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# Statement of Profit or Loss

For the year ended 31 March	Note	Page No.	Company			Group		
			2020	2019	Change	2020	2019	Change
			Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
<b>Gross income</b>	5	164	33,599,314	32,735,639	2.64	40,054,830	38,356,205	4.43
Interest income	6.1	165	31,459,108	30,836,300	2.02	33,282,879	32,234,340	3.25
Less: interest expense	6.2	165	15,786,586	15,646,099	0.90	16,110,935	15,891,298	1.38
<b>Net interest income</b>	6	164	15,672,522	15,190,201	3.18	17,171,944	16,343,042	5.07
Net earned premium	7	166	–	–	–	5,202,030	4,728,573	10.01
Fee and commission income	8	167	1,694,014	1,508,952	12.26	1,165,632	1,004,297	16.06
Net gains/(losses) on financial assets – FVTPL	9	168	11,017	(27,887)	139.51	19,586	(44,351)	144.16
Other operating income	10	168	435,175	418,274	4.04	384,703	433,346	(11.22)
<b>Total operating income</b>			17,812,728	17,089,540	4.23	23,943,895	22,464,907	6.58
Less: impairment charges and other losses for loans and receivables	11	169	4,646,683	1,586,506	192.89	4,901,902	1,708,203	186.96
impairment charges for investment in associate	30	216	–	348,794	(100.00)	–	152,572	(100.00)
impairment charges for right-of-use assets	34	227	36,965	–	100.00	36,965	–	100.00
impairment charges for goodwill	33	225	68,145	19,580	248.03	68,145	19,580	248.03
<b>Net operating income</b>			13,060,935	15,134,660	(13.70)	18,936,883	20,584,552	(8.00)
<b>Less: expenses</b>								
Personnel expenses	12	172	3,701,385	3,438,167	7.66	4,561,026	4,166,618	9.47
Depreciation and amortisation	13	172	717,021	179,607	299.22	635,998	302,360	110.34
Benefits, claims and underwriting expenditure	14	173	–	–	–	3,441,937	3,328,705	3.40
Other operating expenses	15	174	2,088,244	2,844,419	(26.58)	2,565,073	3,048,420	(15.86)
<b>Total operating expenses</b>			6,506,650	6,462,193	0.69	11,204,034	10,846,103	3.30
<b>Operating profit before taxes on financial services</b>			6,554,285	8,672,467	(24.42)	7,732,849	9,738,449	(20.59)
Less: taxes on financial services	16	175	2,002,460	2,087,210	(4.06)	2,030,532	2,117,910	(4.13)
<b>Operating profit after taxes on financial services</b>			4,551,825	6,585,257	(30.88)	5,702,317	7,620,539	(25.17)
Share of profit/(loss) of an associate (net of tax)	30.1	217	–	–	–	–	(33,234)	100.00
<b>Profit before income tax expense</b>			4,551,825	6,585,257	(30.88)	5,702,317	7,587,305	(24.84)
Less: income tax expense	17	175	1,609,317	2,169,136	(25.81)	2,110,568	2,576,037	(18.07)
<b>Profit for the year</b>			2,942,508	4,416,121	(33.37)	3,591,749	5,011,268	(28.33)
<b>Profit attributable to –</b>								
Equity holders of the Company			2,942,508	4,416,121	(33.37)	3,408,670	4,813,578	(29.19)
Non-controlling interest	49	249	–	–	–	183,079	197,690	(7.39)
<b>Profit for the year</b>			2,942,508	4,416,121	(33.37)	3,591,749	5,011,268	(28.33)
Basic/diluted earnings per ordinary share (Rs.)	18	179	1.83	2.80	(34.64)	2.11	3.05	(30.82)
Dividend per ordinary share (Rs.)	19	179	1.20	1.25	(4.00)			

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

# Statement of Comprehensive Income

For the year ended 31 March	Note	Page No.	Company			Group		
			2020	2019	Change	2020	2019	Change
			Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
<b>Profit for the year</b>			2,942,508	4,416,121	(33.37)	3,591,749	5,011,268	(28.33)
<b>Other comprehensive income, net of tax:</b>								
<b>Items to be reclassified to profit or loss in subsequent years (net of tax):</b>								
Net gains/(losses) arising from translating the Financial Statements of the foreign subsidiary	48.5	249	–	–	–	139,129	259,151	(46.31)
<b>Net items to be reclassified to profit or loss in subsequent years</b>			–	–	–	139,129	259,151	(46.31)
<b>Items not to be reclassified to profit or loss in subsequent years (net of tax):</b>								
<b>Net actuarial gains/(losses) on defined benefit plans</b>								
Actuarial gains and losses on retirement benefit obligation	44.1	244	172	(17,909)	100.96	1,225	(20,872)	105.87
Deferred tax effect on actuarial gains and losses	43.1	241	(49)	5,670	(100.86)	(91)	14,028	(100.65)
<b>Financial assets – Fair value through other comprehensive income</b>								
Gains/(losses) on re-measuring	48.4	248	(49,372)	(99,611)	50.44	(61,300)	(100,290)	38.88
<b>Net items not to be reclassified to profit or loss in subsequent years</b>			(49,249)	(111,850)	55.97	(60,166)	(107,134)	43.84
<b>Other comprehensive income for the year, net of tax</b>			(49,249)	(111,850)	55.97	78,963	152,017	(48.06)
<b>Total comprehensive income for the year</b>			2,893,259	4,304,271	(32.78)	3,670,712	5,163,285	(28.91)
<b>Attributable to:</b>								
Equity holders of the Company			(49,249)	(111,850)	55.97	82,278	152,757	(46.14)
Non-controlling interest	49	249	–	–	–	(3,315)	(740)	(347.97)
<b>Other comprehensive income for the year, net of tax</b>			(49,249)	(111,850)	55.97	78,963	152,017	(48.06)
<b>Total comprehensive income for the year</b>			2,893,259	4,304,271	(32.78)	3,670,712	5,163,285	(28.91)

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

# Statement of Financial Position

As at 31 March	Note	Page No.	Company			Group		
			2020	2019	Change	2020	2019	Change
			Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
<b>Assets</b>								
Cash and cash equivalents	22	189	7,164,139	3,294,055	117.49	7,693,032	4,310,595	78.47
Balances with banks and financial institutions	23	190	3,207,440	3,404,533	(5.79)	6,661,407	7,375,423	(9.68)
Financial assets – Fair value through profit or loss	24	190	1,031,719	23,190	4,348.98	1,198,592	72,386	1,555.83
Loans and receivables – Amortised cost	25	193	147,747,511	151,707,902	(2.61)	154,134,934	156,955,837	(1.80)
Insurance and reinsurance receivables	26	210	–	–	–	1,194,933	885,395	34.96
Financial assets – Fair value through other comprehensive income	27	212	324,381	125,651	158.16	1,455,702	125,651	1,058.53
Debt instruments – Amortised cost	28	214	4,106,963	8,002,625	(48.68)	4,813,439	9,091,945	(47.06)
Investments in subsidiaries	29	214	3,213,788	3,213,788	–	–	–	–
Investment in associate	30	216	–	237,633	(100.00)	–	237,633	(100.00)
Investment property	31	218	–	–	–	1,131,652	1,131,596	0.00
Property, plant and equipment	32	220	1,143,929	1,098,286	4.16	3,998,370	4,017,301	(0.47)
Goodwill and intangible assets	33	225	257,581	324,905	(20.72)	368,574	432,340	(14.75)
Right-of-use assets	34	227	1,939,450	84,065	2,207.08	1,639,482	84,065	1,850.26
Deferred tax assets	43	240	376,291	–	100.00	471,841	47,584	891.60
Other assets	35	228	1,147,001	1,024,644	11.94	1,235,329	1,164,884	6.05
<b>Total assets</b>			<b>171,660,193</b>	<b>172,541,277</b>	<b>(0.51)</b>	<b>185,997,287</b>	<b>185,932,635</b>	<b>0.03</b>
<b>Liabilities</b>								
Due to banks	36	229	7,938,185	27,273,933	(70.89)	10,978,046	30,475,326	(63.98)
Due to customers	37	231	106,701,027	88,368,656	20.75	107,685,592	88,923,196	21.10
Debt securities issued	38	232	18,479,260	21,275,031	(13.14)	18,338,039	21,134,040	(13.23)
Other financial liabilities	39	235	3,014,117	2,480,377	21.52	2,829,708	2,464,936	14.80
Insurance liabilities and reinsurance payable	40	236	–	–	–	5,065,220	4,880,873	3.78
Lease liabilities	41	238	1,909,098	–	100.00	1,594,245	–	100.00
Current tax liabilities	42	239	1,803,309	2,238,257	(19.43)	2,077,418	2,323,647	(10.60)
Deferred tax liabilities	43	240	–	837,179	(100.00)	418,132	1,141,973	(63.39)
Other liabilities	44	242	1,568,565	1,464,489	7.11	1,700,685	1,606,686	5.85
<b>Total liabilities</b>			<b>141,413,561</b>	<b>143,937,922</b>	<b>(1.75)</b>	<b>150,687,085</b>	<b>152,950,677</b>	<b>(1.48)</b>
<b>Equity</b>								
Stated capital	45	245	13,915,414	13,236,073	5.13	13,915,414	13,236,073	5.13
Statutory reserve fund	46	246	2,205,344	2,058,219	7.15	2,235,077	2,070,667	7.94
Retained earnings	47	247	14,227,988	13,361,805	6.48	16,517,824	15,198,424	8.68
Other reserves	48	247	(102,114)	(52,742)	93.61	285,103	207,274	37.55
<b>Total equity attributable to equity holders of the Company</b>			<b>30,246,632</b>	<b>28,603,355</b>	<b>5.75</b>	<b>32,953,418</b>	<b>30,712,438</b>	<b>7.30</b>
Non-controlling interest	49	249	–	–	–	2,356,784	2,269,520	3.85
<b>Total equity</b>			<b>30,246,632</b>	<b>28,603,355</b>	<b>5.75</b>	<b>35,310,202</b>	<b>32,981,958</b>	<b>7.06</b>
<b>Total liabilities and equity</b>			<b>171,660,193</b>	<b>172,541,277</b>	<b>(0.51)</b>	<b>185,997,287</b>	<b>185,932,635</b>	<b>0.03</b>
<b>Contingent liabilities and commitments</b>	53	250	5,316,892	7,775,864	(31.62)	5,350,615	7,788,708	(31.30)
<b>Net assets value per ordinary share (Rs.)</b>	54	252	<b>18.58</b>	<b>18.10</b>	<b>2.64</b>	<b>20.25</b>	<b>19.44</b>	<b>4.14</b>

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

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

**A S Ibrahim**  
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

8 July 2020

# Statement of Changes in Equity

Company	Other reserves								
	Capital	Statutory reserve fund	General reserve	Tax equalisation reserve	Revaluation reserve	Available-for-sale reserve	Fair value reserve	Retained earnings	Total equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 1 April 2018</b>	13,236,073	1,837,413	300,000	100,000	7,302	46,869	–	11,502,165	27,029,822
Recognition of SLFRS 9 expected credit loss including those measured at amortised cost	–	–	–	–	–	–	–	(1,006,640)	(1,006,640)
Deferred tax on transitional adjustment	–	–	–	–	–	–	–	250,729	250,729
Transfer of AFS reserve to fair value reserve	–	–	–	–	–	(46,869)	46,869	–	–
Restated balance as at 1 April 2018	13,236,073	1,837,413	300,000	100,000	7,302	–	46,869	10,746,254	26,273,911
<b>Total comprehensive income for the year</b>									
Profit/(loss) for the year	–	–	–	–	–	–	–	4,416,121	4,416,121
Other comprehensive income (net of tax)	–	–	–	–	(7,302)	–	(99,611)	(4,937)	(111,850)
<b>Total comprehensive income for the year</b>	–	–	–	–	(7,302)	–	(99,611)	4,411,184	4,304,271
<b>Transactions with equity holders, recognised directly in equity</b>									
Transfers to reserves	–	220,806	(300,000)	(100,000)	–	–	–	179,194	–
Dividend paid – Interim	–	–	–	–	–	–	–	(1,184,896)	(1,184,896)
– Final	–	–	–	–	–	–	–	(789,931)	(789,931)
<b>Total transactions with equity holders</b>	–	220,806	(300,000)	(100,000)	–	–	–	(1,795,633)	(1,974,827)
<b>Balance as at 31 March 2019</b>	13,236,073	2,058,219	–	–	–	–	(52,742)	13,361,805	28,603,355
<b>Balance as at 1 April 2019</b>	13,236,073	2,058,219	–	–	–	–	(52,742)	13,361,805	28,603,355
<b>Total comprehensive income for the year</b>									
Profit/(loss) for the year	–	–	–	–	–	–	–	2,942,508	2,942,508
Other comprehensive income (net of tax)	–	–	–	–	–	–	(49,372)	123	(49,249)
<b>Total comprehensive income for the year</b>	–	–	–	–	–	–	(49,372)	2,942,631	2,893,259
<b>Transactions with equity holders, recognised directly in equity</b>									
Transfers to reserves	–	147,125	–	–	–	–	–	(147,125)	–
Dividend paid – Interim	–	–	–	–	–	–	–	(1,139,392)	(1,139,392)
– Final	679,341	–	–	–	–	–	–	(789,931)	(110,590)
<b>Total transactions with equity holders</b>	679,341	147,125	–	–	–	–	–	(2,076,448)	(1,249,982)
<b>Balance as at 31 March 2020</b>	13,915,414	2,205,344	–	–	–	–	(102,114)	14,227,988	30,246,632

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

## Statement of Changes in Equity

Group													
			Other reserves										
	Capital	Statutory reserve fund	General reserve	Tax equalisation reserve	Available-for-sale reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity		
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<b>Balance as at 1 April 2018</b>	13,236,073	1,837,413	300,000	100,000	45,585	–	2,828	13,167,172	28,689,071	2,165,070	30,854,141		
Recognition of SLFRS 9 expected credit loss including those measured at amortised cost	–	–	–	–	–	–	–	(1,066,686)	(1,066,686)	–	(1,066,686)		
Deferred tax on transitional adjustment	–	–	–	–	–	–	–	266,494	266,494	–	266,494		
Transfer of AFS reserve to fair value reserve	–	–	–	–	(45,585)	45,585	–	–	–	–	–		
Restated balance as at 1 April 2018	13,236,073	1,837,413	300,000	100,000	–	45,585	2,828	12,366,980	27,888,879	2,165,070	30,053,949		
Capital gains tax	–	–	–	–	–	–	–	(167,949)	(167,949)	–	(167,949)		
<b>Balance after capital gains tax</b>	13,236,073	1,837,413	300,000	100,000	–	45,585	2,828	12,199,031	27,720,930	2,165,070	29,886,000		
<b>Total comprehensive income for the year</b>													
Profit/(loss) for the year	–	–	–	–	–	–	–	4,813,578	4,813,578	197,690	5,011,268		
Other comprehensive income (net of tax)	–	–	–	–	–	(100,290)	259,151	(6,104)	152,757	(740)	152,017		
Total comprehensive income for the year	–	–	–	–	–	(100,290)	259,151	4,807,474	4,966,335	196,950	5,163,285		
<b>Transactions with equity holders, recognised directly in equity</b>													
Transfers to reserves	–	233,254	(300,000)	(100,000)	–	–	–	166,746	–	–	–		
Dividend paid													
– Interim	–	–	–	–	–	–	–	(1,168,949)	(1,168,949)	(92,500)	(1,261,449)		
– Final	–	–	–	–	–	–	–	(805,878)	(805,878)	–	(805,878)		
<b>Total transactions with equity holders</b>	–	233,254	(300,000)	(100,000)	–	–	–	(1,808,081)	(1,974,827)	(92,500)	(2,067,327)		
<b>Balance as at 31 March 2019</b>	13,236,073	2,070,667	–	–	–	(54,705)	261,979	15,198,424	30,712,438	2,269,520	32,981,958		
<b>Balance as at 1 April 2019</b>	13,236,073	2,070,667	–	–	–	(54,705)	261,979	15,198,424	30,712,438	2,269,520	32,981,958		
Capital gains tax	–	–	–	–	–	–	–	14	14	–	14		
Balance after capital gains tax	13,236,073	2,070,667	–	–	–	(54,705)	261,979	15,198,438	30,712,452	2,269,520	32,981,972		
<b>Total comprehensive income for the year</b>													
Profit/(loss) 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		
<b>Transactions with equity holders, recognised directly in equity</b>													
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)		
<b>Total transactions with equity holders</b>	679,341	164,410	–	–	–	–	–	(2,093,733)	(1,249,982)	(92,500)	(1,342,482)		
<b>Balance as at 31 March 2020</b>	13,915,414	2,235,077	–	–	–	(116,005)	401,108	16,517,824	32,953,418	2,356,784	35,310,202		

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

# Statement of Cash Flows

## ACCOUNTING POLICY

The Statement of Cash Flows has been prepared by using the “Indirect Method” of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 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. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Notes 50 to 52 on pages 249 and 250.

