,000,008	115,000,000	1,850,000,080
2010/11	50,000,008	115,000,000	-	(10,000,000)	50,000,008	105,000,000	1,850,000,080
2011/12	50,000,008	105,000,000	1,510,000,152	(15,000,000)	1,560,000,160	90,000,000	12,958,000,800
2012/13	1,560,000,160	90,000,000	-	(20,000,000)	1,560,000,160	70,000,000	12,736,073,308
2013/14	1,560,000,160	70,000,000	19,862,322	(20,000,000)	1,579,862,482	50,000,000	12,736,073,308
2014/15	1,579,862,482	50,000,000	-	(20,000,000)	1,579,862,482	30,000,000	12,936,073,308
2015/16	1,579,862,482	30,000,000	-	(20,000,000)	1,579,862,482	10,000,000	13,136,073,308
2016/17	1,579,862,482	10,000,000	-	(10,000,000)	1,579,862,482	-	13,236,073,308
2017/18	1,579,862,482	-	-	-	1,579,862,482	-	13,236,073,308
2018/19	1,579,862,482	-	-	-	1,579,862,482	-	13,236,073,308
2019/20	1,579,862,482	-	47,840,906	-	1,627,703,388	-	13,915,414,175
2020/21	1,627,703,388	-	76,899,372	-	1,704,602,760	-	14,892,036,208

ANALYSIS OF SHAREHOLDERS (DISTRIBUTION OF ORDINARY SHAREHOLDERS/COMPOSITION OF ORDINARY SHAREHOLDERS)

Distribution of Ordinary Shareholders

	31 March 2021				31 March 2020			
	No. of Shareholders	Shareholder %	No. of Shares	Share %	No. of Shareholders	Shareholder %	No. of Shares	Share %
Less than or equal to 1000	3,049	30.41	874,598	0.05	2,606	30.15	671,728	0.04
1,001 - 10,000	5,201	51.87	14,722,045	0.86	4,641	53.69	12,032,557	0.74
10,001 - 100,000	1,540	15.36	41,308,690	2.42	1,196	13.84	30,267,156	1.86
100,001 - 1,000,000	204	2.03	54,571,331	3.20	171	1.98	46,078,918	2.83
Over 1,000,000	33	0.33	1,593,126,096	93.47	30	0.34	1,538,653,029	94.53
Total	10,027	100.00	1,704,602,760	100.00	8,644	100.00	1,627,703,388	100.00

Composition of Ordinary Shareholders

	31 March 2021				31 March 2020			
	No. of Shareholders	Shareholder %	No. of Shares	Share %	No. of Shareholders	Shareholder %	No. of Shares	Share %
Resident - Individuals	9,670	96.44	98,936,870	5.80	8,297	95.99	64,657,829	3.97
Resident - Institutions	301	3.00	1,532,638,128	89.91	294	3.40	1,452,301,490	89.22
Non-resident - Individuals	49	0.49	3,337,558	0.20	46	0.53	4,338,891	0.27
Non-resident - Institutions	7	0.07	69,690,204	4.09	7	0.08	106,405,178	6.54
Total	10,027	100.00	1,704,602,760	100.00	8,644	100.00	1,627,703,388	100.00

Shareholder Wealth Maximisation

We are focused in our efforts to create wealth for our shareholders, which we strive to do without compromising the needs of our other stakeholders. We follow a consistent dividend policy, enabling investors a sound return on their investment. Investors can also gain a return through capital gains.

Public Holding

The Company's public holding stood at 24.94% as at 31 March 2021 and the number of shareholders representing the public holding was 10,018. There was no significant change in the Company's public holding compared to the previous year. However, the number of shareholders representing the public holding has increased by 1,383 when compared to the previous year.

Float Adjusted Market Capitalisation

The float adjusted market capitalisation as at 31 March 2021 – Rs. 5,015,965,865. (As at 31 March 2020 – Rs. 4,952,954,792)

The float adjusted market capitalisation of the Company falls under Option 3 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under said option.

SHARE PRICE MOVEMENT

	Apr 20*	May-20*	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
High (Rs.)	-	11.90	13.30	13.00	12.50	13.60	13.30	12.80	13.70	15.40	14.00	12.50
Low (Rs.)	-	9.10	11.30	11.00	11.40	11.70	11.30	11.90	12.20	12.40	11.90	11.70
Closing (Rs.)	-	11.60	12.90	11.90	12.00	13.10	11.90	12.30	12.40	14.00	12.30	11.80

*From 25 March 2020 to 11 May 2020, CSE was closed for trading due to COVID-19.

Share Price Movement



TWENTY LARGEST SHAREHOLDERS

Our major shareholder, People's Bank continued to hold 75 percent of shareholding of People's Leasing. The following table includes the twenty largest shareholders.

No.	Name of the Shareholder	31 March 2021		Comments	31 March 2020	
		No. of Shares	%		No. of Shares	%
1	People's Bank	1,278,452,068	75.00	No change	1,220,777,540	75.00
2	Employees Provident Fund	92,519,266	5.43	No change	88,345,465	5.43
3	BNYM SA NV RE-Neon Liberty Lorikeet Master Fund LP	64,088,463	3.76	No change	75,297,137	4.63
4	National Savings Bank	47,116,037	2.76	No change	44,990,502	2.76
5	Rubber Investment Trust Limited A/C No 01	17,713,821	1.04	1 position up	16,914,702	1.04
6	Employees Trust Fund Board	12,482,939	0.73	9 positions up	2,427,433	0.15
7	Bank of Ceylon No. 1 Account	12,357,934	0.72	No change	11,800,434	0.72
8	Perera And Sons Bakers Pvt Limited	8,000,000	0.47	6 positions up	2,500,000	0.15
9	Sri Lanka Insurance Corporation Ltd-General Fund	7,577,469	0.44	1 position down	7,235,629	0.44
10	AIA Insurance Lanka Limited A/C No.07	5,204,702	0.31	No change	4,969,904	0.31
11	Ceylon Investment PLC A/C No. 01	5,161,675	0.30	2 positions down	5,104,933	0.31
12	Mr Herbert Beruwalage	4,373,469	0.26	New entrant	134,554	0.01
13	Ceylon Guardian Investment Trust PLC A/C No. 02	3,396,923	0.20	2 positions down	3,243,679	0.20
14	Commercial Bank Of Ceylon Plc/Metrocorp (Pvt) Ltd	3,141,732	0.18	2 positions down	3,000,000	0.18
15	Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	2,934,483	0.17	2 positions down	2,802,101	0.17
16	Mr Merrill Joseph Fernando	2,765,895	0.16	New entrant	1,648,450	0.10
17	Mellon Bank N.A-Acadian Frontier Markets Equity Fund	2,735,108	0.16	New entrant	-	-
18	Mr Weerathunga Arachchige Sampath Palitha De Saram	2,388,626	0.14	New entrant	3	-
19	Akbar Brothers Pvt Ltd A/C No 1	2,162,783	0.13	2 positions down	2,065,214	0.13
20	AIA Insurance Lanka Limited A/C No. 06	2,151,774	0.13	2 positions down	2,054,702	0.13
	Subtotal	1,576,725,167	92.49		1,495,312,382	91.86
	Other shareholders	127,877,593	7.51		132,391,006	8.14
	Total	1,704,602,760	100.00		1,627,703,388	100.00

