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Statement of Profit or Loss

People's Leasing & Finance PLC
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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
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Company	Other Reserves				
	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Retained Earnings	Total Equity
	Rs. '000	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			Other Reserves		Retained Earnings	Total	Non-controlling Interest	Total Equity
	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Foreign currency translation reserve				
	Rs. '000	Rs. '000	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
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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

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Insurance liabilities and reinsurance payable	39	255
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Other liabilities	42	259
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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/APIIT 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
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						
	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	-	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	1,455,702
Debt Instrument - Amortised cost	28	236	-	4,813,439	-	4,813,439
Total financial assets			1,198,592	174,497,745	1,455,702	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
Company		Rs. '000	Rs. '000		Rs. '000	Rs. '000
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	2021	2020	2021	2021	2020
	No. of Units	Rs. '000	Rs. '000	No. of Units	Rs. '000	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	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	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	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	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	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	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 Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total 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 Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total 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 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 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 its 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 Rs. '000	Hire- Purchase/ Murabah receivable Rs. '000	Term Loan and receivables Rs. '000	Debentures and Commercial Papers Rs. '000	Total 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 Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	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.