For the year ended 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash flows from operating activities</b>						
<b>Profit before income tax expense</b>			4,551,825	6,585,257	5,702,317	7,587,305
<b>Adjustment for:</b>						
Non-cash items included in profits before income tax	50	249	5,675,637	2,358,912	5,823,119	2,411,109
Change in operating assets	51	250	2,235,794	(16,346,695)	(82,151)	(19,792,535)
Change in operating liabilities	52	250	19,433,735	17,586,705	20,344,695	19,674,400
Share of loss in associate, (net of tax)	30.1	217	–	–	–	33,234
Dividend income from investments	10	168	(423,091)	(388,945)	(17,280)	(16,569)
Interest expense on due to banks	6.2	165	1,736,221	4,569,420	2,066,943	4,857,611
Interest expense on debt securities issued	6.2	165	2,281,180	2,394,127	2,264,940	2,378,916
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign subsidiary	48.5	249	–	–	139,129	259,151
Benefits paid on retirement benefit obligation	44.1	244	(10,726)	(9,107)	(12,103)	(9,242)
Income tax paid	17.9	178	(3,071,709)	(805,705)	(3,339,472)	(907,945)
<b>Net cash from operating activities</b>			32,408,866	15,943,969	32,890,137	16,475,435
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	32	220	(213,928)	(147,667)	(284,215)	(257,371)
Proceeds from the sale of property, plant and equipment			9,976	69,903	17,612	102,629
Purchase of intangible assets	33	225	(15,120)	(8,624)	(15,120)	(12,195)
Proceeds from the sale of investment property	31	218	–	141,380	–	141,380
Dividends received from investments			113,091	246,920	17,280	16,569
<b>Net cash from/(used in) investing activities</b>			(105,981)	301,912	(264,443)	(8,988)
<b>Cash flows from financing activities</b>						
Proceeds from due to banks	36.1	229	12,950,000	59,966,000	12,950,000	59,966,000
Repayment of due to banks	36.1	229	(34,046,652)	(77,536,350)	(35,209,177)	(77,456,806)
Proceeds from debt securities issued	38.1	233	–	6,000,000	–	5,874,220
Redemption of debt securities issued	38.1	233	(3,338,413)	(1,164,060)	(3,338,413)	(1,164,060)
Interest paid on debt securities issued	38.1	233	(1,738,538)	(1,738,538)	(1,722,528)	(1,738,538)
Dividend paid to shareholders			(1,930,807)	(1,979,340)	(1,251,466)	(1,979,340)
Dividend paid to non-controlling interest	49	249	–	–	(92,500)	(92,500)
<b>Net cash from/(used in) financing activities</b>			(28,104,410)	(16,452,288)	(28,664,084)	(16,591,024)
<b>Net increase/(decrease) in cash and cash equivalents</b>			4,198,475	(206,407)	3,961,610	(124,577)
Cash and cash equivalents at 1 April			2,940,981	3,147,388	3,036,468	3,161,045
<b>Cash and cash equivalents at 31 March</b>			7,139,456	2,940,981	6,998,078	3,036,468
Cash and cash equivalents	22	189	7,164,139	3,294,055	7,693,032	4,310,595
Overdraft	36	229	(24,683)	(353,074)	(694,954)	(1,274,127)
<b>Cash and cash equivalents at 31 March</b>			7,139,456	2,940,981	6,998,078	3,036,468

The Notes appearing on pages 155 to 288 form an integral part of the Financial Statements.

# Notes to the Financial Statements

## 1 Corporate and group information

### 1.1 Corporate information

People's Leasing & Finance PLC (the "Company"), is a public limited liability Company incorporated on 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 2020 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 2020 is 2,401 and 3,059 respectively. (2,329 and 3,232 as at 31 March 2019).

### 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.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review. Subsequent to the said private placement and rights issue, People's Leasing & Finance PLC's stake is reduced to 11.86%. Accordingly status of associate changed as Financial investments – Fair value through comprehensive income (FVOCI) of PLC after April 2019.

## 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 2020 and for

## Subsidiaries and associate

Name of the Company	Principal activities	Country of incorporation	Percentage	
			equity interest	
			2020	2019
<b>Subsidiaries</b>				
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 a 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 provide loans	Bangladesh	51	51
<b>Associate</b>				
People's Merchant Finance PLC	Mobilisation of deposits, providing finance leases, term loans, real estate developments, pawning and related services	Sri Lanka	-	37.06

# Notes to the Financial Statements

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](http://www.casrilanka.com).

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 Note 3 on page 158.

## 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 2020 (including comparatives) were approved and authorised for issue on 8 July 2020 in accordance with the resolution of the Board of Directors on 8 July 2020.

## 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:

## 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 253. 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 realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Consolidated Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Item	Basis of measurement	Note	Page No.
Financial assets – Fair value through profit or loss	Fair value	24	190
Financial assets – Fair value through other comprehensive income	Fair value	27	212
Investment property	Fair value	31	218
Retirement benefit obligation	Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses.	44.1	244

**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 1 – “Presentation of Financial Statements”.

**2.9 Materiality and aggregation**

In compliance with the Sri Lanka Accounting Standard – LKAS 1 – “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 judgements, estimates and assumptions**

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs and LKASs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key

assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

**Going concern**

The Group’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Going concern in determining the basis of preparing the Financial Statements for the year ended 31 March 2020, 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 160.
- \_ The contractual cash flow characteristics of the financial assets as set out in Note 3.5.2 on page 160.

**Impairment losses on financial assets**

The measurement of impairment losses both 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 pages 204 to 206 to the Financial Statements.

**Impairment charges on financial investments**

Financial investments are categorised under amortised cost Subject to Impairment in according with SLFRS 9 – Financial Investment.

## Notes to the Financial Statements

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 on FVOCI

Details of the “impairment on FVOCI” are given in Note 27 on pages 212 and 213 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. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

### Useful lifetime of the intangible assets

Details of the “useful lifetime of the intangible assets” are given in Note 33 on pages 225 to 227 to the Financial Statements.

### 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 judgement to determine the impact of transfer pricing regulations. Accordingly critical judgements 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 judgements. Differences between estimated income tax charge and actual payable may arise as a result of management’s interpretation and application of transfer pricing regulation.

### Deferred tax

Details of the “deferred tax” are given in Note 43 on pages 240 to 242 to the Financial Statements.

### Retirement benefit obligation

Details of the “retirement benefit obligation” are given in Note 44.1 on page 244 and 245 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.

The Group/Company has not restated the comparative information for contracts within the scope of Sri Lanka Accounting Standard – SLFRS 16 on “Leases” (SLFRS 16). Therefore, the comparative information is reported under Sri Lanka Accounting Standard – LKAS 17 on “Leases” (LKAS 17) and is not comparable with the information presented for 2019. The Group applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and lease liabilities.

## 3 General accounting policies

### 3.1 Basis of consolidation

The Consolidated Financial Statements of the Group for the year ended 31 March 2020 include the Company, its subsidiaries and its associate company. The Financial Statements of the Company’s subsidiaries and associate are prepared for the same reporting year except for People’s Insurance PLC, and Lankan Alliance Finance Limited subsidiaries of People’s Leasing & Finance PLC, whose financial year ends on 31 December. 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 3 – (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.

There is no significant impact on the Financial Statement of the Group and the Company resulting from the application of SLFRS 15.

### 3.4 Changes in accounting policies

In these Financial Statements, the Group has applied Sri Lanka Accounting Standard – SLFRS 16 on "Leases" and IFRIC Interpretation 23 – "Uncertainty over Income Tax Treatment" which became effective for the annual reporting periods beginning on or after 1 January 2019, 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 IFRIC 23 – Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 – "Income Taxes". It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain

## Notes to the Financial Statements

tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the Interpretation had an impact on its Consolidated Financial Statements. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax will be accepted by the taxation authorities. The Interpretation did not have an impact on the Financial Statements of the Company.

### 3.4.2 SLFRS 16 – “Leases”

The new standard SLFRS 16 – “Leases” became effective for periods beginning on or after 1 January 2019, replacing LKAS 17 – “Leases”.

The new standard has removed the distinction between operating leases and finance leases. Most contracts classified as operating leases, which were previously off-balance sheet, are now recognised as right-of-use (ROU) assets and lease liabilities on the Statement of Financial Position. Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17 where by lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Group is the lessor. However, SLFRS 16 has introduced fundamental changes to accounting principles when the Group becomes the lessee of the contract.

Lessee measures right-of-use assets similar to other non-financial assets (such as property, plant and equipment) and lease liabilities similar to other financial liabilities. As

a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on straight-line basis.

SLFRS 16 allows a number of choices in selecting the transition method in applying the Standard. The Company has selected Option 2B (Simplified) which requires to calculate the lease liability at transition and then the right-of-use asset equals the liability. This approach does not have an equity adjustment. Please refer Note 34 on page 227.

## 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

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 and 35.

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 Note 27 on pages 212 to 213.

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 pages 190 to 192.

Financial assets designated at fair value through profit or loss

As per SLFRS 9 – “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 asset) 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:

## Notes to the Financial Statements

- 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 recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Financial liabilities

A financial liability is derecognised when the obligation under the liability

is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Statement of Profit or Loss.

### 3.5.4 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 pages 182 to 189.

### 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 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 recognised 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 recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

### 3.8 Borrowing costs

As per Sri Lanka Accounting Standard – LKAS 23 on “Borrowing Costs”, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an

asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

### 3.9 Current tax

Details of the “income tax expense” are given in Note 17 on pages 175 to 178 to the Financial Statements.

### 3.10 Deferred tax

Details of the “deferred tax” are given in Note 43 on pages 240 to 242 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 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

### 3.12 Taxes on financial services

Details of the ‘VAT, NBT and debt repayment levy on financial services are given in Note 16 on page 175 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 2020. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2020.

### SLFRS 17 – Insurance Contracts

SLFRS 17 “Insurance Contracts”, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, SLFRS 17 replaces existing SLFRS 4 “Insurance Contracts”. The overall objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity’s financial position, financial performance and cash flows.

SLFRS 17 is effective for reporting periods beginning on or after 1 January 2021. 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 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. New illustrative examples were provided along with the amendments.

The Group shall apply these amendments to business combinations prospectively for annual financial periods beginning on or after 1 January 2020, if the asset acquisitions occurs on or after the beginning of that period.

### 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.” The Group shall apply those amendments prospectively for annual financial periods beginning on or after 1 January 2020.

### 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.

No changes will be made to any of the current Accounting Standards. However, if the Group rely on the framework in determining certain accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 1 January 2020. The Group will need to consider whether those accounting policies are still appropriate under the revised Framework.

# Notes to the Financial Statements

## 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, is given under the respective income notes.

For the year ended 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	6.1	165	31,459,108	30,836,300	33,282,879	32,234,340
Net earned premium	7	166	–	–	5,202,030	4,728,573
Fee and commission income	8	167	1,694,014	1,508,952	1,165,632	1,004,297
Net gains/(losses) on financial assets – FVTPL	9	168	11,017	(27,887)	19,586	(44,351)
Other operating income	10	168	435,175	418,274	384,703	433,346
<b>Total</b>			<b>33,599,314</b>	<b>32,735,639</b>	<b>40,054,830</b>	<b>38,356,205</b>

## 6 Net interest income

### ACCOUNTING POLICY

### Recognition of income and expense

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 expense

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 recognised 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 recognised only up to 90 days past due in accordance with SLFRS 9.

### Interest on overdue rentals

Interests from overdue rentals have been accounted for on a cash received basis.

For the year ended 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	6.1	165	31,459,108	30,836,300	33,282,879	32,234,340
Interest expenses	6.2	165	15,786,586	15,646,099	16,110,935	15,891,298
<b>Net interest income</b>			15,672,522	15,190,201	17,171,944	16,343,042

### 6.1 Interest income – Financial asset-wise

For the year ended 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents			40,471	27,906	70,219	57,654
Balances with banks and financial institutions			385,414	355,787	510,760	485,967
Loans and receivables	6.1.1	165	30,280,577	29,835,673	31,530,367	30,765,517
Debt instruments – Amortised cost			752,646	616,934	1,171,533	925,202
<b>Total interest income</b>			31,459,108	30,836,300	33,282,879	32,234,340

#### 6.1.1 Interest income – Loans and receivables

For the year ended 31 March			Company		Group	
	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	17,767,878	17,887,342	17,770,273	17,887,448		
Hire purchase/Murabah receivable	34,709	146,178	822,222	806,600		
Term loans and receivables	12,477,990	11,802,153	12,937,872	12,071,469		
<b>Total</b>	30,280,577	29,835,673	31,530,367	30,765,517		

### 6.2 Interest expense – Financial liability-wise

For the year ended 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to banks	6.2.1	166	1,736,221	4,569,420	2,066,943	4,857,611
Due to customers	6.2.1	166	11,530,604	8,682,552	11,595,328	8,654,771
Debt securities issued	6.2.1	166	2,281,180	2,394,127	2,264,940	2,378,916
SLFRS 16 – Incremental borrowing cost	41	238	238,581	–	183,724	–
<b>Total interest expenses</b>			15,786,586	15,646,099	16,110,935	15,891,298

# Notes to the Financial Statements

## 6.2.1 Interest expenses – Product-wise

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Due to banks</b>				
Interest on bank overdraft	2,511	74,473	31,811	102,062
Interest on short-term loans	286,526	1,770,898	286,659	1,770,901
Interest on term loans	402,721	1,525,581	704,009	1,786,180
Interest on securitisation loans	1,044,463	1,198,468	1,044,464	1,198,468
<b>Subtotal</b>	<b>1,736,221</b>	<b>4,569,420</b>	<b>2,066,943</b>	<b>4,857,611</b>
<b>Due to customers</b>				
Interest cost on deposits	11,530,604	8,682,552	11,595,328	8,654,771
<b>Subtotal</b>	<b>11,530,604</b>	<b>8,682,552</b>	<b>11,595,328</b>	<b>8,654,771</b>
<b>Debt securities issued</b>				
Interest on debentures	2,281,180	2,394,127	2,264,940	2,378,916
<b>Subtotal</b>	<b>2,281,180</b>	<b>2,394,127</b>	<b>2,264,940</b>	<b>2,378,916</b>
<b>Lease liabilities</b>				
SLFRS 16 – Incremental borrowing cost	238,581	–	183,724	–
<b>Subtotal</b>	<b>238,581</b>	<b>–</b>	<b>183,724</b>	<b>–</b>
<b>Total interest expenses</b>	<b>15,786,586</b>	<b>15,646,099</b>	<b>16,110,935</b>	<b>15,891,298</b>

## 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 in the level of insurance risk transferred.

Insurance contracts are those contracts when the Company (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 Company 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 Company 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 Company 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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross written premium	–	–	5,958,629	5,666,450
Less: Premium ceded to reinsurers	–	–	631,221	525,790
Less: Change in reserve unearned premium	–	–	125,378	412,087
<b>Total</b>	–	–	5,202,030	4,728,573

## 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.

## Notes to the Financial Statements

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Service charges	642,507	620,031	201,485	197,171
Other fees and commission	1,051,507	888,921	964,147	807,126
<b>Total</b>	<b>1,694,014</b>	<b>1,508,952</b>	<b>1,165,632</b>	<b>1,004,297</b>

### 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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Net gain/(loss) on financial assets – FVTPL</b>				
Net mark-to-market (losses)/gains	4,772	(24,915)	11,448	(57,981)
Net capital gains	6,245	(2,972)	8,138	13,630
<b>Total</b>	<b>11,017</b>	<b>(27,887)</b>	<b>19,586</b>	<b>(44,351)</b>

### 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 is recognised on accrual basis.

#### Dividend income

Dividend income is recognised when the right to receive the payment is established.