DIRECTORS' AND CEO'S SHAREHOLDING

As at 31 March 2021

Name	Position	Appointed Date/Resigned date	No of shares
Mr Sujeewa Rajapakse	Chairman		149,812
Ms Coralie Pietersz	Director		-
Mr Rohan Pathirage	Director		363,673
Mr Sudarshan Ahangama	Director		-
Mr Ranjith Kodituwakku	Director	Appointed w.e.f. 13 August 2020	-
Mr Chanura Wijetillake	Director		-
Mr Asoka Bandara	Director		-
Mr Clive Fonseka	Director		52,358
Mr Azzam A Ahamat	Director		-
Mr Shamindra Marcelline	CEO	Appointed w.e.f. 25 November 2020	-
			565,843

As at 31 March 2020

Name	Position	Apointed Date/Resigned date	No of shares
Mr Sujeewa Rajapakse	Chairman		143,054
Ms Coralie Pietersz	Director		-
Mr Rohan Pathirage	Director		247,267
Mr Sudarshan Ahangama	Director		-
Mr Chanura Wijetillake	Director		-
Mr Asoka Bandara	Director		-
Mr Clive Fonseka	Director		49,968
Mr Azzam A Ahamat	Director		-
Mr G Bindu Rasitha P Gunawardana	Director	Resigned w.e.f. 25 June 2020	-
Mr A S Ibrahim	CEO	Resigned w.e.f. 25 November 2020	-
			440,289

SOLVENCY AND DEBT CAPITAL

	2020/21	2019/20	Change %
Debt to equity ratio excluding deposits (Times)	0.59	0.87	(32.18)
Tier 1 capital ratio, %	17.72	15.12	2.60
Total capital ratio, %	18.58	15.99	2.59
Interest cover (Times)	1.45	1.29	12.40
Current ratio (Times)	0.76	0.83	(8.43)

The debt to equity ratio improved to 59.01% as a result of a strategic decision to reduce the Company's dependency on debt financing and instead concentrating on growing the deposit to fund the operations.

As per the Finance Business Act Direction No.3 of 2018 Capital Adequacy Requirements, People's Leasing maintained ratios well above the regulatory requirements of 7% and 11% as at 31 March 2021.

This indicates that the Company preserves sufficient capital to act as a cushion against future risks.

DEBENTURE MARKET INFORMATION

As a financing option People's Leasing issues debentures to raise funds to improve the operations whilst minimising the maturity mismatch faced by the Company. All the issued debentures are unsecured and are listed on the CSE. During the financial year 2020/21 the Company was focused on funding through deposits, and therefore no debenture issues were noted.

As at 31 March 2021

Type	Type C	Type A	Type B
Tenure (Years)	5 years	4 years	5 years
Issue Date	2016 Nov	2018 Apr	2018 Apr
Maturity Date	2021 Nov	2022 Apr	2023 Apr
Interest Rate	Fixed	Fixed	Fixed
Coupon Rate (%)	12.60	12.40	12.80
Effective Annual Yield (%)	13.00	12.40	12.80
Interest Rate Comparable Government Security (%)	9.77	9.25	9.77
Frequency of Interest Payable	Semi Annual	Annual	Annual
Rating	A+	A+	A+
Amount (Rs. million)	6,798.61	704.60	5,295.40
ISIN No.	LKR0399D23757	LKR0399D23997	LKR0399D23989
Market Value (Rs.)			
Highest	Not traded	Not traded	Not traded
Lowest	Not traded	Not traded	Not traded
Closing	Not traded	Not traded	Not traded
Current Yield (%)	12.60	12.40	12.80
Yield to maturity (%)	12.60	12.40	12.80

As at 31 March 2020

Type	Type B	Type B	Type C	Type A	Type B
Tenure (Years)	5 years	4 years	5 years	4 years	5 years
Issue Date	2015 Nov	2016 Nov	2016 Nov	2018 Apr	2018 Apr
Maturity Date	2020 Nov	2020 Nov	2021 Nov	2022 Apr	2023 Apr
Interest Rate	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon Rate (%)	9.95	12.25	12.60	12.40	12.80
Effective Annual Yield (%)	9.95	12.63	13.00	12.40	12.80
Interest Rate Comparable Government Security (%)	9.77	9.25	9.77	9.25	9.77
Frequency of Interest Payable	Annual	Semi Annual	Semi Annual	Annual	Annual
Rating	AA-	AA-	AA-	AA-	AA-
Amount (Rs. million)	3,824.22	659.35	6,798.61	704.60	5,295.40
ISIN No.	LKR0399D23237	LK0399D23740	LKR0399D23757	LKR0399D23997	LKR0399D23989
Market Value (Rs.)					
Highest	Not traded	Not traded	100.00	Not traded	Not traded
Lowest	Not traded	Not traded	100.00	Not traded	Not traded
Closing	Not traded	Not traded	100.00	Not traded	Not traded
Current Yield (%)	9.95	12.25	12.60	12.40	12.80
Yield to maturity (%)	9.95	12.25	12.60	12.40	12.80

Subsidiary Impact

During the year under review, the subsidiaries of People's Leasing & Finance PLC contributed positively to the consolidated results (Refer Group Business line review on page 42).

Material Foreseeable Risk Factor (refer risk management pages 153 to 161)

Information pertaining to the material foreseeable risk factors that require disclosures as per rule 7.6 (vi) of the Listing Rules of the CSE are discussed in the section on Risk Management.

Material Issues – Employees and Industry Relations

There were no material issues pertaining to employee and industrial relations in regard to the Company that occurred during the year under review which require disclosures as per Rule No.7.6 (vii) on the Listing Rules of the CSE.

Inquires by Shareholders

Shareholders may contact the Company Secretary, to direct questions/comments or request publicly available information (Refer contact information in page 329).

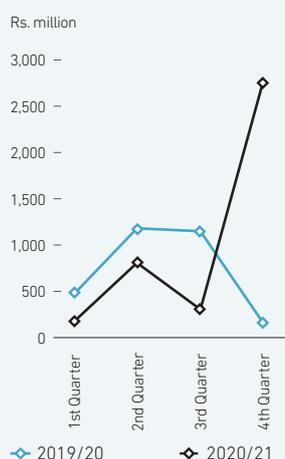
INCOME STATEMENT

Rs. million	Company									
	1st Quarter Apr - Jun		2nd Quarter July - Sep		3rd Quarter Oct - Dec		4th Quarter Jan - Mar		Total	
	2020	2019	2020	2019	2020	2019	2021	2020	2020/21	2019/20
Interest income	6,001	7,931	6,112	8,012	6,304	8,001	6,566	7,515	24,983	31,459
Less: Interest expense	3,561	4,181	3,432	3,965	3,223	3,859	2,848	3,782	13,064	15,787
Net interest income	2,440	3,750	2,680	4,047	3,081	4,142	3,718	3,733	11,919	15,672
Fee and commission income	275	373	563	460	445	450	536	411	1,819	1,694
Net gains/(losses) on financial assets - FVTPL	14	(17)	37	15	73	1	39	12	163	11
Other operating income	-	4	14	1	3	102	122	328	139	435
Total operating income	2,729	4,110	3,294	4,523	3,602	4,695	4,415	4,484	14,040	17,812
Less: Impairment charges and other losses for loans and receivables	1,052	1,298	349	294	1,539	607	(1,896)	2,448	1,044	4,647
Impairment charges for right-of-use assets	-	-	-	-	-	-	-	37	-	37
Impairment charges for goodwill	-	-	-	-	-	-	99	68	99	68
Net operating income	1,677	2,812	2,945	4,229	2,063	4,088	6,212	1,931	12,897	13,060
Less: Expenses										
Personnel expenses	699	944	731	923	791	931	1,244	903	3,465	3,701
Depreciation and amortisation	200	199	200	198	198	201	125	119	723	717
Other operating expenses	348	530	464	610	449	577	352	371	1,613	2,088
Total operating expenses	1,247	1,673	1,395	1,731	1,438	1,709	1,721	1,393	5,801	6,506
Operating profit before tax on financial services	430	1,139	1,550	2,498	625	2,379	4,491	538	7,096	6,554
Less: Tax on financial services	160	444	298	685	172	660	593	213	1,223	2,002
Profit before income tax expense	270	695	1,252	1,813	453	1,719	3,898	325	5,873	4,552
Less: Income tax expense	96	229	443	635	160	573	1,141	172	1,840	1,609
Profit for the period	174	466	809	1,178	293	1,146	2,757	153	4,033	2,943

Note

Comparative figures have been re-stated/re-classified where necessary, to conform to the adoption of SLFRS 16 in the current period presentation.