#### Net trading income from sale of vehicles

Revenue from the sale of imported vehicles is recognised when the significant risks and rewards of ownership of the vehicles have transferred to the buyer, usually on dispatch of the vehicles.

#### Operating lease income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the Statement of Profit or Loss in other operating income.

#### Bad debts recovered

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

#### Gain or losses on disposal of property, plant and equipment

Gains or losses resulting from the disposal of property, plant and equipment are accounted for on cash basis in the Statement of Profit or Loss, in the period in which the sale occurs.

## Notes to the Financial Statements

### 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.

### 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 become due.

### Other income

Other income is recognised on an accrual basis.

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gain on sale of property, plant and equipment	6,183	19,645	6,183	26,625
Hiring income	–	–	26,583	26,888
Operating leases income	–	–	29,061	23,074
Rent income from investment property	–	–	90,284	92,884
Net trading income from sale of vehicles	301	2,704	301	3,575
Dividend income from – FVOCI	14,658	10,508	14,658	10,508
– Subsidiaries	406,750	375,766	–	–
– FVTPL	1,683	2,671	2,622	6,061
Gain/(Loss) on sale of investment properties	–	6,980	–	6,980
Valuation income	–	–	108,448	100,969
Insurance fee income	–	–	54,838	51,224
Other income	5,600	–	51,725	84,558
<b>Total</b>	435,175	418,274	384,703	433,346

## 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 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.

## Notes to the Financial Statements

For the year ended 31 March	Note	Page No.	Company		Group		
			2020	2020	2020	2020	
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Impairment on loans and receivables:							
Individual impairment	11.3/11.4	171	839,570	194,262	952,300	194,262	
Collective impairment	11.3/11.4	171	2,966,326	799,059	2,940,618	905,371	
Other receivable			–	–	34,346	15,385	
Loss on disposal of collaterals including write-offs			953,786	728,458	1,090,659	728,458	
Recovery of written off debts/disposal loss			(112,999)	(135,273)	(116,021)	(135,273)	
<b>Total</b>	11.1/11.2	170	4,646,683	1,586,506	4,901,902	1,708,203	

### 11.1 Impairment charge/(reversal) and other losses for loans and receivables (detailed breakdown) – Company

For the year ended 31 March	2020			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	Net amount Rs. '000
	Lease/Ijarah receivable	586,795	2,524,239	(829,916)
Hire purchase/Murabah receivable	(9,027)	58,737	(11,526)	38,184
Term loans and receivables	263,019	3,065,761	(1,001,399)	2,327,381
<b>Total</b>	840,787	5,648,737	(1,842,841)	4,646,683

For the year ended 31 March	2019			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	Net amount Rs. '000
	Lease/Ijarah receivable	402,752	1,207,248	(822,962)
Hire purchase/Murabah receivable	38,955	26,602	(75,634)	(10,077)
Term loans and receivables	151,478	1,747,013	(1,088,946)	809,545
<b>Total</b>	593,185	2,980,863	(1,987,542)	1,586,506

### 11.2 Impairment charge/(reversal) and other losses for loans and receivables (detailed breakdown) – Group

For the year ended 31 March	2020			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	Net amount Rs. '000
	Lease/Ijarah receivable	720,646	2,524,239	(829,916)
Hire purchase/Murabah receivable	(9,027)	210,150	(11,526)	189,597
Term loans and receivables	263,019	3,089,724	(1,089,753)	2,262,990
Other receivable	–	34,346	–	34,346
<b>Total</b>	974,638	5,858,459	(1,931,195)	4,901,902

## Notes to the Financial Statements

For the year ended 31 March	2019			Net amount Rs. '000
	Disposal loss/Write-offs (net of recovery) Rs. '000	Impairment charge Rs. '000	Impairment (reversal) Rs. '000	
Lease/Ijarah receivable	402,752	1,207,248	(822,962)	787,038
Hire purchase/Murabah receivable	38,955	26,602	(11,982)	53,575
Term loans and receivables	151,478	1,853,325	(1,152,598)	852,205
Other receivable	–	15,385	–	15,385
<b>Total</b>	<b>593,185</b>	<b>3,102,560</b>	<b>(1,987,542)</b>	<b>1,708,203</b>

### 11.3 Impairment charge/(reversal) to the income statement – Company

For the year ended 31 March	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
<b>Financial assets at amortised cost – Loans and receivables</b>				
Individual impairment	–	–	839,570	839,570
Collective impairment	(18,943)	499,561	2,485,708	2,966,326
<b>Total</b>	<b>(18,943)</b>	<b>499,561</b>	<b>3,325,278</b>	<b>3,805,896</b>

For the year ended 31 March	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
<b>Financial assets at amortised cost – Loans and receivables</b>				
Individual impairment	–	–	194,262	194,262
Collective impairment	49,497	172,842	576,720	799,059
<b>Total</b>	<b>49,497</b>	<b>172,842</b>	<b>770,982</b>	<b>993,321</b>

### 11.4 Impairment charge to the income statement – Group

For the year ended 31 March	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
<b>Financial assets at amortised cost – Loans and receivables</b>				
Individual impairment	–	–	952,300	952,300
Collective impairment	9,901	602,968	2,327,749	2,940,618
<b>Total</b>	<b>9,901</b>	<b>602,968</b>	<b>3,280,049</b>	<b>3,892,918</b>

## Notes to the Financial Statements

For the year ended 31 March	2019			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial assets at amortised cost – Loans and receivables</b>				
Individual impairment	–	–	194,262	194,262
Collective impairment	71,080	200,328	633,963	905,371
<b>Total</b>	<b>71,080</b>	<b>200,328</b>	<b>828,225</b>	<b>1,099,633</b>

## 12 Personnel expenses

### ACCOUNTING POLICY

Personnel expenses include salaries, bonus, terminal benefit charges, and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Employees are eligible for Employees' Provident Fund (EPF) contribution and Employees' Trust Fund (ETF) 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	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Remuneration			3,361,639	3,143,641	4,152,846	3,813,087
Employee benefit – Defined contribution plans – EPF			182,755	163,148	227,447	200,849
Employee benefit – Defined contribution plans – ETF			45,666	40,784	56,229	51,347
Employee benefit – Retirement benefit obligation – Gratuity	44.1	244	111,325	90,594	124,504	101,335
<b>Total</b>			<b>3,701,385</b>	<b>3,438,167</b>	<b>4,561,026</b>	<b>4,166,618</b>

## 13 Depreciation and amortisation

### 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.

The estimated useful lives are as follows:

Class of asset	Percentage per annum	Period years
Freehold buildings	2	50
Improvement of leasehold property	25	4
Motor vehicles	12.5-20	5-8
Computer hardware	20	5
Office equipments	10 -20	5-10
Furniture and fittings	20	5

## Notes to the Financial Statements

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 pages 220 to 225.

### Amortisation of intangible assets

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below:

Class of asset	Percentage	Period
	per annum	years
Computer software	20	5

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

All classes of intangible assets together with the reconciliation of carrying amounts and accumulated amortisation at the beginning and at the end of the year are given in Note 33 on pages 225 to 227.

	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation of property, plant and equipment	32	220	164,492	166,006	292,404	286,193
Amortisation – Right-of-use assets	34	227	538,230	3,066	332,830	3,066
Amortisation of intangible assets	33	225	14,299	10,535	10,764	13,101
<b>Total</b>			<b>717,021</b>	<b>179,607</b>	<b>635,998</b>	<b>302,360</b>

## 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.

## Notes to the Financial Statements

### 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 reinsured business.

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net benefits and claims	–	–	2,903,951	2,851,334
Underwritings and net acquisition costs	–	–	537,986	477,371
<b>Total</b>	–	–	3,441,937	3,328,705

### 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 and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year.

#### Crop insurance levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

#### Directors' emoluments

Directors' emoluments include fees paid to Non-Executive Directors.

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Directors' emoluments	6,269	9,315	13,143	16,564
Auditors' remunerations	7,385	6,466	13,487	12,051
Non-audit fees to auditors	1,641	1,493	4,912	3,850
Professional fees	24,119	32,934	32,069	47,480
Advertising expenses	43,280	48,450	68,836	66,993
Legal fees	16,915	19,531	17,048	19,845
Deposits insurance premium	141,843	106,232	141,843	106,232
Crop insurance levy	31,751	46,094	31,751	46,094
Operational expenses arising from investment property	–	–	7,337	6,444
Office administration and establishment expenses	1,815,041	2,573,904	2,234,647	2,722,867
<b>Total</b>	2,088,244	2,844,419	2,565,073	3,048,420

## 16 Taxes 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% (2019 – 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 1 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services. NBT abolished with effect from 1 December 2019, amendment to the said Act yet to be enacted as of reporting date.

#### Debt repayment levy (DRL) on financial services

As per the Finance Act No. 35 of 2018, with effect from 1 October 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, amendment to the said Act yet to be enacted as of reporting date.

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
VAT on financial services	1,280,414	1,462,311	1,305,293	1,489,818
NBT on financial services	127,682	187,929	130,875	191,122
Debt repayment levy	594,364	436,970	594,364	436,970
<b>Total</b>	<b>2,002,460</b>	<b>2,087,210</b>	<b>2,030,532</b>	<b>2,117,910</b>

## 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 – “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

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

## Notes to the Financial Statements

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:

Company	Note	Page No.	Tax rate	
			2020 (%)	2019 (%)
People's Leasing & Finance PLC			24-28	28
People's Leasing Fleet Management Limited			24-28	28
People's Micro-commerce Ltd.			24-28	28
People's Insurance PLC	17.1	176	24-28	14-28
People's Leasing Property Development Limited	17.2	176	20-24-28	10-28
People's Leasing Havelock Properties Limited	17.3	176	Exempt	Exempt
Lankan Alliance Finance Limited	17.4	177	40.00	42.50

### Deferred taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 42 to the Financial Statements.

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. Further to this since new rate of 24% is applicable for only three months of the financial year and still the rate has not been enacted PLC used 28% for the provisioning of income tax for the financial year.

#### 17.1 People's Insurance PLC

According to the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, any company which is liable to pay income tax at the rate of 28%, lists its shares on the Colombo Stock Exchange (CSE) by way of a minimum initial public offering (IPO) through which not less than 20% of its shares is issued to the general public on or before 1 April 2017, the income tax rate will be reduced by 50% for the year of assessment in which the such shares are listed and for another two years of assessment, provided that such company after listing continues to maintain a minimum public float of 20%.

Accordingly, 25% of the shares of the Company was offered and issued to the general public by way of an IPO in December 2015 and shares of the Company were listed on the CSE in January 2016. As at 31 December 2016, the public float of the Company's shares was 24.94% while the Company was liable for income tax at 28% (before the tax reduction). Hence, the Company was considered eligible for the 50% tax reduction as per the said Act, and income tax was calculated at 14% for nine months ended 31 December 2018 and balance three months 28%. However, during the reporting period income tax rate was 28% for the year ended 31 March 2020. (2019 – 28%)

#### 17.2 People's Leasing Property Development Limited

Pursuant to the agreement dated 3 December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of two years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period. Non-BOI income is liable for normal rate of 24%.

#### 17.3 People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16 December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is the earliest. The Company is eligible for a 10% concessionary tax rate for a period of two years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

## Notes to the Financial Statements

### 17.4 Lankan Alliance Finance Limited

According to Bangladesh income tax ordinance, 1984 and amendments made thereto, tax rate applicable for Lankan Alliance Finance Limited is 40%.

### 17.5 Income tax expense

For the year ended 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Statement of profit or loss</b>						
Current income tax charge	17.6	177	2,822,836	3,351,426	3,258,757	3,511,778
Deferred tax (reversal)/charge for the year	43	240	(1,213,519)	(1,182,290)	(1,148,189)	(935,741)
<b>Income tax expense recognised in Statement of Profit or Loss</b>			<b>1,609,317</b>	<b>2,169,136</b>	<b>2,110,568</b>	<b>2,576,037</b>
<b>Statement of comprehensive income</b>						
Deferred tax charge/(reversal) for the year	43	240	(49)	(5,670)	(91)	14,028
<b>Income tax charge/(reversal) recognised in Statement of Comprehensive Income</b>			<b>(49)</b>	<b>(5,670)</b>	<b>(91)</b>	<b>14,028</b>
Effective tax rate (excluding deferred tax) (%)			62.02	50.89	57.15	46.28
Effective tax rate (%)			35.36	32.94	37.01	33.95

### 17.6 Reconciliation of accounting profit and taxable income

For the year ended 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Profit as per Statement of Profit or Loss</b>			<b>4,551,825</b>	<b>6,585,257</b>	<b>5,702,317</b>	<b>7,587,305</b>
Add: Disallowable expenses			6,374,026	3,698,709	7,037,717	4,001,348
Add: Lease capital recoverable			12,008,536	20,165,037	12,008,536	20,165,037
Less: Allowable expenses			11,751,442	17,770,847	11,986,518	18,386,164
Less: Exempted/allowable income			1,101,388	385,267	1,255,050	451,848
<b>Statutory income</b>			<b>10,081,557</b>	<b>12,292,889</b>	<b>11,507,002</b>	<b>12,915,678</b>
Less: Tax losses utilised during the year	17.7	178	–	–	29,755	30,556
<b>Assessable income</b>			<b>10,081,557</b>	<b>12,292,889</b>	<b>11,477,247</b>	<b>12,885,122</b>
<b>Taxable income</b>			<b>10,081,557</b>	<b>12,292,889</b>	<b>11,477,247</b>	<b>12,885,122</b>
<b>Income tax expense at the statutory income</b>	17.8	178	<b>2,822,836</b>	<b>3,442,009</b>	<b>3,259,538</b>	<b>3,601,824</b>
(Over)/under provision – Previous years			–	(90,583)	(781)	(90,046)
<b>Current tax on profits for the year</b>			<b>2,822,836</b>	<b>3,351,426</b>	<b>3,258,757</b>	<b>3,511,778</b>
Deferred tax charged/(reversal) for the year	43	240	(1,213,519)	(1,182,290)	(1,148,189)	(935,741)
<b>Tax expense for the year</b>			<b>1,609,317</b>	<b>2,169,136</b>	<b>2,110,568</b>	<b>2,576,037</b>

## Notes to the Financial Statements

### 17.7 Tax losses brought forward and utilised during the year

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Tax losses brought forward	–	–	105,589	136,145
Tax losses utilised during the year	–	–	(29,755)	(30,556)
<b>Tax losses not utilised and carried forward</b>	–	–	75,834	105,589

### 17.8 Income tax expense at the statutory income

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
People's Leasing & Finance PLC	2,822,836	3,442,009	2,822,836	3,442,009
People's Leasing Fleet Management Limited	–	–	6,211	9,642
People's Micro-commerce Ltd.	–	–	40,707	22,691
People's Insurance PLC	–	–	310,271	103,245
People's Leasing Property Development Limited	–	–	–	4,112
Lankan Alliance Finance Limited	–	–	79,513	20,125
<b>Total income tax at the statutory income</b>	2,822,836	3,442,009	3,259,538	3,601,824

### 17.9 Summary of the taxes paid during the year

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Direct taxes</b>				
Income tax	3,071,709	805,705	3,339,472	907,945
Value added tax on financial services	1,463,382	1,383,392	1,498,978	1,412,620
Nation building tax on financial services	147,494	184,632	150,837	218,014
Crop insurance levy	56,002	45,344	56,002	53,938
Economic service charge	210,539	196,063	250,764	235,961
Debt repayment levy	762,822	326,916	762,822	326,916
<b>Total direct taxes</b>	5,711,948	2,942,052	6,058,875	3,155,394
<b>Indirect taxes (collected and paid)</b>				
Value added tax	281,796	348,864	892,932	1,100,517
Nation building tax	22,674	31,373	130,847	167,120
Stamp duty	250,144	260,520	257,991	267,539
Withholding tax on dividend and interest	605,245	665,306	690,842	714,362
PAYE tax	153,043	128,338	164,590	139,929
<b>Total indirect taxes</b>	1,312,902	1,434,401	2,137,202	2,389,467
<b>Total taxes paid during the financial year</b>	7,024,850	4,376,453	8,196,077	5,544,861

## 18 Basic/diluted earnings per ordinary share (EPS)

### ACCOUNTING POLICY

Basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, as per Sri Lanka Accounting Standard – LKAS 33 – “Earnings per Share”.

	Company		Group	
	2020	2019	2020	2019
For the year ended 31 March				
Profit attributable to equity holders of the Company (Rs.)	2,942,508,328	4,416,121,280	3,408,670,499	4,813,577,186
Weighted average number of ordinary shares	1,611,756,419	1,579,862,482	1,611,756,419	1,579,862,482
<b>Basic/Diluted earnings per ordinary share (Rs.)</b>	<b>1.83</b>	<b>2.80</b>	<b>2.11</b>	<b>3.05</b>

## 19 Dividend per ordinary share

	Company	
	2020	2019
For the year ended 31 March		
<b>Ordinary shares</b>		
Out of dividend received (Rs.)	376,792,083	392,767,335
Out of normal profits (Rs.)	762,600,288	1,582,060,768
<b>Total cash dividend paid (Rs.)</b>	<b>1,139,392,371</b>	<b>1,974,828,103</b>
Cash dividend paid (Rs.) – Interim	1,139,392,371	1,184,896,862
Scrip/Cash dividend paid (Rs.) – Final	789,931,241	789,931,241
<b>Total dividend paid (Rs.)</b>	<b>1,929,323,612</b>	<b>1,974,828,103</b>
<b>Weighted average number of ordinary shares</b>	<b>1,611,756,419</b>	<b>1,579,862,482</b>
<b>Dividend per ordinary share (Rs.)</b>	<b>1.20</b>	<b>1.25</b>

Shareholders approved a final dividend of Rs. 0.50 per share for the year ended 31 March 2019. This was paid in the form of a scrip dividend in July 2019. An interim dividend of Rs. 0.70 per share was paid in December 2019 to the ordinary shareholders of the Company for the year 2019/20 (interim dividend 2018/19 – Rs. 0.75).

## 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 heading of the Statement of Financial Position.

## Notes to the Financial Statements

### 20.1 Company

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value 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
<b>Assets</b>						
Cash and cash equivalents	22	189	–	7,164,139	–	7,164,139
Balances with banks and financial institutions	23	190	–	3,207,440	–	3,207,440
Financial assets – Fair value through profit or loss	24	190	1,031,719	–	–	1,031,719
Loans and receivables	25	193	–	147,747,511	–	147,747,511
Financial assets – Fair value through other comprehensive income	27	212	–	–	324,381	324,381
Debt instruments – Amortised cost	28	214	–	4,106,963	–	4,106,963
Other financial assets	35	228	–	232,692	–	232,692
<b>Total financial assets</b>			1,031,719	162,458,745	324,381	163,814,845

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value 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
<b>Liabilities</b>						
Due to banks	36	229	–	7,938,185	–	7,938,185
Due to customers	37	231	–	106,701,027	–	106,701,027
Debt securities issued	38	232	–	18,479,260	–	18,479,260
Other financial liabilities	39	235	–	3,014,117	–	3,014,117
Lease liabilities	41	238	–	1,909,098	–	1,909,098
<b>Total financial liabilities</b>			–	138,041,687	–	138,041,684

### 20.2 Company

As at 31 March 2019	Note	Page No.	Financial instruments recognised at fair value 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
<b>Assets</b>						
Cash and cash equivalents	22	189	–	3,294,055	–	3,294,055
Balances with banks and financial institutions	23	190	–	3,404,533	–	3,404,533
Financial assets – Fair value through profit or loss	24	190	23,190	–	–	23,190
Loans and receivables	25	193	–	151,707,902	–	151,707,902
Financial assets – Fair value through other comprehensive income	27	212	–	–	125,651	125,651
Debt instruments – Amortised cost	28	214	–	8,002,625	–	8,002,625
Other financial assets	35	228	–	143,817	–	143,817
<b>Total financial assets</b>			23,190	166,552,932	125,651	166,701,773

## Notes to the Financial Statements

As at 31 March 2019	Note	Page No.	Financial instruments recognised at fair value 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
<b>Liabilities</b>						
Due to banks	36	229	–	27,273,933	–	27,273,933
Due to customers	37	231	–	88,368,656	–	88,368,656
Debt securities issued	38	232	–	21,275,031	–	21,275,031
Other financial liabilities	39	235	–	2,480,377	–	2,480,377
<b>Total financial liabilities</b>			–	139,397,997	–	139,397,997

### 20.3 Group

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value 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
<b>Assets</b>						
Cash and cash equivalents	22	189	–	7,693,032	–	7,693,032
Balances with banks and financial institutions	23	190	–	6,661,407	–	6,661,407
Financial assets – Fair value through profit or loss	24	190	1,198,592	–	–	1,198,592
Loans and receivables – Amortised cost	25	193	–	154,134,934	–	154,134,934
Insurance and reinsurance receivables	26	210	–	1,194,933	–	1,194,933
Financial assets – Fair value through other Comprehensive income	27	212	–	–	1,455,702	1,455,702
Debt instruments – Amortised cost	28	214	–	4,813,439	–	4,813,439
<b>Total financial assets</b>			1,198,592	174,497,745	1,455,702	177,152,039

As at 31 March 2020	Note	Page No.	Financial instruments recognised at fair value 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
<b>Liabilities</b>						
Due to banks	36	229	–	10,978,046	–	10,978,046
Due to customers	37	231	–	107,685,592	–	107,685,592
Debt securities issued	38	232	–	18,338,039	–	18,338,039
Other financial liabilities	39	235	–	2,829,708	–	2,829,708
Insurance liabilities and reinsurance payable	40	236	–	5,065,220	–	5,065,220
Lease liabilities	41	238	–	1,594,245	–	1,594,245
<b>Total financial liabilities</b>			–	146,490,850	–	146,490,850

# Notes to the Financial Statements

## 20.4 Group

As at 31 March 2019	Note	Page No.	Financial instruments recognised at fair value 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
<b>Assets</b>						
Cash and cash equivalents	22	189	–	4,310,595	–	4,310,595
Balances with banks and financial institutions	23	190	–	7,375,423	–	7,375,423
Financial assets – Fair value through profit or loss	24	190	72,386	–	–	72,386
Loans and receivables – Amortised cost	25	193	–	156,955,837	–	156,955,837
Insurance and reinsurance receivables	26	210	–	885,395	–	885,395
Financial assets – Fair value through other comprehensive income	27	212	–	–	125,651	125,651
Debt instruments – Amortised cost	28	214	–	9,091,945	–	9,091,945
<b>Total financial assets</b>			72,386	178,619,195	125,651	178,817,232
<b>Liabilities</b>						
Due to banks	36	229	–	30,475,326	–	30,475,326
Due to customers	37	231	–	88,923,196	–	88,923,196
Debt securities issued	38	232	–	21,134,040	–	21,134,040
Other financial liabilities	39	235	–	2,464,936	–	2,464,936
Insurance liabilities and reinsurance payable	40	236	–	4,880,873	–	4,880,873
<b>Total financial liabilities</b>			–	147,878,371	–	147,878,371

## 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 categorised 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 judgements, 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						
As at 31 March 2020	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	
<b>Financial assets</b>								
<b>Financial assets – Fair value other comprehensive income</b>								
Quoted investments	27	212	21.03.2020	324,381	–	–	324,381	
<b>Subtotal</b>				324,381	–	–	324,381	
<b>Financial assets – Fair value through profit or loss</b>								
Quoted investments	24	190	21.03.2020	13,547	–	–	13,547	
Investment in unit trust	24	190	31.03.2020	–	1,018,172	–	1,018,172	
<b>Subtotal</b>				13,547	1,018,172	–	1,031,719	
<b>Total</b>				337,928	1,018,172	–	1,356,100	
<b>Non-financial assets disclosed at fair value</b>								
Freehold land and buildings (Included under property, plant and equipment)	32.4	224	–	–	–	864,058	864,058	
<b>Total</b>			–	–	–	864,058	864,058	

## Notes to the Financial Statements

		Company						
As at 31 March 2019	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	
<b>Financial assets</b>								
<b>Financial assets – Fair value through other comprehensive income</b>								
Quoted investments	27	212	31.03.2019	125,651	–	–	125,651	
<b>Subtotal</b>				125,651	–	–	125,651	
<b>Financial assets – Fair value through profit or loss</b>								
Quoted investments	24	190	31.03.2019	23,190	–	–	23,190	
<b>Subtotal</b>				23,190	–	–	23,190	
<b>Total</b>				148,841	–	–	148,841	
<b>Non-financial assets disclosed at fair value</b>								
Freehold lands and buildings (Included under property, plant and equipment)	32.4	224		–	–	795,585	795,585	
<b>Total</b>				–	–	795,585	795,585	

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy:

		Group						
As at 31 March 2020	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	
<b>Financial assets</b>								
<b>Financial assets – Fair value through other comprehensive income</b>								
Quoted investments	27	212	21.3.2020	324,381	–	–	324,381	
Treasury bills	27	212	27.3.2020	–	1,131,321	–	1,131,321	
<b>Subtotal</b>				324,381	1,131,321	–	1,455,702	
<b>Financial assets – Fair value through profit or loss</b>								
Quoted investments	24	190	21.3.2020	27,134	–	–	27,134	
Investment in unit trust	24	190	31.3.2020	–	1,171,458	–	1,171,458	
<b>Subtotal</b>				27,134	1,171,458	–	1,198,592	
<b>Non-financial assets – Investment property</b>								
Land and building	31	218		–	–	1,131,652	1,131,652	
<b>Subtotal</b>				–	–	1,131,652	1,131,652	
<b>Total</b>				351,515	2,302,779	1,131,652	3,785,946	
<b>Non-financial assets disclosed at fair value</b>								
Freehold land and buildings (Included under property, plant and equipment)	32.4	224		–	–	5,914,058	5,914,058	
<b>Total</b>				–	–	5,914,058	5,914,058	

## Notes to the Financial Statements

				Group			
As at 31 March 2019	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
<b>Financial assets</b>							
<b>Financial assets – Fair value through other comprehensive income</b>							
Quoted investments	27	212	31.3.2019	125,651	–	–	125,651
<b>Subtotal</b>				125,651	–	–	125,651
<b>Financial assets – Fair value through profit or loss</b>							
Quoted investments	24	190	31.3.2019	72,386	–	–	72,386
<b>Subtotal</b>				72,386	–	–	72,386
<b>Non-financial assets – Investment property</b>							
Land and building	31	218		–	–	1,131,596	1,131,596
<b>Subtotal</b>				–	–	1,131,596	1,131,596
<b>Total</b>				198,037	–	1,131,596	1,329,633
<b>Non-financial assets disclosed at fair value</b>							
Freehold lands and buildings (Included under property, plant and equipment)	32.4	224		–	–	5,695,585	5,695,585
<b>Total</b>				–	–	5,695,585	5,695,585

There were no material transfers between level 1 and level 2 during the 2018/19 and 2019/20. 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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial assets</b>				
<b>Financial assets – Fair value through profit or loss</b>				
Quoted investments	11,017	(27,887)	19,586	(44,351)
<b>Total</b>	11,017	(27,887)	19,586	(44,351)

## Notes to the Financial Statements

### 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:

	Note	Page No.	Company			Group		
			Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000	Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000
Balance as at 1 April 2018			134,400	845,585	979,985	1,265,996	4,402,489	5,668,485
Additions			-	-	-	-	-	-
Disposals/transfers			(134,400)	(52,000)	(186,400)	(134,400)	(52,000)	(186,400)
Total gains/(losses) recognised in profit or loss:								
Depreciation of buildings			-	(430)	(430)	-	(60,368)	(60,368)
Fair value disclosed during the year			-	2,430	2,430	-	273,868	273,868
<b>Balance as at 31 March 2019</b>	32.4	224	-	795,585	795,585	1,131,596	4,563,989	5,695,585
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
Total gains/(losses) recognised in profit or loss:								
Depreciation of buildings			-	(361)	(361)	-	(60,521)	(60,521)
Fair value disclosed during the year			-	62,175	62,175	-	266,483	266,483
<b>Balance as at 31 March 2020</b>	32.4	224	-	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 2020 and 31 March 2019 in measuring non-financial instruments categorised as level 3 in the fair value hierarchy:

Type of instrument	Date of valuation	Fair value Rs. '000	Valuation technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
<b>Company</b>						
<b>As at 31 March 2020</b>						
<b>Property, plant and equipment</b>						
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	*
<b>As at 31 March 2019</b>						
<b>Property, plant and equipment</b>						
Freehold lands	31.12.2016	752,731	MCM	Estimated price per perch	Rs. 50,000 – 4,300,000	*
Freehold buildings	31.12.2016	42,854	MCM	Estimated price per sq. ft.	Rs. 500 – 4,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 20 – 60	*

## Notes to 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
<b>Group</b>						
<b>As at 31 March 2020</b>						
<b>Investment property</b>						
Freehold lands	31.12.2019	360,014	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
Freehold buildings	31.12.2019	771,638	MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
<b>Property, plant and equipment</b>						
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	*
<b>As at 31 March 2019</b>						
<b>Investment property</b>						
Freehold lands	31.3.2018	359,958	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
Freehold buildings	31.3.2018	771,638	MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
<b>Property, plant and equipment</b>						
Freehold land	31.12.2018	3,177,773	MCM	Estimated price per perch	Rs. 50,000 – 10,000,000	*
Freehold buildings	31.12.2018	1,386,216	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.