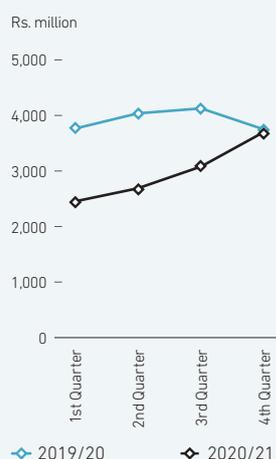
Profit After Tax



Total Assets



Net Interest Income



STATEMENT OF FINANCIAL POSITION

Rs. million	Company							
	1st Quarter As at 30 June		2nd Quarter As at 30 Sep		3rd Quarter As at 31 Dec		4th Quarter As at 31 Mar	
	2020	2019	2020	2019	2,020	2019	2021	2020
Assets								
Cash and cash equivalents	2,153	2,519	4,186	2,359	2,710	3,147	2,703	7,164
Balances with banks and financial institutions	4,337	3,499	6,534	3,583	7,071	3,683	5,399	3,207
Financial assets - Fair value through profit or loss	512	239	2,994	17	5,548	20	110	1,032
Loans and receivables - Amortised cost	145,712	149,263	140,415	148,476	134,395	146,991	141,388	147,748
Financial assets - Fair value through other comprehensive income	338	126	375	376	347	399	309	324
Debt Instrument - Amortised cost	7,412	8,172	8,208	8,370	6,950	8,560	6,994	4,107
Current tax receivable	-	-	69	-	263	-	-	-
Investments in subsidiaries	3,214	3,214	3,214	3,214	3,214	3,214	3,214	3,214
Other assets	1,090	891	923	975	920	1,001	576	1,147
Property, plant and equipment	1,117	1,069	1,090	1,080	1,074	1,139	1,049	1,144
Right-of-use assets [Note 1]	1,805	-	1,714	-	1,591	-	2,242	1,939
Leasehold property [Note 1]	-	83	-	83	-	82	-	-
Deferred tax assets	413	-	-	-	274	-	416	376
Goodwill and intangible assets	233	308	209	298	186	285	146	258
Total assets	168,336	169,383	169,931	168,831	164,543	168,521	164,546	171,660
Liabilities								
Due to banks	6,699	17,207	5,979	11,897	6,022	11,799	6,439	7,938
Due to customers	106,416	95,792	108,253	99,746	107,222	101,687	101,503	106,701
Debt securities issued	17,753	20,504	18,275	21,097	13,447	17,952	13,826	18,479
Other financial liabilities	1,833	2,282	2,867	2,932	3,123	3,616	4,132	3,014
Lease liabilities	1,811	-	1,733	-	1,611	-	2,286	1,909
Current tax liabilities	1,576	2,242	-	667	-	838	362	1,803
Other liabilities [Note 2]	1,815	1,436	1,484	1,469	1,571	1,566	1,069	977
Retirement benefit obligation [Note 2]	-	-	-	-	-	-	587	593
Deferred tax liabilities	-	837	59	837	-	837	-	-
Total liabilities	137,903	140,300	138,650	138,645	132,996	138,295	130,204	141,414
Equity								
Stated capital	13,915	13,236	13,915	13,915	14,892	13,915	14,892	13,915
Statutory reserve fund	2,205	2,082	2,205	2,142	2,205	2,200	2,407	2,205
Retained earnings	14,402	13,818	15,212	14,169	14,529	14,127	17,160	14,228
Other reserves	(89)	(53)	(51)	(40)	(79)	(16)	(117)	(102)
Total equity	30,433	29,083	31,281	30,186	31,547	30,226	34,342	30,246
Total liabilities and equity	168,336	169,383	169,931	168,831	164,543	168,521	164,546	171,660

Note:

1. Leasehold property was reclassified as right-of-use asset in the 4th quarter.
2. Retirement Benefit Obligation was reclassified from Other liabilities and presented separately in the 4th quarter.

	Company									
	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
FINANCIAL CAPITAL										
Operating result										
Income (Rs. million)	27,104	33,599	32,736	28,603	23,859	19,186	20,542	20,628	18,205	12,912
Interest income (Rs. million)	24,983	31,459	30,836	26,705	22,041	17,876	19,248	19,534	17,245	12,002
Interest expenses (Rs. million)	13,064	15,787	15,646	14,500	11,830	7,941	9,248	11,266	10,140	6,302
Net interest income (Rs. million)	11,919	15,672	15,190	12,204	10,212	9,935	10,000	8,268	7,105	5,700
Non-interest income (Rs. million)	2,120	2,140	1,899	1,898	1,818	1,310	1,294	1,094	960	910
Impairment and other losses (Rs. million)	1,143	4,752	1,955	1,430	216	258	1,645	1,218	698	308
Other operating expenses [Note 1] (Rs. million)	7,024	8,509	8,549	6,903	6,338	4,844	4,274	3,757	3,232	2,522
Profit before tax (PBT) (Rs. million)	5,873	4,552	6,585	5,770	5,476	6,143	5,375	4,387	4,135	3,781
Income tax expense (Rs. million)	1,840	1,609	2,169	1,460	1,467	1,796	1,622	1,263	1,285	1,206
Profit after tax (PAT) (Rs. million)	4,033	2,943	4,416	4,309	4,009	4,347	3,753	3,124	2,850	2,575
Return on assets (ROA) (%)	3.49	2.64	3.95	3.71	3.99	5.19	4.75	4.15	4.70	5.62
Cost to income (%)	41.32	36.53	37.81	39.73	45.01	37.24	34.63	37.01	36.54	32.58
Financial position										
Cash, balances with banks & reverse repo (Rs. million)	8,102	10,372	6,699	8,783	7,681	4,054	3,465	14,783	4,705	1,730
Loans & receivables (Rs. million)	141,388	147,748	151,708	140,165	134,055	109,872	98,411	90,218	88,404	71,289
Investments in subsidiaries (Rs. million)	3,214	3,214	3,214	3,214	2,075	1,875	1,875	1,475	1,475	3,118
Investments in government treasury bills and bonds (Rs. million)	6,994	4,107	8,003	4,890	2,968	4,930	5,266	4,747	540	-
Total assets (Rs. million)	164,546	171,660	172,541	160,694	150,457	124,336	112,323	113,776	97,437	78,658
Borrowings (Rs. million)	20,265	26,417	48,549	55,705	74,258	60,819	49,848	48,605	56,232	58,740
Deposits from customers [Note 2] (Rs. million)	101,503	106,701	88,369	69,763	44,723	33,836	34,094	40,921	18,847	-
Total equity (Rs. million)	34,341	30,247	28,603	27,030	24,697	22,772	21,136	19,196	18,023	16,809
Total liabilities and shareholders' funds (Rs. million)	164,546	171,660	172,541	160,694	150,457	124,336	112,323	113,776	97,437	78,658
Financial cash inflows /outflows										
Operating activities (Rs. million)	4,264	31,615	15,944	27,691	(998)	(8,533)	(7,351)	17,218	6,819	(4,956)
Investing activities (Rs. million)	60	(106)	302	(802)	(159)	(397)	(231)	(170)	(89)	(1,507)
Financing activities (Rs. million)	(9,477)	(27,310)	(16,452)	(28,716)	2,926	9,156	(738)	(8,927)	(4,007)	6,031
Net cash flows (Rs. million)	(5,153)	4,198	(206)	(1,827)	1,769	227	(8,320)	8,121	2,723	(432)
HUMAN CAPITAL										
Employees (Nos.)	2,343	2,401	2,329	2,085	2,085	1,834	1,666	1,575	1,184	1,050
PBT per employee (Rs. million)	2.48	1.92	2.98	2.77	2.79	3.51	3.32	3.38	3.70	3.97
Employees' salaries & benefits (Rs. million)	3,465	3,701	3,438	2,974	2,556	1,807	1,565	1,338	1,026	763
NATURAL CAPITAL										
Investment (Rs. million)	2.77	3.32	1.94	2.19	3.37	3.36	1.17	0.52	7.10	0.67
Trees planted (Nos.)	490	4,517	6,114	6,637	5,780	10,395	430	1,130	925	125
Carbon footprint (Tonnes of CO ₂ equivalent) [Note 3]	3,833	5,836	5,338	6,046	6,236	3,059	2,770	-	-	-
SOCIAL AND RELATIONSHIP CAPITAL										
Shareholders (Nos.)	10,027	8,644	8,961	8,801	9,176	9,407	8,880	10,054	9,488	10,113
Number of ordinary shares (Nos. million)	1,705	1,628	1,580	1,580	1,580	1,580	1,580	1,580	1,560	1,560
Earnings per share (EPS) (Rs.)	2.37	1.73	2.80	2.73	2.54	2.75	2.38	1.98	1.83	1.65
Net assets per share (NAPS) (Rs.)	20.15	18.58	18.10	17.11	15.63	14.41	13.38	12.15	11.55	10.78
Market price per share (Rs.) [Note 4]										
Highest	15.40	18.30	17.30	19.20	20.10	26.50	28.00	15.70	16.70	18.30
Lowest	9.10	12.00	12.90	15.50	15.30	15.40	14.20	13.00	10.30	11.00
Closing	11.80	12.20	13.40	15.80	15.60	16.00	22.10	14.30	13.10	11.60

	Company									
	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Market capitalisation (Rs. million)	20,114	19,858	21,170	24,962	24,646	25,278	34,915	22,592	20,436	18,096
Price Earnings ratio (PE) (Times)	4.99	6.67	4.79	5.79	6.14	5.82	9.29	7.22	7.16	7.03
Dividend per share (DPS) (Rs.)	0.60	1.20	1.25	1.25	1.25	1.25	1.25	1.25	1.25	0.55
Dividend paid (Rs. million)	977	1,929	1,975	1,975	1,975	1,975	1,975	1,975	1,950	855
Dividend yield (%)	5.08	9.84	9.33	7.91	8.01	7.81	5.66	8.74	9.54	8.62
Dividend cover (Times)	4.13	1.53	2.24	2.18	2.03	2.20	1.90	1.58	1.46	3.01
Dividend payout (%)	24.22	65.57	44.72	45.83	49.26	45.43	52.62	63.22	68.42	33.20
Return on equity (ROE) (%)	12.49	10.00	15.88	16.66	16.89	19.80	18.61	16.79	16.36	20.40
Return on capital employed (ROCE) (%)	11.86	12.37	13.98	13.69	12.04	11.99	13.92	14.40	15.33	16.27
Debt to equity (Excluding deposits) (Times)	0.59	0.87	1.70	2.06	3.01	2.67	2.36	2.53	3.12	3.49
Debt to equity with contingent liabilities and commitments (Times)	0.91	1.05	1.97	2.34	3.25	2.77	2.57	2.80	3.39	3.51
Current ratio (Times)	0.76	0.83	0.82	0.80	0.84	0.85	0.93	0.88	0.85	0.58
Interest cover (Times)	1.45	1.29	1.42	1.40	1.46	1.77	1.58	1.39	1.41	1.60
Direct taxes paid to Government (Rs. million)	4,203	5,712	2,942	2,109	2,828	2,915	1,793	581	848	1,703
Taxes collected on behalf of Government (Rs. million)	294	1,137	1,434	1,151	1,048	1,313	1,250	1,411	908	706
Investment on CSR (Rs. million)	20.38	55.53	120.29	103.78	187.64	76.25	71.68	55.48	32.90	25.33
CCCSL - Best Corporate Citizen Award	Certificate	One of the Ten	One of the Ten	One of the Ten	Second runner-up	Winner	Winner	-	Winner	-
Capital adequacy ratios										
Tier 1 Capital/Core capital ratio [Note 5]	17.72	15.12	14.36	18.38	17.56	19.56	20.22	19.12	21.15	25.50
Required minimum Tier 1 Capital/Core capital ratio (%) [Note 5]	7.00	7.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Total Capital Ratio/Total risk weighted capital ratio (%) [Note 5]	18.58	15.99	15.20	16.46	16.37	18.14	19.04	18.05	20.06	25.50
Required minimum total capital ratio/Total risk weighted capital ratio (%) [Note 5]	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
MANUFACTURED AND INTELLECTUAL CAPITAL										
Branches (Nos.)	104	103	103	103	103	92	89	85	33	34
Credit ratings & key accolades										
Fitch Ratings Lanka	A+ (lka)	A+ (lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	A+(lka)
Fitch Ratings International [Note 6]	Discontinued	B-	B-	B	B	B	B+	B+	B+	-
Standard & Poor's	Discontinued	Discontinued	Discontinued	B+/B	B+/B	B+/B	B+/B	B+/B	B+/B	-
Business Today - Top 30 Listed Corporate Entities	18th Position	13th Position	13th Position	15th Position	14th Position	17th Position	14th Position	18th Position	-	-

Note:

- Figures include Total operating expenses and Tax on financial services (excluding impairment charges and other losses for loans and receivables).
- After receiving the finance license in 2012, the Company started accepting fixed & savings deposits.
- The Company initiated to evaluation of carbon emission from 2014.
- The Company's ordinary shares were quoted on the CSE on 24 November 2011.
- Central Bank of Sri Lanka introduced Finance Business Act Directions No 3 of 2018 Capital Adequacy Requirements with effect from 01 July 2018.
- Considering the nonavailability of foreign funding sources at competitive rates, the Company decided to withdraw its Fitch International rating from 30 April 2020 onwards.