Company	2020					2019				
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000
As at 31 March										
<b>Financial assets</b>										
Cash and cash equivalents	–	7,164,139	–	7,164,139	7,164,139	–	3,294,055	–	3,294,055	3,294,055
Balances with banks and financial institutions	–	3,205,140	–	3,205,140	3,207,440	–	3,399,296	–	3,399,296	3,404,533
Loans and receivables – Amortised cost (gross)	–	155,825,013	–	155,825,013	156,497,746	–	155,935,731	–	155,935,731	156,652,241
Debt instruments – Amortised cost	–	4,114,978	–	4,114,978	4,106,963	–	8,007,001	–	8,007,001	8,002,625
Other financial assets	–	232,692	–	232,692	232,692	–	143,817	–	143,817	143,817
<b>Total</b>	–	170,541,962	–	170,541,962	171,208,980	–	170,779,900	–	170,779,900	171,497,271
<b>Financial liabilities</b>										
Due to banks	–	8,057,554	–	8,057,554	7,938,185	–	27,260,329	–	27,260,329	27,273,933
Due to customers	–	106,798,094	–	106,798,094	106,701,027	–	87,918,010	–	87,918,010	88,368,656
Debt securities issued	–	18,759,201	–	18,759,201	18,479,260	–	20,824,768	–	20,824,768	21,275,031
Other financial liabilities	–	3,014,117	–	3,014,117	3,014,117	–	2,480,377	–	2,480,377	2,480,377
Lease liabilities	–	1,904,947	–	1,904,947	1,909,098	–	–	–	–	–
<b>Total</b>	–	138,533,913	–	138,533,913	138,041,687	–	138,483,484	–	138,483,484	139,397,997

## Notes to the Financial Statements

Group	2020					2019				
	Level 1	Level 2	Level 3	Total fair value	Carrying amount	Level 1	Level 2	Level 3	Total fair value	Carrying amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March										
<b>Financial assets</b>										
Cash and cash equivalents	–	7,693,032	–	7,693,032	7,693,032	–	4,310,595	–	4,310,595	4,310,595
Balances with banks and financial institutions	–	6,593,797	–	6,593,797	6,661,407	–	6,824,241	–	6,824,241	7,375,423
Loans and receivables – Amortised cost (gross)	–	158,483,419	–	158,483,419	163,304,880	–	159,843,406	–	159,843,406	162,232,865
Insurance and reinsurance receivables	–	1,194,933	–	1,194,933	1,194,933	–	885,395	–	885,395	885,395
Debt instruments – Amortised cost	–	4,821,454	–	4,821,454	4,813,439	–	8,007,001	–	8,007,001	9,091,945
<b>Total</b>	–	178,786,635	–	178,786,635	183,667,691	–	179,870,638	–	179,870,638	183,896,223
<b>Financial liabilities</b>										
Due to banks	–	11,097,415	–	11,097,415	10,978,046	–	30,118,093	–	30,118,093	30,475,326
Due to customers	–	106,796,726	–	106,796,726	107,685,592	–	87,486,543	–	87,486,543	88,923,196
Debt securities issued	–	18,616,227	–	18,616,227	18,338,039	–	20,683,777	–	20,683,777	21,134,040
Other financial liabilities	–	2,829,708	–	2,829,708	2,829,708	–	2,464,936	–	2,464,936	2,464,936
Insurance liabilities and reinsurance payable	–	5,065,220	–	5,065,220	5,065,220	–	4,880,873	–	4,880,873	4,880,873
Lease liabilities	–	1,590,805	–	1,590,805	1,594,245	–	–	–	–	–
<b>Total</b>	–	145,996,101	–	145,996,101	146,490,850	–	145,634,222	–	145,634,222	147,878,371

### Fair value of financial assets and liabilities not carried at fair value

Relief granted by the CBSL has not being considered for the 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.

#### Loans and receivables

The fair value of loans and advances to customers with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with maturity of more than one year represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

#### Due to customers

The estimated fair value of deposits with no maturity period (savings deposits) is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits (fixed deposits) without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar risk and remaining maturity.

## Due to banks and debt securities issued

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

The fair value of fixed rate borrowings with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of fixed rates borrowing with maturity of more than one year represents the discounted amount of future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

## 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 equivalents held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

### Securities purchased under reverse repurchase agreements

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position.

The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within “cash and cash equivalents”, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in “interest income” and is accrued over the life of the agreement using the EIR.

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash in hand			656,002	861,562	669,272	890,748
Balance with banks	22.1	189	1,172,669	2,065,523	1,675,364	2,760,312
Savings account with banks			206,434	60,563	214,422	60,639
Savings deposits in foreign currency			19	4,859	19	4,859
Securities under reverse repurchase agreements			5,129,015	301,548	5,133,955	594,037
<b>Total</b>			<b>7,164,139</b>	<b>3,294,055</b>	<b>7,693,032</b>	<b>4,310,595</b>
<b>Fair value</b>			<b>7,164,139</b>	<b>3,294,055</b>	<b>7,693,032</b>	<b>4,310,595</b>

### 22.1 Balance with banks

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Local banks	1,172,669	2,065,523	1,675,364	2,760,312
<b>Total</b>	<b>1,172,669</b>	<b>2,065,523</b>	<b>1,675,364</b>	<b>2,760,312</b>

# Notes to the Financial Statements

## 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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Fixed deposits</b>				
Local currency	3,207,440	3,404,533	6,644,819	7,365,148
Foreign currency	–	–	16,588	10,275
<b>Total</b>	<b>3,207,440</b>	<b>3,404,533</b>	<b>6,661,407</b>	<b>7,375,423</b>
<b>Fair value</b>	<b>3,205,140</b>	<b>3,399,296</b>	<b>6,593,797</b>	<b>6,824,241</b>

## 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 assets FVOCI, to determine if the intention to sell them in the near future is still appropriate. When the Group cannot 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. Financial assets FVOCI measure the fair value using the prices obtained from Colombo Stock Exchanges.

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in unit trust	24.3	192	1,018,172	–	1,171,458	–
Quoted equity securities	24.1	191	13,547	23,190	27,134	72,386
<b>Total</b>			<b>1,031,719</b>	<b>23,190</b>	<b>1,198,592</b>	<b>72,386</b>
<b>Fair value</b>			<b>1,031,719</b>	<b>23,190</b>	<b>1,198,592</b>	<b>72,386</b>

## 24.1 Quoted equity securities

As at 31 March	Company					
	2020			2019		
	Number of shares	Total cost Rs. '000	Market value Rs. '000	Number of shares	Total cost Rs. '000	Market value Rs. '000
<b>Bank, Finance and Insurance</b>						
Commercial Bank of Ceylon PLC – Non-voting	114,885	9,877	6,721	111,984	9,653	9,407
Seylan Bank PLC – Voting	109,406	7,449	3,665	80,381	6,236	5,048
Seylan Bank PLC – Non-voting	143,028	4,403	3,161	103,909	3,554	3,730
<b>Subtotal</b>		21,729	13,547		19,443	18,185
<b>Diversified holdings</b>						
Vallibel One PLC		–	–	350,000	8,769	5,005
<b>Subtotal</b>		–	–		8,769	5,005
<b>Total</b>		21,729	13,547		28,212	23,190
<b>Mark to market gains/(losses)</b>		(8,182)			(5,022)	
<b>Market value of equity securities</b>		13,547			23,190	

As at 31 March	Group					
	2020			2019		
	Number of shares	Total cost Rs. '000	Market value Rs. '000	Number of shares	Total cost Rs. '000	Market value Rs. '000
<b>Shares listed in Sri Lanka</b>						
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	194,604	16,619	16,347
Seylan Bank PLC – Voting	109,406	7,449	3,665	80,381	6,236	5,048
Seylan Bank PLC – Non-voting	143,028	4,403	3,161	103,909	3,554	3,730
<b>Subtotal</b>		33,812	20,759		26,409	25,125
Beverage food and tobacco						
Ceylon Tobacco Company PLC	5,000	5,400	5,000	–	–	–
Distilleries Company of Sri Lanka PLC	–	–	–	14,814	110	215
<b>Subtotal</b>		5,400	5,000		110	215
Diversified holdings						
John Keells Holdings PLC	–	–	–	237,500	37,363	37,050
Melstacorp PLC	–	–	–	50,000	1,693	1,800
Vallibel One PLC	–	–	–	350,000	8,769	5,005
Sunshine Holdings PLC	–	–	–	50,921	2,825	2,393
<b>Subtotal</b>		–	–		50,650	46,248
Manufacturing						
Kelani Cables PLC	–	–	–	11,833	1,492	798
<b>Subtotal</b>		–	–		1,492	798
<b>Shares listed in Bangladesh</b>						
Indo-Bangla Pharmaceuticals	3,530	65	151	–	–	–
Silva Pharmaceuticals	9,653	204	399	–	–	–
Silco Pharmaceuticals	8,022	162	399	–	–	–
VFS Tread Ltd.	8,515	156	426	–	–	–
<b>Subtotal</b>		587	1,375		–	–
<b>Total</b>		39,799	27,134		78,661	72,386
<b>Mark to market gains/(losses)</b>		(12,665)			(6,275)	
<b>Market value of equity securities</b>		27,134			72,386	

## Notes to the Financial Statements

### 24.2 Industry/sector composition of equity securities – Company and Group Company

#### Industry/Sector

As at 31 March	2020			2019		
	Total cost Rs. '000	Market value Rs. '000	%	Total cost Rs. '000	Market value Rs. '000	%
Bank, finance and insurance	21,729	13,547	100.00	19,443	18,185	78.42
Diversified holdings	–	–	–	8,769	5,005	21.58
<b>Subtotal</b>	<b>21,729</b>	<b>13,547</b>	<b>100.00</b>	<b>28,212</b>	<b>23,190</b>	<b>100.00</b>
<b>Mark to market gains/(losses)</b>	<b>(8,182)</b>			<b>(5,022)</b>		
<b>Market value of equity securities</b>	<b>13,547</b>			<b>23,190</b>		

#### Group

As at 31 March	2020			2019		
	Total cost Rs. '000	Market value Rs. '000	%	Total cost Rs. '000	Market value Rs. '000	%
Bank, finance and insurance	33,812	20,759	76.51	26,409	25,125	34.71
Beverage food and tobacco	5,400	5,000	18.43	110	215	0.30
Pharmaceuticals, biotechnology and life sciences	431	949	3.50	–	–	–
Diversified holdings	156	426	1.57	50,650	46,248	63.89
Manufacturing	–	–	–	1,492	798	1.10
<b>Subtotal</b>	<b>39,799</b>	<b>27,134</b>	<b>100.00</b>	<b>78,661</b>	<b>72,386</b>	<b>100.00</b>
<b>Mark to market gains/(losses)</b>	<b>(12,665)</b>			<b>(6,275)</b>		
<b>Market value of equity securities</b>	<b>27,134</b>			<b>72,386</b>		

Sensitivity analysis of financial assets – FVTPL is given in Note 59.4.3 on page 284.

### 24.3 Investment in unit trust

As at 31 March	Company			Group		
	Number of units	2020 Rs. '000	2019 Rs. '000	Number of units	2020 Rs. '000	2019 Rs. '000
NDB Wealth Money Market Plus Fund	34,521,366	760,585	–	34,521,366	760,585	–
Guardian Money Market Fund	13,256,217	257,587	–	13,264,201	410,873	–
<b>Total</b>		<b>1,018,172</b>	<b>–</b>		<b>1,171,458</b>	<b>–</b>

## **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 the Company intend to sell immediately or in the near term and those that upon initial recognition, designates as at fair value through profit or loss;
- Those that the 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”.

### **Lease**

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right-of-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.

### **Company/Group 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**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right-of-use the asset.

### **“Day 1” difference for staff loans**

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as “day 1” difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs. Refer Note 35.2 on page 228.

### **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 loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original EIR.

## Notes to the Financial Statements

### Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

### 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	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and receivables	25.1.2	195	156,497,746	156,652,241	163,304,880	162,232,865
Less: Individual impairment	25.8	207	1,316,238	476,668	1,428,968	476,668
Less: Collective impairment	25.8	207	7,433,997	4,467,671	7,740,978	4,800,360
<b>Net loans and receivables</b>			147,747,511	151,707,902	154,134,934	156,955,837
<b>Fair value</b>			155,825,013	155,935,731	158,483,419	159,843,406

## 25.1 Analysis

### 25.1.1 Analysis by stage wise

As at 31 March	Company			
	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	85,842,549	38,427,764	32,227,433	156,497,746
Less: Individual impairment	–	–	1,316,238	1,316,238
Less: Collective impairment	675,172	1,183,272	5,575,553	7,433,997
<b>Net loans and receivables</b>	85,167,377	37,244,492	25,335,642	147,747,511

As at 31 March	Company			
	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	114,902,936	26,640,116	15,109,189	156,652,241
Less: Individual impairment	–	–	476,668	476,668
Less: Collective impairment	694,115	683,712	3,089,844	4,467,671
<b>Net loans and receivables</b>	114,208,821	25,956,404	11,542,677	151,707,902

## Notes to the Financial Statements

As at 31 March	Group			
	2020			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	88,207,562	41,813,456	33,283,862	163,304,880
Less: Individual impairment	–	–	1,428,968	1,428,968
Less: Collective impairment	749,718	1,333,159	5,658,101	7,740,978
<b>Net loans and receivables</b>	<b>87,457,844</b>	<b>40,480,297</b>	<b>26,196,793</b>	<b>154,134,934</b>

As at 31 March	Group			
	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	118,132,252	28,664,656	15,435,957	162,232,865
Less: Individual impairment	–	–	476,668	476,668
Less: Collective impairment	739,818	730,193	3,330,349	4,800,360
<b>Net loans and receivables</b>	<b>117,392,434</b>	<b>27,934,463</b>	<b>11,628,940</b>	<b>156,955,837</b>

### 25.1.2 Analysis by product

As at 31 March		Note	Page No.	Company		Group	
				2020	2019	2020	2019
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>By product</b>							
Lease/Ijarah receivables	25.5/25.6	199/202	85,815,366	87,421,571	85,815,366	87,421,571	
Hire purchase/Murabah receivables	25.5/25.6	199/202	336,375	658,758	3,355,778	2,872,618	
Term loans and receivables	25.5/25.6	199/202	68,728,321	67,237,439	71,615,697	69,849,575	
Related party receivables	25.2	196	1,617,684	1,334,473	–	–	
Debentures	25.3	197	–	–	2,518,039	2,089,101	
<b>Gross total</b>			<b>156,497,746</b>	<b>156,652,241</b>	<b>163,304,880</b>	<b>162,232,865</b>	
Fair value			155,825,013	155,935,731	158,483,419	159,843,406	

## Notes to the Financial Statements

### 25.1.3 Analysis by currency

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Rupee	156,497,746	156,652,241	160,611,510	159,697,153
Bangladesh Taka	-	-	2,693,370	2,535,712
<b>Gross total</b>	<b>156,497,746</b>	<b>156,652,241</b>	<b>163,304,880</b>	<b>162,232,865</b>

### 25.1.4 Analysis by industry

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, forestry and fishing	30,535,229	23,499,008	31,148,829	23,949,702
Arts, entertainment and recreation	1,198,406	580,392	1,198,406	580,392
Construction and infrastructure development	11,861,226	12,008,983	10,905,103	11,204,000
Consumption	8,982,853	9,085,088	9,017,339	9,090,948
Education	1,790,145	1,671,124	1,790,145	1,671,124
Financial services	4,881,761	4,360,893	7,836,750	6,192,526
Health care, social services and support services	18,588,699	33,836,250	20,017,178	33,836,250
Information technology and communication	1,419,850	1,193,537	1,419,850	1,193,537
Manufacturing	9,267,973	8,172,219	11,378,906	10,665,019
Professional, scientific and technical activities	8,042,772	3,926,506	8,042,772	4,896,861
Tourism	4,337,271	3,727,500	4,352,849	3,735,748
Transportation and storage	35,230,788	31,528,810	35,265,304	31,553,217
Wholesale and retail trade	18,168,984	18,754,628	18,606,628	19,183,358
Others	2,191,789	4,307,303	2,324,821	4,480,183
<b>Gross total</b>	<b>156,497,746</b>	<b>156,652,241</b>	<b>163,304,880</b>	<b>162,232,865</b>

### 25.2 Related party receivables

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
People's Leasing Property Development Limited	614,680	553,289	-	-
People's Leasing Fleet Management Limited	17,654	7,244	-	-
People's Leasing Havelock Properties Limited	809,822	710,399	-	-
People's Micro-commerce Ltd.	112,505	11,039	-	-
People's Insurance PLC	35,868	25,347	-	-
Lankan Alliance Finance Limited	27,155	27,155	-	-
<b>Total</b>	<b>1,617,684</b>	<b>1,334,473</b>	<b>-</b>	<b>-</b>

### 25.3 Debentures

	Rate	Maturity date	Group			
			2020		2019	
			Number of debentures	Carrying value Rs. '000	Number of debentures Rs. '000	Carrying value Rs. '000
	%					
Sampath Bank PLC	8.25	14 December 2019	–	–	1,250,000	127,471
	9.90	18 November 2019	500,000	51,802	500,000	51,787
	12.50	20 March 2023	1,000,000	106,634	1,000,000	100,401
	13.90	24 February 2024	1,000,000	101,138	1,000,000	101,111
Siyapatha Finance PLC	13.33	08 August 2024	1,500,000	162,626	–	–
National Savings Bank	11.00	10 September 2022	1,000,000	105,970	–	–
National Development Bank PLC	9.40	24 June 2020	282,800	26,057	282,800	24,122
	13.95	30 March 2024	2,000,000	227,961	2,000,000	200,000
DFCC Bank PLC	9.40	10 June 2020	332,100	35,764	332,100	35,758
	12.75	09 November 2023	1,000,000	104,996	1,000,000	104,961
	13.00	29 March 2025	844,500	95,536	844,500	95,477
	13.50	28 March 2024	1,000,000	113,627	1,000,000	100,107
Seylan Bank PLC	12.85	29 March 2023	750,000	79,883	750,000	79,856
MTD Walkers PLC	11.75	30 September 2019	254,784	26,954	254,784	26,954
Commercial Credit and Finance PLC	10.40	10 December 2020	1,000,000	103,189	1,000,000	103,160
Sanasa Development Bank PLC	10.30	31 December 2020	500,000	51,280	500,000	51,266
Commercial Bank PLC	10.75	08 March 2021	2,000,000	212,104	2,000,000	201,324
	12.00	27 October 2021	421,900	44,345	421,900	44,331
	12.00	22 July 2023	881,700	90,135	881,700	90,106
Hatton National Bank PLC	11.25	28 March 2021	2,000,000	222,954	2,000,000	222,529
	13.00	01 November 2023	193,300	20,339	193,300	20,332
	12.30	22 September 2024	413,300	43,914	–	–
Nations Trust Bank PLC	12.65	08 November 2021	2,000,000	209,619	2,000,000	209,921
	12.80	23 December 2024	2,000,000	206,634	–	–
Hayleys PLC	12.50	31 July 2023	1,000,000	102,012	1,000,000	101,978
<b>Subtotal</b>				2,545,473		2,092,952
Less: Allowance for expected credit losses				(27,434)		(3,851)
<b>Total</b>				2,518,039		2,089,101

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

## Notes to the Financial Statements

### 25.4 Movement in gross loan and receivables during the year (Under SLFRS 9) Movement in gross loan and receivables 2019/20

	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 1	(26,572,169)	16,957,385	9,614,784	–
Transfers to Stage 2	1,608,186	(9,125,199)	7,517,013	–
Transfers to Stage 3	236,319	518,658	(754,977)	–
Amounts written-off	–	–	–	–
<b>Gross carrying amount as at 31 March 2020</b>	<b>85,842,549</b>	<b>38,427,765</b>	<b>32,227,432</b>	<b>156,497,746</b>

### Movement in gross loan and receivables 2018/19

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	110,019,522	23,482,126	9,608,168	143,109,816
New assets originated or purchased	65,685,458	10,985,274	4,308,201	80,978,933
Assets derecognised or repaid (excluding write-offs)	(47,840,377)	(13,738,418)	(5,623,070)	(67,201,865)
Transfers to Stage 1	5,455,678	(4,855,785)	(599,893)	–
Transfers to Stage 2	(13,313,887)	14,013,387	(699,500)	–
Transfers to Stage 3	(5,103,458)	(3,246,467)	8,349,925	–
Amounts written-off	–	–	(234,643)	(234,643)
<b>Gross carrying amount as at 31 March 2019</b>	<b>114,902,936</b>	<b>26,640,117</b>	<b>15,109,188</b>	<b>156,652,241</b>

### Movement in gross loan and receivables 2019/20

	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 1	(27,728,058)	17,695,031	10,033,027	–
Transfers to Stage 2	1,678,142	(9,522,145)	7,844,003	–
Transfers to Stage 3	246,599	541,220	(787,819)	–
Amounts written-off	–	–	–	–
<b>Gross carrying amount as at 31 March 2020</b>	<b>88,207,562</b>	<b>41,813,456</b>	<b>33,283,862</b>	<b>163,304,880</b>

## Notes to the Financial Statements

### Movement in gross loan and receivables 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	111,408,727	23,776,549	9,848,209	145,033,485
New assets originated or purchased	68,379,992	12,782,885	4,336,959	85,499,836
Assets derecognised or repaid (excluding write-offs)	(48,430,522)	(13,931,656)	(5,702,630)	(68,064,808)
Transfers to Stage 1	5,531,116	(4,928,543)	(602,573)	–
Transfers to Stage 2	(13,573,641)	14,277,396	(703,755)	–
Transfers to Stage 3	(5,183,423)	(3,311,973)	8,495,396	–
Amounts written-off	–	–	(235,648)	(235,648)
<b>Gross carrying amount as at 31 March 2019</b>	<b>118,132,249</b>	<b>28,664,658</b>	<b>15,435,958</b>	<b>162,232,865</b>

### 25.5 Remaining contractual maturity analysis – Company

#### 25.5.1 Lease/Ijarah receivable

As at 31 March	Company							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	49,584,958	59,717,444	19,500	109,321,902	48,270,858	66,192,475	13,460	114,476,793
Less: Unearned income	12,002,025	11,498,996	1,241	23,502,262	13,679,885	13,367,602	1,085	27,048,572
<b>Net rentals receivable</b>	<b>37,582,933</b>	<b>48,218,448</b>	<b>18,259</b>	<b>85,819,640</b>	<b>34,590,973</b>	<b>52,824,873</b>	<b>12,375</b>	<b>87,428,221</b>
Less: Rentals received in advance				4,274				6,650
<b>Lease/Ijarah receivable before impairment provision</b>				<b>85,815,366</b>				<b>87,421,571</b>
<b>Less: Allowance for impairment losses</b>								
Individual Impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				61,413				18,262
<b>Total individual impairment</b>				<b>61,413</b>				<b>18,262</b>
Collective Impairment								
Stage 1				324,980				321,797
Stage 2				632,661				423,058
Stage 3				2,394,313				955,927
<b>Total collective impairment</b>				<b>3,351,954</b>				<b>1,700,782</b>
<b>Total net rentals receivable</b>	<b>37,582,933</b>	<b>48,218,448</b>	<b>18,259</b>	<b>82,401,999</b>	<b>34,590,973</b>	<b>52,824,873</b>	<b>12,375</b>	<b>85,702,527</b>

**Notes to the  
Financial Statements**

25.5.2 Hire purchase/Murabah receivable

As at 31 March	Company								
	2020				2019				
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	
<b>Gross rentals receivable</b>	310,678	34,553	–	345,231	563,361	155,331	–	718,692	
Less: Unearned income	6,612	1,783	–	8,395	49,702	9,668	–	59,370	
<b>Net rentals receivable</b>	304,066	32,770	–	336,836	513,659	145,663	–	659,322	
Less: Rentals received in advance				461				564	
<b>Hire purchase/Murabah receivable before impairment provision</b>				336,375				658,758	
<b>Less: Allowance for impairment losses</b>									
Individual impairment									
Stage 1				–				–	
Stage 2				–				–	
Stage 3				–				–	
<b>Total individual impairment</b>				–				–	
Collective impairment									
Stage 1				200				465	
Stage 2				1,034				1,707	
Stage 3				123,874				74,307	
<b>Total collective impairment</b>				125,108				76,479	
<b>Total net rentals receivable</b>	304,066	32,770	–	211,267	513,659	145,663	–	582,279	

**Notes to the  
Financial Statements**

25.5.3 Term loan and receivables

As at 31 March	Company							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Motor loans	13,395,016	21,440,497	–	34,835,513	8,690,223	17,023,423	182,818	25,896,464
Short and medium loans	6,534,786	7,511,149	64,677	14,110,612	6,543,609	8,817,709	18,859	15,380,177
Clean basis loan stock	780,035	185,292	–	965,327	816,318	187,574	–	1,003,892
Self e-cash loan	1,914,075	900,925	–	2,815,000	1,842,811	703,154	–	2,545,965
Fast track loan	5,190,508	824,658	181,583	6,196,749	9,480,471	4,074,708	181,583	13,736,762
Trading Murabah	647,923	129,116	–	777,039	1,030,619	244,884	–	1,275,503
Musharakah	611,187	1,008,473	1,033	1,620,693	298,416	751,343	1,033	1,050,792
Factoring receivable	3,142,703	–	–	3,142,703	2,755,550	–	–	2,755,550
Margin trading	2,265,923	–	–	2,265,923	2,066,214	–	–	2,066,214
Staff loans	171,683	506,130	28,429	706,242	169,139	485,051	32,615	686,805
Sundry loans	1,295,043	–	–	1,295,043	841,892	–	–	841,892
Less: Prepaid rentals	2,523	–	–	2,523	2,577	–	–	2,577
<b>Loan receivable before impairment provision</b>	<b>35,946,359</b>	<b>32,506,240</b>	<b>275,722</b>	<b>68,728,321</b>	<b>34,532,685</b>	<b>32,287,846</b>	<b>416,908</b>	<b>67,237,439</b>
<b>Less: Allowance for impairment losses</b>								
Individual impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				1,254,825				458,406
<b>Total individual impairment</b>				<b>1,254,825</b>				<b>458,406</b>
Collective impairment								
Stage 1				349,992				371,853
Stage 2				549,577				258,945
Stage 3				3,057,366				2,059,612
<b>Total collective impairment</b>				<b>3,956,935</b>				<b>2,690,410</b>
<b>Total net rentals receivable</b>	<b>35,946,359</b>	<b>32,506,240</b>	<b>275,722</b>	<b>63,516,561</b>	<b>34,532,685</b>	<b>32,287,846</b>	<b>416,908</b>	<b>64,088,623</b>

## Notes to the Financial Statements

### 25.6 Remaining Contractual maturity analysis – Group

#### 25.6.1 Lease/Ijarah receivable

As at 31 March	Group							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
<b>Gross rentals receivable</b>	49,584,958	59,717,444	19,500	109,321,902	48,270,858	66,192,475	13,460	114,476,793
Less: Unearned income	12,002,025	11,498,996	1,241	23,502,262	13,679,885	13,367,602	1,085	27,048,572
<b>Net rentals receivable</b>	37,582,933	48,218,448	18,259	85,819,640	34,590,973	52,824,873	12,375	87,428,221
Less: Rentals received in advance				4,274				6,650
<b>Lease/Ijarah receivable before impairment provision</b>				85,815,366				87,421,571
<b>Less: Allowance for impairment losses</b>								
Individual impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				61,413				18,262
<b>Total individual impairment</b>				61,413				18,262
Collective impairment								
Stage 1				324,980				321,797
Stage 2				632,661				423,058
Stage 3				2,394,313				955,927
<b>Total collective impairment</b>				3,351,954				1,700,782
<b>Total net rentals receivable</b>	37,582,933	48,218,448	18,259	82,401,999	34,590,973	52,824,873	12,375	85,702,527

25.6.2 Hire purchase/Murabah receivable

As at 31 March	Group							
	2020				2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
<b>Gross rentals receivable</b>	2,244,239	2,342,823	–	4,587,062	3,627,512	155,331	–	3,782,843
Less: Unearned income	636,855	593,968	–	1,230,823	899,993	9,668	–	909,661
<b>Net rentals receivable</b>	1,607,384	1,748,855	–	3,356,239	2,727,519	145,663	–	2,873,182
Less: Rentals received in advance				461				564
<b>Hire purchase/Murabah receivable before impairment provision</b>				3,355,778				2,872,618
<b>Less: Allowance for impairment losses</b>								
Individual impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				33,824				–
<b>Total individual impairment</b>				33,824				–
Collective impairment								
Stage 1				45,524				34,114
Stage 2				126,381				31,194
Stage 3				203,824				138,675
<b>Total collective impairment</b>				375,729				203,983
<b>Total net rentals receivable</b>	1,607,384	1,748,855	–	2,946,225	2,727,519	145,663	–	2,668,635

## Notes to the Financial Statements

### 25.6.3 Term-loan and receivables

As at 31 March	Group								
	2020				2019				
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	
Motor loans	13,395,016	21,440,497	–	34,835,513	8,690,223	17,023,423	182,818	25,896,464	
Short and medium loans	9,422,162	7,511,149	64,677	16,997,988	9,236,664	8,817,709	18,859	18,073,232	
Clean basis loan stock	780,035	185,292	–	965,327	816,318	187,574	–	1,003,892	
Self e-cash loan	1,914,075	900,925	–	2,815,000	1,842,811	703,154	–	2,545,965	
Fast track loan	5,190,508	824,658	181,583	6,196,749	9,480,471	4,074,708	181,583	13,736,762	
Trading Murabah	647,923	129,116	–	777,039	1,030,619	244,884	–	1,275,503	
Musharakah	611,187	1,008,473	1,033	1,620,693	298,416	751,343	1,033	1,050,792	
Factoring receivable	3,142,703	–	–	3,142,703	2,755,551	–	–	2,755,551	
Margin trading	2,265,923	–	–	2,265,923	2,066,214	–	–	2,066,214	
Staff loans	171,683	506,130	28,429	706,242	88,219	485,051	32,615	605,885	
Sundry loans	1,295,043	–	–	1,295,043	841,892	–	–	841,892	
Less: Prepaid rentals	2,523	–	–	2,523	2,577	–	–	2,577	
<b>Loan receivable before impairment provision</b>	<b>38,833,735</b>	<b>32,506,240</b>	<b>275,722</b>	<b>71,615,697</b>	<b>37,144,821</b>	<b>32,287,846</b>	<b>416,908</b>	<b>69,849,575</b>	
<b>Less: Allowance for impairment losses</b>									
Individual impairment									
Stage 1				–				–	
Stage 2				–				–	
Stage 3				1,333,731				458,406	
<b>Total individual impairment</b>				<b>1,333,731</b>				<b>458,406</b>	
Collective impairment									
Stage 1				379,214				383,906	
Stage 2				574,117				275,939	
Stage 3				3,059,964				2,235,750	
<b>Total collective impairment</b>				<b>4,013,295</b>				<b>2,895,595</b>	
<b>Total net receivable</b>	<b>38,833,735</b>	<b>32,506,240</b>	<b>275,722</b>	<b>66,268,671</b>	<b>37,144,821</b>	<b>32,287,846</b>	<b>416,908</b>	<b>66,495,574</b>	

### 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. Loans with objective evidence of loss have been classified as Stage 3. Loans with an 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.

Basis of calculating individual impairment is not changed with the adoption of SLFRS 9.

## 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 judgements 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 macroeconomic 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 macroeconomic 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.

## Notes to the Financial Statements

The Group computes ECL using 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 months 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 months 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
2. 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.
  3. 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.
  4. 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.
  5. 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

The Company offers a 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 discounted by an approximation to the original EIR.