Statement of Profit or Loss In US \$

People's Leasing & Finance PLC
Annual Report 2020/21

For the year ended 31 March	Company		Group	
	2021	2020	2021	2020
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Gross income	136,173	178,132	169,038	212,358
Interest income	125,520	166,786	134,756	176,455
Less: Interest expense	65,637	83,695	67,199	85,415
Net interest income	59,883	83,091	67,557	91,040
Net earned premium	-	-	25,264	27,579
Fee and commission income	9,137	8,981	6,019	6,180
Net gains/(losses) on financial assets - FVTPL	817	58	1,147	104
Other operating income	699	2,307	1,852	2,040
Total operating income	70,536	94,437	101,839	126,943
Less: Impairment charges and other losses for loans and receivables and other losses	5,245	24,635	6,795	25,988
Impairment charges for right-of-use assets	-	196	-	196
Impairment charges for goodwill	498	361	498	361
Net operating income	64,793	69,245	94,546	100,398
Less: Expenses				
Personnel expenses	17,410	19,624	21,878	24,181
Depreciation and amortisation	3,632	3,801	3,254	3,372
Benefits, claims and underwriting expenditure	-	-	13,381	18,248
Other operating expenses	8,104	11,071	10,290	13,599
Total operating expenses	29,146	34,496	48,803	59,400
Operating profit before taxes on financial services	35,647	34,749	45,743	40,998
Less: Tax on financial services	6,143	10,617	6,401	10,765
Profit before income tax expense	29,504	24,132	39,342	30,233
Less: Income tax expense	9,242	8,532	11,225	11,190
Profit for the year	20,262	15,600	28,117	19,043

Exchange rate of US\$ was Rs. 199.04 as at 31 March 2021 (Rs. 188.62 as at 31 March 2020).

The Statement of Profit or Loss is solely for the convenience of stakeholders (shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Financial Statements.

Statement of Financial Position in US \$

People's Leasing & Finance PLC
Annual Report 2020/21

As at 31 March	Company		Group	
	2021 US \$ '000	2020 US \$ '000	2021 US \$ '000	2020 US \$ '000
Assets				
Cash and cash equivalents	13,580	37,982	19,316	40,786
Balances with banks and financial institutions	27,126	17,005	41,354	35,317
Financial assets - Fair value through profit or loss/ Held-for-trading	552	5,470	6,440	6,355
Loans and receivables - Amortised cost	710,349	783,308	750,313	817,172
Insurance and reinsurance receivables	-	-	5,147	6,335
Financial assets - Fair Value other comprehensive income	1,553	1,720	3,695	7,718
Debt Instrument - Amortised cost	35,140	21,774	43,174	25,519
Investments in subsidiaries	16,146	17,038	-	-
Investment property	-	-	4,123	6,000
Other assets	2,890	6,080	4,682	6,547
Property, plant and equipment	5,272	6,065	20,269	21,198
Right-of-use assets	11,266	10,282	7,995	8,692
Deferred tax assets	2,089	1,995	2,987	2,502
Goodwill and intangible assets	736	1,366	1,334	1,954
Total assets	826,699	910,085	910,829	986,095
Liabilities				
Due to banks	32,352	42,086	45,237	58,202
Due to customers	509,962	565,693	521,220	570,913
Debt securities issued	69,461	97,971	68,753	97,222
Other financial liabilities	20,758	15,980	20,653	15,002
Insurance liabilities and reinsurance payable	-	-	25,200	26,854
Lease liabilities	11,487	10,121	8,112	8,452
Current tax liabilities	1,821	9,561	4,441	11,014
Other liabilities	5,373	5,172	5,812	5,580
Retirement benefit obligation	2,950	3,143	3,305	3,435
Deferred tax liabilities	-	-	1,495	2,217
Total liabilities	654,164	749,727	704,228	798,891
Equity				
Stated capital	74,819	73,775	74,819	73,775
Statutory reserve fund	12,093	11,692	12,384	11,850
Retained earnings	86,213	75,432	103,909	87,572
Other reserves	(590)	(541)	2,117	1,512
Total equity attributable to equity holders of the Company	172,535	160,358	193,229	174,709
Non -controlling interest	-	-	13,372	12,495
Total equity	172,535	160,358	206,601	187,204
Total liabilities and equity	826,699	910,085	910,829	986,095
Contingent liabilities and commitments	55,256	28,188	55,492	28,367

Exchange rate of US\$ was Rs. 199.04 as at 31 March 2021 (Rs. 188.62 as at 31 March 2020).

The above Statement of Financial Position is solely for the convenience of stakeholders (shareholders, investors, bankers and other users of Financial Statements) and do not form part of the Financial Statements.

Independent Assurance Report on Sustainability Reporting

People's Leasing & Finance PLC
Annual Report 2020/21



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

Independent Assurance Report to People's Leasing & Finance PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2020/21

Introduction and Scope of the Engagement

The management of People's Leasing & Finance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the Annual Report- 2020/21 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages on 97 to 98 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

Basis of Our Work and Level of Assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting

Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's Responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's Responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' -

Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 5 May 2021. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant company personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's Audited Financial Statements for the year ended 31 March 2021.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and Considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that:

- The information on financial performance as specified on pages on 97 to 98 of the Report are properly derived from the Audited Financial Statements of the Company for the year ended 31 March 2021.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards - 'In accordance' Core.

Ernst & Young

07 July 2021
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

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ACA	Associate Chartered Accountant
ACMA	Associate Chartered Management Accountant
AGM	Annual General Meeting / Assistant General Manager
AIB	Associate of Institute of Bankers
AICM	Associate of Institute of Credit Management
AIF	Al-Safa Islamic Financial Service
ALCO	Assets and Liability Management Committee
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
APICTA	Asia Pacific ICT Alliance
AR	Annual Report
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BCP	Business Continuity Plan
BIRMC	Board Integrated Risk Management Committee
BSc	Bachelor of Science
CBOs	Community based Organisations
CBSL	Central Bank of Sri Lanka
CCCSL	Ceylon Chamber of Commerce Sri Lanka
CCPI	Colombo Consumer Price Index
CDM	Cash Deposit Machine
CEFT	Common Electronic Fund Transfer Switch
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIM	Chartered Institute of Marketing
CIMA	Chartered Institute of Management Accountants
CM	Chief Manager
CMA	Certified Management Accountant
CPM	Certified Professional Managers
CRIB	Credit Information Bureau of Sri Lanka
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DAC	Deferred Acquisition Costs
DGM	Deputy General Manager
EAD	Exposure at Default
ECL	Expected credit loss
EFA	Economic Factor Adjustment
EIR	Effective Interest Rate
EIRMC	Executive Integrated Risk Management Committee
EPF	Employees' Provident Fund
EPS	Earnings Per Ordinary Share
ESC	Economic Service Charge
ESMS	Environmental Social Management System
ETF	Employees' Trust Fund
FCA	Fellow Chartered Accountant
FCMA	Fellow Chartered Management Accountant
FD	Fixed Deposit
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FY	Financial year
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GM	General Manager
GOSL	Government of Sri Lanka
GRI	Global Reporting Initiative
GWP	Gross Written Premium

HHI	Herfindahl-Hirschman Index
HR	Human Resources
HRD	Human Resource Department
HRRNC	Human Resource, Remuneration and Nomination Committee
IBNR	Incurred but not yet reported
IBSL	Institute of Bankers of Sri Lanka
ICASL/CASL	Institute of Chartered Accountants of Sri Lanka
ICT	Information and Communications Technology
ID	Independent Directors
IFFSA	Islamic Finance Forum of South Asia
IMF	International Monetary Fund
IPO	Initial public offering
IR	Integrated Reporting
IRMOC	Integrated Risk Management Operating Committee
ISIN No.	International Securities Identification Number
ISO	International Organization for Standardization
IT	Information Technology
IUCN	International Union for Conservation of Nature
KMP	Key Management Personnel
KPI	Key Performance Indicators
KRI	Key Risk Indicators
KYC	Know Your Customer
LAFL	Lankan Alliance Finance Limited
LAT	Liability Adequacy Test
LFC	Licensed Financed Companies
LGD	Loss given Default
LTV	Loan to Value Ratio
MBA	Master of Business Administration
MIS	Management Information Systems
MSc	Master of Science
NASCO	National Sales Congress
NBFI	Non-Bank Financial Institution
NBT	Nation Building Tax
NBV	Net book value
NED	Non-Executive Directors
NIBM	National Institute of Business Management
NII	Net Interest Income
NIM	Net Interest Margin
NP	Non Performing
NPA	Non Performing Advance
NPL	Non - Performing Loan
OCI	Other Comprehensive Income
PAT	Profit After Tax
PBIT	Profit before interest & tax
PBT	Profit Before Tax
PD	Probability of default
PI	People's Insurance PLC
PIM	Postgraduate Institute of Management
PLFML	People's Leasing Fleet Management Limited
PLHPL	People's Leasing Havelock Properties Limited
PLPDL	People's Leasing Property Development Limited
PML	People's Micro-commerce Ltd.
PPE	Property plant and equipment
QR	Quick response
RCD	Risk and Control Department
RMF	Risk Management Framework
RMV	Department of Motor Traffic
ROA	Return on Assets

ROCE	Return on Capital Employed
ROE	Return on Equity
RPT	Related Party Transactions
RPTRC	Related Party Transactions Review Committee
SDGM	Senior Deputy General Manager
SDGs	Sustainable Development Goals
SID	Senior Independent Director
SLFRS/LKAS	Sri Lanka Accounting Standards
SLIBFI	Sri Lanka Islamic Banking & Finance Institutions
SLIBOR	Sri Lanka Inter Bank Offer Rate
SLICM	Sri Lanka Institute of Credit Management
SLIM	Sri Lanka Institute of Marketing
SLIPS	Sri Lanka Interbank Payment
SLISB	Sri Lanka International Sovereign Bond
SLITAD	Sri Lanka Institute of Training & Development
SME	Small and Medium Enterprises
SPPI	Solely payments of principal and interest
TB	Treasury Bill
TOR	Terms of Reference
UN	United Nation
VAT	Value Added Tax
VPN	Virtual Private Network
WFH	Work From Home
WHT	Withholding tax

Advances to deposits (Times)	Gross loans and receivables/Due to customers
Capital funds to Deposits	Total equity/Due to customers
Claims ratio (%)	Net claims * 100/Net earned premium
Collective impairment to total loans and receivables (%)	Collective impairment allowance * 100/Gross loans and receivables
Cost to income ratio (%)	Total operating expenses * 100/Total operating income
Current ratio (Times)	Currents assets / Current liabilities
Debt to equity (Excluding deposits) (Times)	(Due to banks + Debt securities issued)/Total equity attributable to equity holders of the Company
Debt to equity with contingent liabilities and commitments (Times)	(Due to banks + Debt securities issued + Contingent liabilities and commitments)/Total equity attributable to equity holders of the Company
Debt to total assets (Times)	(Due to banks + Debt securities issued)/Total assets
Dividend cover (Times)	Profit attributable to equity holders of the Company/Total dividend paid to ordinary shareholders
Dividend payout (%)	Total dividend paid to ordinary shareholders * 100 / Profit attributable to equity holders of the Company
Dividend yield (%)	Dividend per ordinary share *100 / Closing market price per share
Earnings per ordinary share (Rs.)	Profit attributable to equity holders of the Company/Weighted average number of ordinary shares outstanding
Earnings yield (%)	Earnings per ordinary share * 100/Closing market price per share
Employee turnover (%)	Number of attritions during the year * 100/Average number of employees during the year
Gross non-performing advances to total advances (NPA) (%)	Gross non-performing loans and advances * 100 / Loans and advances
Impairment coverage ratio (%)	Impairment allowance * 100/Non-performing loans and receivables
Individual impairment to total loans and receivables (%)	Individual impairment allowance * 100/Gross loans and receivables
Interest cover (Times)	Profit before interest and tax expenses/Interest expenses
Market capitalisation (Rs.)	Market price per share * Number of ordinary shares
Net assets per ordinary share (Rs.)	Total equity attributable to equity holders of the Company/Number of ordinary shares
Net interest margin (NIM) (%)	Net interest income * 100/Average interest earning assets
Net non-performing advances to total advances (%)	(Non-performing loans and advances - Interest in suspense - Loan loss provisions) * 100/Loans and advances
Operating profit margin (%)	Operating profit before taxes on financial services * 100/Interest income
Price earnings ratio (PE) (Times)	Market price per share/Earnings per share
Price to book value (PBV) (Times)	Market price per share/Net assets per ordinary share
Provision coverage ratio (%)	Loan loss provisions * 100/Non-performing loans and advances
Retention ratio (%)	Number of employees with more than 1 year of service at year end * 100/ Number of employees at the beginning of the year
Return on assets (ROA) (%)	Profit before income tax expense * 100/Average total assets
Return on capital employed (ROCE) (%)	Profit before interest and tax expenses * 100 / (Due to banks + Due to customers + Debt securities issued + Total equity)
Return on equity (ROE) (%)	Profit attributable to equity holders of the Company *100 / Average equity attributable to equity holders of the Company
Tier 1 capital ratio (%)	Tier 1 capital * 100/Total risk weighted assets amount
Total capital ratio (%)	Total capital * 100/Total risk weighted assets amount
Total impairment provision to gross portfolio (%)	Total impairment provisions * 100/Gross loans and receivables
Total net advances to total assets (%)	(Loans and advances - Interest in suspense - Loan loss provisions) * 100/ Total assets

GRI 102-1, 102-3, 102-5

NAME OF COMPANY

People's Leasing & Finance PLC
(Subsidiary of People's Bank)

LEGAL FORM

Public Limited Liability Company
(Incorporated and domiciled in
Sri Lanka) quoted in the Colombo
Stock Exchange

DATE OF INCORPORATION

22 August 1995

COMPANY REGISTRATION NUMBER

PB 647 PQ

ACCOUNTING YEAR-END

31 March

STOCK EXCHANGE LISTING

The Ordinary shares of the
Company were quoted on the
Main Board of the Colombo Stock
Exchange (CSE) on 24
November 2011.

47,840,906 Ordinary shares of
the Company were listed with
effect from 9 August 2019,
pursuant to a scrip dividend.

76,899,372 Ordinary shares of
the Company were listed with
effect from 24 December 2020,
pursuant to a scrip dividend.

Senior, Unsecured, Redeemable,
five year (2016/21) Debentures
were listed on the Debt Securities
Main Board of Colombo Stock
Exchange on 23 November 2016.

Senior, Unsecured, Redeemable,
four year (2018/22) and five
year (2018/23) Debentures were
listed on the Debt Securities
Main Board of Colombo Stock
Exchange on 27 April 2018.

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

1161, Maradana Road, Borella
Colombo 08, Sri Lanka.
Postal Code: 00800
Telephone: +94 11 2631631
Fax: +94 11 2631980/81
Email: info@plc.lk
Web Address: www.plc.lk

COMPLIANCE OFFICER

Ms Zairaa Kaleel

COMPANY SECRETARY

Ms Lakmini Kottegoda

REGISTRAR

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Telephone: +94 11 2573894
+94 11 2576871
Fax: +94 11 2573609
E-mail: sspsec@sltnet.lk

AUDITOR

Auditor General
Auditor General's Department,
No. 306/72, Polduwa Road,
Battaramulla.