## Notes to the Financial Statements

### 25.8 Movement in individual and collective impairment charges during the year

A reconciliation of the allowance for impairment losses for loans and receivables, by class, is as follows:

	Company								
	Lease	Hire purchase	Ijarah	Term loans	Refinance loans	Murabah	Trading Murabah	Factoring	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April 2018	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560
Recognition of SLFRS 9 ECL	357,817	(1,223)	68,290	354,583	4,198	8,582	30,513	72,699	895,459
<b>As at 1 April 2018 – Restated</b>	<b>1,245,207</b>	<b>110,194</b>	<b>89,551</b>	<b>2,211,463</b>	<b>27,985</b>	<b>15,317</b>	<b>109,168</b>	<b>142,134</b>	<b>3,951,019</b>
Charge/(Reversal) for the year	381,372	(37,581)	2,914	603,803	(13,779)	(11,451)	20,440	47,602	993,320
<b>At 31 March 2019</b>	<b>1,626,579</b>	<b>72,613</b>	<b>92,465</b>	<b>2,815,266</b>	<b>14,206</b>	<b>3,866</b>	<b>129,608</b>	<b>189,736</b>	<b>4,944,339</b>
<b>Individual impairment</b>									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–	–	–
Stage 3	18,262	–	–	458,032	374	–	–	–	476,668
<b>Total individual impairment</b>	<b>18,262</b>	<b>–</b>	<b>–</b>	<b>458,032</b>	<b>374</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>476,668</b>
<b>Collective impairment</b>									
Stage 1	309,694	226	12,103	175,176	102	239	6,839	189,736	694,115
Stage 2	399,124	1,109	23,934	254,802	25	598	4,118	–	683,710
Stage 3	899,499	71,278	56,428	1,927,256	13,705	3,029	118,651	–	3,089,846
<b>Total collective impairment</b>	<b>1,608,317</b>	<b>72,613</b>	<b>92,465</b>	<b>2,357,234</b>	<b>13,832</b>	<b>3,866</b>	<b>129,608</b>	<b>189,736</b>	<b>4,467,671</b>
<b>Total</b>	<b>1,626,579</b>	<b>72,613</b>	<b>92,465</b>	<b>2,815,266</b>	<b>14,206</b>	<b>3,866</b>	<b>129,608</b>	<b>189,736</b>	<b>4,944,339</b>

  

	Company								
	Lease	Hire purchase	Ijarah	Term loans	Refinance loans	Murabah	Trading Murabah	Factoring	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As 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	8,309	15,931	643,784	3,805,896
Amounts written off	–	–	–	–	–	–	–	–	–
<b>As at 31 March 2020</b>	<b>3,170,385</b>	<b>112,933</b>	<b>242,982</b>	<b>4,217,079</b>	<b>15,622</b>	<b>12,175</b>	<b>145,539</b>	<b>833,520</b>	<b>8,750,235</b>
<b>Individual impairment</b>									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–	–	–
Stage 3	61,413	–	–	494,801	2,403	–	–	757,621	1,316,238
<b>Total individual impairment</b>	<b>61,413</b>	<b>–</b>	<b>–</b>	<b>494,801</b>	<b>2,403</b>	<b>–</b>	<b>–</b>	<b>757,621</b>	<b>1,316,238</b>
<b>Collective impairment</b>									
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
<b>Total collective impairment</b>	<b>3,108,972</b>	<b>112,933</b>	<b>242,982</b>	<b>3,722,278</b>	<b>13,219</b>	<b>12,175</b>	<b>145,539</b>	<b>75,899</b>	<b>7,433,997</b>
<b>Total</b>	<b>3,170,385</b>	<b>112,933</b>	<b>242,982</b>	<b>4,217,079</b>	<b>15,622</b>	<b>12,175</b>	<b>145,539</b>	<b>833,520</b>	<b>8,750,235</b>

## Notes to the Financial Statements

	Group								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As at 1 April 2018	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329
Recognition of SLFRS 9 ECL	357,817	19,012	68,290	382,955	4,198	8,582	30,513	72,699	944,066
<b>As at 1 April 2018 – Restated</b>	<b>1,245,207</b>	<b>174,046</b>	<b>89,551</b>	<b>2,373,987</b>	<b>27,985</b>	<b>15,317</b>	<b>109,168</b>	<b>142,134</b>	<b>4,177,395</b>
Charge/(Reversal) for the year	381,372	26,071	2,914	646,464	(13,779)	(11,451)	20,440	47,602	1,099,633
<b>At 31 March 2019</b>	<b>1,626,579</b>	<b>200,117</b>	<b>92,465</b>	<b>3,020,451</b>	<b>14,206</b>	<b>3,866</b>	<b>129,608</b>	<b>189,736</b>	<b>5,277,028</b>
<b>Individual impairment</b>									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	18,262	-	-	458,032	374	-	-	-	476,668
<b>Total individual impairment</b>	<b>18,262</b>	<b>-</b>	<b>-</b>	<b>458,032</b>	<b>374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>476,668</b>
<b>Collective impairment</b>									
Stage 1	309,694	33,875	12,103	187,229	102	239	6,839	189,736	739,817
Stage 2	399,124	30,596	23,934	271,796	25	598	4,118	-	730,191
Stage 3	899,499	135,646	56,428	2,103,394	13,705	3,029	118,651	-	3,330,352
<b>Total collective impairment</b>	<b>1,608,317</b>	<b>200,117</b>	<b>92,465</b>	<b>2,562,419</b>	<b>13,832</b>	<b>3,866</b>	<b>129,608</b>	<b>189,736</b>	<b>4,800,360</b>
<b>Total</b>	<b>1,626,579</b>	<b>200,117</b>	<b>92,465</b>	<b>3,020,451</b>	<b>14,206</b>	<b>3,866</b>	<b>129,608</b>	<b>189,736</b>	<b>5,277,028</b>

  

	Group								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As 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	8,309	15,931	643,784	3,892,918
Amounts written-off	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2020</b>	<b>3,170,385</b>	<b>397,378</b>	<b>242,982</b>	<b>4,352,345</b>	<b>15,622</b>	<b>12,175</b>	<b>145,539</b>	<b>833,520</b>	<b>9,169,946</b>
<b>Individual impairment</b>									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	61,413	33,824	-	573,707	2,403	-	-	757,621	1,428,968
<b>Total individual impairment</b>	<b>61,413</b>	<b>33,824</b>	<b>-</b>	<b>573,707</b>	<b>2,403</b>	<b>-</b>	<b>-</b>	<b>757,621</b>	<b>1,428,968</b>
<b>Collective impairment</b>									
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
<b>Total collective impairment</b>	<b>3,108,972</b>	<b>363,554</b>	<b>242,982</b>	<b>3,778,638</b>	<b>13,219</b>	<b>12,175</b>	<b>145,539</b>	<b>75,899</b>	<b>7,740,978</b>
<b>Total</b>	<b>3,170,385</b>	<b>397,378</b>	<b>242,982</b>	<b>4,352,345</b>	<b>15,622</b>	<b>12,175</b>	<b>145,539</b>	<b>833,520</b>	<b>9,169,946</b>

**25.9 Movement in provision for impairment during the year (Under SLFRS 9) Movement in impairment 2019/20**

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2019 under SLFRS 9	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 1	(1,767,220)	444,409	1,322,811	–
Transfers to Stage 2	15,466	(1,069,877)	1,054,411	–
Transfers to Stage 3	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
Amounts written-off	–	–	–	–
<b>Balance as at 31 March 2020</b>	<b>675,172</b>	<b>1,183,272</b>	<b>6,891,791</b>	<b>8,750,235</b>

**Movement in impairment 2018/19**

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	701,532	504,372	2,745,115	3,951,019
New assets originated or purchased	310,260	339,228	523,652	1,173,140
Assets derecognised or repaid (excluding write-offs)	(197,681)	(255,547)	(995,542)	(1,448,770)
Transfers to Stage 1	181,385	(92,245)	(89,140)	–
Transfers to Stage 2	(87,319)	182,440	(95,121)	–
Transfers to Stage 3	(51,192)	(102,055)	153,247	–
Impact on year-end ECL of exposures transferred between stages during the year	(166,445)	102,047	1,516,426	1,452,028
Changes to models and inputs used for ECL calculations	3,575	5,470	33,910	42,955
Amounts written-off	–	–	(226,033)	(226,033)
<b>Balance as at 31 March 2019</b>	<b>694,115</b>	<b>683,710</b>	<b>3,566,514</b>	<b>4,944,339</b>

## Notes to the Financial Statements

### Movement in impairment 2019/20

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2019 under SLFRS 9	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 1	(1,869,471)	470,122	1,399,349	–
Transfers to Stage 2	16,361	(1,131,780)	1,115,419	–
Transfers to Stage 3	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
<b>Balance as at 31 March 2020</b>	<b>749,718</b>	<b>1,333,159</b>	<b>7,087,069</b>	<b>9,169,946</b>

### Movement in impairment 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	716,351	523,368	2,937,676	4,177,395
New assets originated or purchased	334,787	354,479	534,604	1,223,870
Assets derecognised or repaid (excluding write-offs)	(195,508)	(247,795)	(1,024,462)	(1,467,765)
Transfers to Stage 1	186,909	(97,029)	(89,880)	–
Transfers to Stage 2	(91,306)	187,659	(96,353)	–
Transfers to Stage 3	(54,187)	(107,441)	161,628	–
Impact on year-end ECL of exposures transferred between stages during the year	(149,220)	119,072	1,579,576	1,549,428
Changes to models and inputs used for ECL calculations	(8,009)	(2,122)	30,264	20,133
Amounts written-off	–	–	(226,033)	(226,033)
<b>Balance as at 31 March 2019</b>	<b>739,817</b>	<b>730,191</b>	<b>3,807,020</b>	<b>5,277,028</b>

## 26 Insurance and reinsurance receivables

### ACCOUNTING POLICY

The Group cedes insurance risk to reinsurers 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**

The Group recognises loss allowances on reinsurance receivables measured at amortised cost. The Group measures loss allowance at an amount equal to lifetime, except financial investments that are determined to have low credit risk at the reporting date.

### **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.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

### **Assessment of impairment of insurance receivables**

The Group assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories provided below:

#### **Insurance – Product classification**

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

### **Reinsurance**

The Group cedes insurance risk in the normal course of business of People's Insurance PLC. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for ceded reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

### **Reinsurance receivables**

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

# Notes to the Financial Statements

## Insurance receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

## Deferred expenses

### Deferred acquisition costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) for non-life insurance is amortised over the period on the basis unearned premium reserve (UPR) is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC are derecognised when the related contracts are either expired or cancelled.

## Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Reinsurance receivables	–	–	518,059	481,559
Insurance receivables	–	–	676,874	403,836
<b>Total</b>	–	–	1,194,933	885,395
<b>Fair value</b>	–	–	1,194,933	885,395

## 27 Financial assets – Fair value through other comprehensive income

### ACCOUNTING POLICY

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of equity under SLFRS 9 – “Financial Instruments” and are not FVTPL. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

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 “Operating income” when the right to receive the payment had been established.

## Notes to the Financial Statements

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Equity securities	27.1	213	324,381	125,651	324,381	125,651
Treasury bills			–	–	1,131,321	–
<b>Total</b>			324,381	125,651	1,455,702	125,651
<b>Fair value</b>			324,381	125,651	1,455,702	125,651

### 27.1 Equity securities – Company and Group

As at 31 March	Note	Page No.	2020			2019		
			Number of shares	Cost of investment	Market value	Number of shares	Cost of investment	Market value
				Rs. '000	Rs. '000		Rs. '000	Rs. '000
<b>Quoted investments</b>								
People's Merchant Finance PLC	30.1	217	25,014,002	237,633	217,622	–	–	–
Sanasa Development Bank PLC			2,271,260	213,853	106,749	2,094,012	203,382	125,641
				451,486	324,371		203,382	125,641
<b>Unquoted investments</b>								
Credit Information Bureau of								
Sri Lanka	27.2	213	100	10	10	100	10	10
City Finance Corporation Limited	27.3	213	50,000,000	50,000	–	50,000,000	50,000	–
<b>Total</b>				501,496	324,381		253,392	125,651

### 27.2 Reconciliation of fair value measurement for unquoted equity securities under level 3 hierarchy

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	10	10	10	10
Remeasurement recognised in OCI	–	–	–	–
<b>Balance as at 31 March</b>	10	10	10	10

### 27.3 City Finance Corporation Limited

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investment in City Finance Corporation Limited	50,000	50,000	50,000	50,000
Less: Impairment provision	50,000	50,000	50,000	50,000
<b>Balance as at 31 March</b>	–	–	–	–

# Notes to the Financial Statements

## 28 Debt instruments – 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). 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” 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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury bills	4,106,963	7,976,782	4,106,963	9,066,102
Treasury bonds	–	25,843	–	25,843
Unquoted preference shares	–	–	706,476	–
<b>Total</b>	<b>4,106,963</b>	<b>8,002,625</b>	<b>4,813,439</b>	<b>9,091,945</b>
<b>Fair value</b>	<b>4,114,978</b>	<b>8,007,001</b>	<b>4,821,454</b>	<b>8,007,001</b>

## 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 “Consolidated and Separate Financial Statements”.

Subsidiaries are entities that are controlled by the Group/Company. Subsidiaries are consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position, but separate from parent shareholders’ equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

All subsidiaries of the Company have been incorporated in Sri Lanka other than Lankan Alliance Finance Limited which is incorporated in Bangladesh. A list of subsidiaries with their principal activities are given in the Note 1.2.

## Notes to the Financial Statements

As at 31 March	2020			2019		
	Holding	Cost	Directors/ market valuation	Holding	Cost	Directors/ market valuation
	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
<b>Company</b>						
People's Leasing Fleet Management Limited	100.00	175,000	291,323	100.00	175,000	300,728
People's Leasing Property Development Limited	100.00	550,000	982,118	100.00	550,000	991,679
People's Leasing Havelock Properties Limited	100.00	600,000	545,806	100.00	600,000	492,817
People's Micro-commerce Ltd.	100.00	150,000	235,446	100.00	150,000	212,983
People's Insurance PLC	75.00	600,000	2,955,000	75.00	600,000	2,955,000
Lankan Alliance Finance Limited	51.00	1,138,788	1,336,346	51.00	1,138,788	1,213,996
<b>Total</b>		<b>3,213,788</b>	<b>6,346,039</b>		<b>3,213,788</b>	<b>6,167,203</b>

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 on formation relating to the Company's subsidiary that has a material non-controlling interest (NCI).

For the year ended 31 March	2020			2019		
	People's Insurance PLC	Lankan Alliance Finance Limited	Total	People's Insurance PLC	Lankan Alliance Finance Limited	Total
Non-controlling interest (NCI) percentage (%)	25	49		25	49	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net operating income	6,227,937	339,360	6,567,297	5,609,003	278,774	5,887,777
Less: Operating expenses	5,174,313	184,165	5,358,478	4,803,207	190,662	4,993,869
Profit before income tax	1,053,624	155,195	1,208,819	805,796	88,112	893,908
Less: Income tax expense	304,876	71,707	376,583	148,287	20,125	168,412
Profit after tax	748,748	83,488	832,236	657,509	67,987	725,496
<b>Profit allocated to non-controlling interest (NCI)</b>	<b>187,186</b>	<b>40,909</b>	<b>228,095</b>	<b>164,376</b>	<b>33,314</b>	<b>197,690</b>

## Notes to the Financial Statements

As at 31 March	2020			2019		
	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000
	Cash and cash equivalents	350,478	43,773	394,251	946,851	23,759
Balances with banks and financial institutions	3,162,759	702,633	3,865,392	3,269,112	1,084,919	4,354,031
Loans and receivables – Amortised cost	2,728,813	2,732,523	5,461,336	2,282,413	2,572,618	4,855,031
Insurance and reinsurance receivables	1,840,239	–	1,840,239	1,491,238	–	1,491,238
Financial assets – Fair value other comprehensive income	1,131,321	–	1,131,321	1,089,320	–	1,089,320
Debt instruments – Amortised cost	–	666,840	666,840	–	–	–
Property, plant and equipment and intangible assets	224,164	184,843	409,007	83,660	28,335	111,995
Other assets	661,596	153,468	815,064	462,525	106,558	569,083
<b>Total assets</b>	<b>10,099,370</b>	<b>4,484,080</b>	<b>14,583,450</b>	<b>9,625,119</b>	<b>3,816,189</b>	<b>13,441,308</b>
Due to banks	359,447	–	359,447	611,013	343,629	954,642
Due to customers	–	1,487,573	1,487,573	–	1,014,310	1,014,310
Other financial liabilities	714,002	284,807	998,809	617,231	77,866	695,097
Other liabilities	242,858	91,413	334,271	156,933	–	156,933
Insurance liabilities and reinsurance payable	5,132,753	–	5,132,753	4,944,373	–	4,944,373
Total liabilities	6,449,060	1,863,793	8,312,853	6,329,550	1,435,805	7,765,355
<b>Net assets value</b>	<b>3,650,310</b>	<b>2,620,287</b>	<b>6,270,597</b>	<b>3,295,569</b>	<b>2,380,384</b>	<b>5,675,953</b>
<b>Carrying amount of non-controlling interest (NCI)</b>	<b>912,578</b>	<b>1,283,941</b>	<b>2,196,518</b>	<b>823,892</b>	<b>1,166,389</b>	<b>1,990,281</b>
Cash flows from operating activities	249,203	55,222	304,425	309,713	(1,417,299)	(1,107,586)
Cash flows from investing activities	197,202	(1,912)	195,290	(426,258)	(20,243)	(446,501)
Cash flows from financing activities	53,078	85,248	138,326	(21,023)	1,012,138	991,115
<b>Net increase in cash and cash equivalents</b>	<b>499,483</b>	<b>138,558</b>	<b>638,041</b>	<b>(137,568)</b>	<b>(425,404)</b>	<b>(562,972)</b>

### 30 – Investment in associate

#### ACCOUNTING POLICY

Investment in associate is accounted for at cost in the Company's Financial Statements and under the equity method in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% or more of the voting power of another entity.