BANKERS

People's Bank
Sampath Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Habib Bank Limited
Citi Bank N.A.
Indian Bank
Indian Overseas Bank
Pan Asia Banking Corporation
PLC

BRANCH OFFICES

Akuressa, Ambalangoda,
Ambalanthota, Awissawella,
Ampara, Anamadua,
Anuradhapura, Badulla,
Balangoda, Bandarawela,
Battaramulla, Batticaloa,
Benthota, Chilaw, Chunnakam,
Colpetty, Dambulla, Dehiwala,
Deniyaya, Digana, Elpitiya,
Embilipitiya, Galle, Gampaha,
Gampola, Giriulla, Godakawela,
Grandpass, Hambantota,
Hanwell, Hatton, Havelock,
Homagama, Horana, Ja-
Ela, Jaffna, Kadawatha,
Kaduwela, Kalawanchikudi,
Kalawana, Kalmunai, Kalutara,
Kamburupitiya, Kandy, Kandy
- Alsafa, Kandy (William
Gopallawa Mw.), Kanthale,
Kattankudy, Kegalle, Kekirawa,
Kelaniya, Kilinochchi, Kirindiwela,
Kuliyapitiya, Kurunegala,
Mahaiyawa, Maharagama,
Mahiyanganaya, Mannar,
Matale, Matara, Medawachchiya,
Mathugama, Mawanella,
Melsiripura, Merigama,
Metropolitan, Minuwangoda,
Monaragala, Moratuwa, Mutur,
Narammala, Nattandiya,
Nawalapitiya, Negombo,

Nelliyadi, Neluwa, Nittambuwa,
Nugegoda, Nuwara Eliya,
Panadura, Pelmadulla, Pettah,
Pilimathalawa, Piliyandala,
Polonnaruwa, Puttalam,
Ratnapura, Tangalle,
Thambuttegama,
Thissamaharamaya, Trincomalee,
Union Place, Urubokka, Vavuniya,
Walasmulla, Ward Place,
Warakapola, Wariyapola,
Wattala, Welimada, Wellawaya,
Wellawatta, Wennappuwa

BOARD OF DIRECTORS - AS AT 31 MARCH 2021

Mr Sujeewa Rajapakse -
Chairman
Mr Rohan Pathirige
Mr Azzam A. Ahamat
Mr S Ahangama
Mr K C J C Fonseka
Mr Chanura Wijetillake
Mr U L A W Bandara
Ms Coralie Pietersz
Mr R Kodituwakku

BOARD AUDIT COMMITTEE

Ms Coralie Pietersz - Chairperson
Mr U L A W Bandara - Member
Mr Azzam A Ahamat - Member

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Mr Chanura Wijetillake -
Chairman
Mr Azzam A Ahamat - Member
Mr K C J C Fonseka - Member

HUMAN RESOURCES REMUNERATION AND NOMINATION COMMITTEE

Mr U L A W Bandara - Chairman
Ms Coralie Pietersz - Member
Mr Rohan Pathirige - Member

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr Chanura Wijetillake -
Chairman
Mr U L A W Bandara - Member
Mr S Ahangama - Member

SUBSIDIARY COMPANIES

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

CORPORATE MEMBERSHIPS

The Leasing Association of
Sri Lanka

The Finance House Association of
Sri Lanka

The Financial Ombudsman,
Sri Lanka

Credit Information Bureau of
Sri Lanka

The Association of Margin
Providers

Biodiversity Sri Lanka (Patron
Member)

VEHICLE YARDS

No. 429, 2nd Division, Darty Road,
Colombo 10, Sri Lanka.

No. 496, Makola North, Makola,
Sri Lanka.

No. 225/D, Nayagala Road,
Heiyanthuduwa, Mabima, Sri
Lanka.

No. 8, Pothuvil Road, Monaragala,
Sri Lanka

Ketalagolla, Beligamuwa,
Galewela, Sri Lanka

TAX PAYER IDENTITY NUMBER (TIN)

114 156396

INCOME TAX IDENTIFY NUMBER

114 156396 0000

VAT REGISTRATION NUMBER

114 156396 7000

CENTRAL BANK REGISTRATION NUMBER

046 (Under the Finance Business
Act No. 42 of 2011)

CREDIT AGENCY STATUS

An approved Credit Agency under
the Mortgage Act No.6 of 1949
and the Trust Receipt Ordinance
No.12 of 1947 by the Department
of Commerce.

CREDIT RATING

"A+" (Ika) by Fitch Ratings Lanka
Limited

NOTICE IS HEREBY GIVEN THAT the Twenty Fifth (25) Annual General Meeting of People's Leasing & Finance PLC will be held on 05 August 2021 at 2.30 p.m at the Board Room of People's Leasing & Finance PLC, No : 1161, Maradana Road, Colombo 08. Taking into account the current situation in the country due to the COVID-19 pandemic and the health and safety guidelines issued by the authorities with a view of protecting public health against the spread of the virus, the Board of Directors has proposed to hold the said Annual General Meeting (AGM) on 05 August 2021 via audio and visual technology means in the manner set forth below;

1. The AGM shall be held in compliance with the Companies Act, No.07 of 2007, the Articles of Association of the Company, the Colombo Stock Exchange (CSE) Guidance Note on hosting of Annual General Meetings and guidelines published by the Ministry of Health.
2. Only the Board of Directors, Company Secretary, key management officials, representative of the Auditors and Legal Counsel (and Scrutinisers where applicable) who are essential for the administration of the formalities of the meeting will be physically and virtually present at the Board Room, People's Leasing & Finance PLC, No.1161, Maradana Road, Colombo 08, Sri Lanka. All others, including shareholders, will participate via an online meeting platform (i.e. Zoom platform). These measures are being adopted to observe "social distancing" requirements to mitigate the dangers of spreading the virus.

The said Annual General Meeting will be held for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2021 and the Report of the Auditors thereon.
2. To declare a Final Dividend of cents Seventy Five (Rs.0.75) per ordinary share payable as a scrip dividend as recommended by the Board of Directors and therefore to consider and if thought fit, to pass the following resolution by way Ordinary Resolution:
 - i. The number of ordinary shares to be issued under the scrip dividend will be Ninety Eight Million Three Hundred Forty Two Thousand Four Hundred and Sixty Six (98,342,466) on the basis of Rs. 13.00 per share which results in one (1) share being issued for each existing seventeen decimal three three three three three three four nine six zero (17.3333334960) shares held by the shareholders at the end of trading on the Colombo Stock Exchange as of the date of the Annual General Meeting. Where Delivery Vs Payment (DVP) is enabled, the shareholders of the Company who hold their shares in their respective CDS accounts/ in the share ledger as at end of trading on the third (3rd) market day from and excluding the date of the Annual General Meeting (i.e. the "Record date") will be entitled to this issuance of shares.
 - ii. The total number of shares to be issued under the scrip dividend shall be Ninety Eight Million Three Hundred Forty Two Thousand Four Hundred and Sixty Six (98,342,466) Ordinary Shares.

It is further resolved that the shares issued under the scrip dividend be listed on the Colombo Stock Exchange and that approval in-principle has been obtained from Colombo Stock Exchange for the Scrip Dividend.

It is further resolved that the remaining balance arising from the aggregation of the residual fractions ("fractional shares") consequent to the scrip dividend shall be disposed in the market and resulting proceeds will be dispersed to charities and other donations in line with the Corporate Social Responsibility Policy of the Company.

The residual fraction entitlement referred to herein shall mean the fraction arising after applying the following formula:

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the AGM date or where DVP is enabled the third (3rd) market day from and excluding the date of the Annual General Meeting (i.e. the "Record date")}}{17.3333334960} \times 1$$

3. To re-elect as a Director, Mr Ranjith Kodituwakku, 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 authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2022.

AUDITORS OF THE COMPANY

According to Section 55 of the National Audit Act No. 19 of 2018, People's Leasing & Finance PLC falls under the definition of "Auditee Entity" and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company. By Order of the Board,



Lakmini Kottegoda
Company Secretary
People's Leasing & Finance PLC

07 July 2021

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 Registered office of the Company People's Leasing & Finance PLC, No.1161, Maradana Road, Colombo 08 or be emailed to the email address - arrequests@plc.lk not less than forty eight (48) hours before the time appointed for the holding of the meeting.

Colombo, on this 07 July 2021

I/we of being a member/s of People's Leasing & Finance PLC hereby appoint Mr/Mrs/Miss (holder of N.I.C. No.) of whom failing:

- | | |
|--|--------------|
| 1. Mr Sujeewa Rajapakse | whom failing |
| 2. Mr Rohan Pathirage | whom failing |
| 3. Mr Mohamed Azzam Ali Ahamat | whom failing |
| 4. Mr Sudarshan Ahangama | whom failing |
| 5. Mr Kurukulasuriya Canicious Joachim Clive Fonseka | whom failing |
| 6. Mr Chanura Jayanta Wijetillake | whom failing |
| 7. Mr Upul Lakshman Asoka Wickramasinghe Bandara | whom failing |
| 8. Ms Miriam Coralie Pietersz | whom failing |
| 9. Mr Ranjith Kodituwakku | |

as my/our proxy to represent me/us and vote on my/our behalf at the twenty fifth Annual General Meeting of the Company to be held on 05 August 2021 at 2.30 p.m at the Board Room, People's Leasing & Finance PLC ,No.1161, Maradana Road, Colombo 08, and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

To participate via Zoom:

Email address/ Mobile No.:

Please indicate your preference by placing a 'X' against the Resolution No. –

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31 March 2021 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of cents Seventy Five (Rs.0.75) per ordinary share payable as a scrip dividend as recommended by the Board of Directors and to consider and if thought fit, to pass the resolution set out in the Notice of Meeting	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a Director, Mr Ranjith Kodituwakku , 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..	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Board of Directors to determine contributions to charities and other donations for the financial year ending 31 March 2021.	<input type="checkbox"/>	<input type="checkbox"/>

AUDITORS OF THE COMPANY

According to Section 55 of the National Audit Act No. 19 of 2018, People's Leasing & Finance PLC falls under the definition of "auditee entity" and the Auditor General or any person authorized by the Auditor General shall carry out the audit of the Company.

Signed this day of 2021.

.....
Signature

.....
Shareholder's N.I.C./ P.P./ Co. Reg. No.

Notes:

1. Proxy need not be a member of the Company.
2. Instructions as to completion of this Form of Proxy are given overleaf.

INSTRUCTIONS AS TO COMPLETION

1. As provided for in Article 19(5) of the Articles of Association of the Company the instrument appointing a proxy should be in writing.
2. The full name and the address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
 - a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy, if it has not already been registered with the Company.
 - b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
 - c) in the case of joint holders, be signed by the joint holder whose name appears first in the Register of Members.
4. The completed Form of Proxy, Virtual Meeting Online Registration Form and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the Registered office of the Company, No.1161, Maradana Road, Colombo 08 or be emailed to lakminik@plc.lk not less than forty eight (48) hours before the time appointed for the holding of the meeting.

5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy.
6. An extract of Articles 15, 18 and 22 of the Articles of Association of the Company, which deals with meetings of shareholders and voting by shareholders, is produced herein for the information of the shareholders.

METHOD OF HOLDING MEETINGS

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.

VOTING

1. Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
2. A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
3. At a meeting of shareholders, a poll may be demanded by –
 - a) the chairperson; or
 - b) not less than five (5) shareholders having the right to vote at the meeting; or
 - c) a shareholder or shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting.

4. A poll may be demanded either before or after the vote is taken on a resolution. However, the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
5. If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
6. The Chairperson of a shareholders' meeting is not entitled to a casting vote.

VOTES OF JOINT HOLDERS

"Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote."

We welcome your valuable feedback on this Integrated Annual Report 2020/21.

1. Your interest in People's Leasing performance is as a (n)

Employee	<input type="checkbox"/>
Customer	<input type="checkbox"/>
Supplier	<input type="checkbox"/>
Shareholder	<input type="checkbox"/>
Investor	<input type="checkbox"/>
Finance analyst	<input type="checkbox"/>
Journalist	<input type="checkbox"/>
Local resident	<input type="checkbox"/>
Educator/Student	<input type="checkbox"/>
Special interest group	<input type="checkbox"/>
Regulatory body	<input type="checkbox"/>
Other	<input type="checkbox"/>

2. Please rate your answer on the scale from excellent to poor for 2.1 to 2.5

2.1 Meeting your information requirement

Excellent	<input type="checkbox"/>
Very good	<input type="checkbox"/>
Good	<input type="checkbox"/>
Average	<input type="checkbox"/>
Poor	<input type="checkbox"/>

2.2 Openness and transparency

Excellent	<input type="checkbox"/>
Very good	<input type="checkbox"/>
Good	<input type="checkbox"/>
Average	<input type="checkbox"/>
Poor	<input type="checkbox"/>

2.3 Clarity and ease of understanding

Excellent	<input type="checkbox"/>
Very good	<input type="checkbox"/>
Good	<input type="checkbox"/>
Average	<input type="checkbox"/>
Poor	<input type="checkbox"/>

2.4 Appearance and layout

Excellent	<input type="checkbox"/>
Very good	<input type="checkbox"/>
Good	<input type="checkbox"/>
Average	<input type="checkbox"/>
Poor	<input type="checkbox"/>

2.5 Overall impression of the report

Excellent	<input type="checkbox"/>
Very good	<input type="checkbox"/>
Good	<input type="checkbox"/>
Average	<input type="checkbox"/>
Poor	<input type="checkbox"/>

3. Which sections did you find least useful?

About us	<input type="checkbox"/>
Journey of a quarter century	<input type="checkbox"/>
Management discussion and analysis	<input type="checkbox"/>
Stewardship	<input type="checkbox"/>
Financial reports	<input type="checkbox"/>
Other	<input type="checkbox"/>

4. Which section did you find most useful?

About us	<input type="checkbox"/>
Journey of a quarter century	<input type="checkbox"/>
Management discussion and analysis	<input type="checkbox"/>
Stewardship	<input type="checkbox"/>
Financial reports	<input type="checkbox"/>
Other	<input type="checkbox"/>

5. In your opinion what are the sustainability topics/areas People's Leasing needs to have better focus on?

6. How do you think we could improve?

7. Please provide your overall impressions and comments about the Integrated Annual Report 2020/21

Your Name:

.....

Your email:

.....

**Chief Manager Finance
People's Leasing & Finance PLC**

No. 1161, Maradana Road,
Colombo 08.

Sri Lanka.

Postal Code :00800

Phone: +94 11 2631 631

Fax : +94 11 2631 980

Fax: +94 11 2481 105

THANK YOU...
**FOR YOUR UNSTINTING
SUPPORT AS WE
JOURNEY AHEAD WITH
GRATITUDE**



**PEOPLE'S
LEASING**

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