Investment in associate is accounted for using the equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard – LKAS 28 – “Investment in Associates and Joint Ventures”. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

## Notes to the Financial Statements

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the Associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the associate. The Company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard SLFRS 9 – "Financial Instruments".

### 30.1 Details of associate

As at 31 March	Holding		Company		Group	
	2020 %	2019 %	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Quoted equity securities</b>						
People's Merchant Finance PLC (25,014,002 ordinary shares)	11.86	37.06	–	237,633	–	237,633
<b>Total</b>			–	237,633	–	237,633
<b>Reconciliation of summarised financial information</b>						
Cost of investment			237,633	586,427	237,633	586,427
<b>Share of loss applicable to the Group</b>						
Share of (loss) up to 1 April			–	–	–	(162,988)
<b>Total share recognised during the year</b>						
Share of profit/(loss) of an associate (net of tax)			–	–	–	(33,234)
Impairment for the year recognised in Statement of Profit or Loss			–	(348,794)	–	(152,572)
Transferred to financial assets – Fair value through other comprehensive income			(237,633)	–	(237,633)	–
<b>Total</b>			–	237,633	–	237,633

### People's Merchant Finance PLC

The resolutions pertaining to the "Private Placement of Ordinary Shares" and the "Right issue of Ordinary Shares" of People's Merchant Finance PLC were duly approved and passed by the shareholders of the Company at the Extraordinary General Meeting held on 27 March 2019. Subsequent to the said private placement and rights issue, People's Leasing & Finance PLC's stake is reduced to 11.86%. Accordingly status of associate changed as financial investments – Fair value through comprehensive income (FVOCI) of PLC after April 2019.

### Impairment loss on People's Merchant Finance PLC

During 2018/19, the Company recognised an impairment loss of Rs. 348,793,939 pertaining to its investment in People's Merchant Finance PLC on the basis of its carrying value exceeding the estimated recoverable amount. The recoverable amount being the higher of its fair value less cost of disposal and value in use. In this context, it must be pointed out that the fair value of the said investment was derived based on the purchase consideration per share as agreed to with the prospective investor.

# Notes to the Financial Statements

## 30.2 Summarised financial information of associate

Summarised financial information to carrying amount of the interest in associate recognised in the Consolidated Financial Statements is as follows:

For the year ended 31 March	People's Merchant Finance PLC – (2019 - 37.06%)	
	2020 Rs. '000	2019 Rs. '000
<b>Ownership interest</b>		
Net operating income	–	191,294
Less: Operating expenses	–	280,976
Loss before tax	–	(89,682)
Less: Income tax expense	–	–
<b>Loss after tax</b>	–	(89,682)
<b>Share of results of equity accounted investee recognised in Statement of Profit or Loss</b>	–	(33,234)

  

As at 31 March	People's Merchant Finance PLC – (2019 - 37.06%)	
	2020 Rs. '000	2019 Rs. '000
<b>Ownership interest</b>		
Total assets	–	2,901,471
Total liabilities	–	2,750,028
<b>Net assets</b>	–	151,443
<b>Group's share of net assets</b>	–	56,120

## 31 Investment property

### ACCOUNTING POLICY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Profit or Loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per Sri Lanka Accounting Standard – LKAS 16 – “Property, Plant and Equipment”.

### Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

### Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss.

### Fair value of investment property

Investment property of the Group and the 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 the 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 estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

### Investment property leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes.

### Owner-occupied properties and investment property

In determining if a property qualifies as investment property the Group/Company makes a judgement whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgement is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	–	134,400	1,131,596	1,265,996
Addition during the year	–	–	56	–
Sale of investment property	–	(134,400)	–	(134,400)
Transfer during the year	–	–	–	–
<b>Balance as at 31 March</b>	–	–	1,131,652	1,131,596

## **Notes to the Financial Statements**

Land and building at Nos. 7 and 9, Havelock Road, Colombo 7 is rented to People's Bank, People's Insurance PLC and People's Leasing and Finance PLC by the People's Leasing Havelock Properties Limited during the year. In the Group Financial Statements, such property have separated and part rented to People's Bank has been classified as investment property to the Group. Basis for the separation is based on the number of Sq.ft. rented.

The Company carries investment property at market value. Market valuation of the above investment property was carried out as at 31 December 2019 by Mr K T D Tissera, FRICS (Eng), who is independent valuer not connected with the Company.

Rent income recognised in respect to the above investment property is disclosed in Note 10 on page 168.

Direct operational expenses recognised in respect to the above investment property is disclosed in Note 15 on page 174.

### **32 Property, plant and equipment**

#### ACCOUNTING POLICY

##### **Basis of recognition**

Property, plant and equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used during more than one year.

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

##### **Basis of measurement**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Company and the Group apply the cost model to property, plant and equipment and 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 recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

##### **Repairs and maintenance**

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets, when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

##### **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.

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 equipment	10-20	5-10 years
Furnitures 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.

## 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.

### 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 equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
<b>Cost</b>							
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)
<b>Balance as at 31 March 2020</b>	<b>573,840</b>	<b>56,872</b>	<b>278,163</b>	<b>766,212</b>	<b>704,670</b>	<b>450,446</b>	<b>2,830,203</b>
<b>Less: Accumulated depreciation</b>							
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)
<b>Balance as at 31 March 2020</b>	<b>2,763</b>	<b>56,794</b>	<b>85,461</b>	<b>586,278</b>	<b>556,502</b>	<b>398,476</b>	<b>1,686,274</b>
<b>Net book value as at 31 March 2020</b>	<b>571,077</b>	<b>78</b>	<b>192,702</b>	<b>179,934</b>	<b>148,168</b>	<b>51,970</b>	<b>1,143,929</b>

## Notes to the Financial Statements

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
<b>Cost</b>							
Balance as at 1 April 2018	619,181	56,872	209,752	629,512	611,767	420,360	2,547,444
Additions	–	–	1,321	81,996	47,971	16,379	147,667
Disposals	(52,000)	–	(1,564)	(2,052)	(4,341)	(1,268)	(61,225)
<b>Balance as at 31 March 2019</b>	<b>567,181</b>	<b>56,872</b>	<b>209,509</b>	<b>709,456</b>	<b>655,397</b>	<b>435,471</b>	<b>2,633,886</b>
<b>Less: Accumulated depreciation</b>							
Balance as at 1 April 2018	3,232	56,754	62,548	470,057	441,729	346,241	1,380,561
Charge for the year	430	20	12,897	58,417	65,154	29,088	166,006
Disposals	(1,260)	–	(938)	(3,307)	(4,303)	(1,159)	(10,967)
Balance as at 31 March 2019	2,402	56,774	74,507	525,167	502,580	374,170	1,535,600
<b>Net book value as at 31 March 2019</b>	<b>564,779</b>	<b>98</b>	<b>135,002</b>	<b>184,289</b>	<b>152,817</b>	<b>61,301</b>	<b>1,098,286</b>

### 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 equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
<b>Cost</b>							
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)
Transfers	–	–	–	–	–	–	–
Exchange rate variance	–	–	–	1,159	478	1,073	2,710
<b>Balance as at 31 March 2020</b>	<b>3,226,454</b>	<b>58,583</b>	<b>693,357</b>	<b>881,755</b>	<b>999,658</b>	<b>530,039</b>	<b>6,389,846</b>
<b>Less: Accumulated depreciation</b>							
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)
Transfers	–	–	–	–	–	–	–
Exchange rate variance	–	–	–	1,003	438	582	2,023
<b>Balance as at 31 March 2020</b>	<b>317,912</b>	<b>57,271</b>	<b>205,642</b>	<b>658,593</b>	<b>706,349</b>	<b>445,709</b>	<b>2,391,476</b>
<b>Net book value as at 31 March 2020</b>	<b>2,908,542</b>	<b>1,312</b>	<b>487,715</b>	<b>223,162</b>	<b>293,309</b>	<b>84,330</b>	<b>3,998,370</b>

## Notes to the Financial Statements

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
<b>Cost</b>							
Balance as at 1 April 2018	3,259,486	58,583	587,694	700,364	881,733	497,551	5,985,411
Additions	–	–	71,849	106,661	57,345	21,516	257,371
Disposals	(52,000)	–	(48,776)	(2,052)	(5,598)	(1,268)	(109,694)
Transfers/adjustments	6,513	–	–	6,185	6,105	(12,290)	6,513
Exchange rate variance	–	–	–	1,019	798	1,900	3,717
<b>Balance as at 31 March 2019</b>	<b>3,213,999</b>	<b>58,583</b>	<b>610,767</b>	<b>812,177</b>	<b>940,383</b>	<b>507,409</b>	<b>6,143,318</b>
<b>Less: Accumulated depreciation</b>							
Balance as at 1 April 2018	198,283	57,231	157,911	517,911	574,236	367,124	1,872,696
Charge for the year	60,368	20	41,105	70,030	74,375	40,295	286,193
Disposals	(1,260)	–	(22,423)	(3,307)	(5,560)	(1,140)	(33,690)
Transfers	–	–	–	1,133	1,512	(2,645)	–
Exchange rate variance	–	–	–	198	244	376	818
Balance as at 31 March 2019	257,391	57,251	176,593	585,965	644,807	404,010	2,126,017
<b>Net book value as at 31 March 2019</b>	<b>2,956,608</b>	<b>1,332</b>	<b>434,174</b>	<b>226,212</b>	<b>295,576</b>	<b>103,399</b>	<b>4,017,301</b>

### 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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Improvement of leasehold properties	53,282	53,282	53,282	53,282
Motor vehicles	37,971	37,444	37,971	38,520
Computer hardware	440,942	400,378	482,058	434,734
Office equipment	397,383	285,671	428,485	312,322
Furniture and fittings	327,178	308,748	338,371	320,293
<b>Total</b>	<b>1,256,756</b>	<b>1,085,523</b>	<b>1,340,167</b>	<b>1,159,151</b>

## Notes to the Financial Statements

### 32.4 Group freehold land and buildings

Location	Address	Date of valuation	Method of valuation	Land extent (perches)	Number of building	Building area (Sq.Ft.)	2020 Cost Rs. '000	2020 Revaluation Rs. '000	2019 Revaluation Rs. '000
<b>People's Leasing &amp; Finance PLC</b>									
<b>Vehicle yards</b>									
Makola	No. 496, Makola North, Makola	31.12.2019	MCM	90	1	11,600	7,632	49,000	45,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	31.12.2019	MCM	330.75	1	820	22,532	75,000	68,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	31.12.2019	MCM	260	1	1,836	27,558	24,000	13,754
Monaragala	No. 10, Pothuvil Road, Monaragala	31.12.2019	MCM	125.9	1	1,376	46,905	50,000	45,000
<b>Administrative purpose</b>									
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	31.12.2019	MCM	8.3	1	5,194	31,257	45,000	40,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	31.12.2019	MCM	44.72	-	-	45,764	155,063	155,063
Matara	No. 367, Anagarika Dharmapala 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	154,575
Anuradhapura	No. 50, Maithripala Senanayake Road, Anuradhapura	31.12.2019	MCM	40.51	-	-	155,882	182,295	174,193
<b>Subtotal</b>					5		573,840	864,058	795,585
<b>People's Leasing Property Development Limited</b>									
Borella	No. 1161, Maradana Road, Colombo 08	31.12.2019	MCM	104.9	2	127,621	1,532,414	2,450,000	2,300,000
<b>Subtotal</b>					2		1,532,414	2,450,000	2,300,000
<b>People's Leasing Havelock Properties Limited</b>									
Colombo 05*	No. 07, Havelock Road, Colombo 05	31.12.2019	MCM	111.45	1	84,024	1,984,746	2,600,000	2,600,000
<b>Subtotal</b>					1		1,984,746	2,600,000	2,600,000
<b>Total</b>					8		4,091,000	5,914,058	5,695,585

MCM: Market Comparable Method

\* Land and building value of Rs. 864,545,440.00 is classified as investment property and Rs. 1,120,200,240.00 is classified as property, plant and equipment in the Group Financial Statements.

Market valuation of the above land and 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 2020 and 31 March 2019.

#### 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 2020 and 31 March 2019.

#### 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 2020 and 31 March 2019.

### 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 (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 (2019: Nil).

### Unobservable inputs used in measuring fair value

Significant unobservable input used in measuring non-financial assets categorised as Level 3 in fair value hierarchy disclosed into Note 21.6 to the Financial Statements.

## 33 Goodwill and intangible assets

### ACCOUNTING POLICY

The Group's intangible assets include the goodwill and customer list which were acquired in business combination and value of computer software.

### Basis of recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the 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.

## Notes to the Financial Statements

Goodwill that arises upon the acquisition of subsidiary is included in intangible assets. Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss in such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Goodwill with infinite useful lives are assessed for impairment annually. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable.

### Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Profit or Loss in the year the asset is derecognised.

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
<b>Cost</b>						
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
<b>Balance as at 31 March 2020</b>	<b>199,914</b>	<b>308,545</b>	<b>508,459</b>	<b>222,221</b>	<b>417,099</b>	<b>639,320</b>
<b>Less: Accumulated amortisation</b>						
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
<b>Balance as at 31 March 2020</b>	<b>163,153</b>	<b>87,725</b>	<b>250,878</b>	<b>183,021</b>	<b>87,725</b>	<b>270,746</b>
<b>Net book value as at 31 March 2020</b>	<b>36,761</b>	<b>220,820</b>	<b>257,581</b>	<b>39,200</b>	<b>329,374</b>	<b>368,574</b>
	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
<b>Cost</b>						
Balance as at 1 April 2018	176,170	308,545	484,715	194,533	417,099	611,632
Additions	8,624	–	8,624	12,195	–	12,195
Exchange rate variance	–	–	–	37	–	37
<b>Balance as at 31 March 2019</b>	<b>184,794</b>	<b>308,545</b>	<b>493,339</b>	<b>206,765</b>	<b>417,099</b>	<b>623,864</b>
<b>Less: Accumulated amortisation</b>						
Balance as at 1 April 2018	138,320	–	138,320	158,749	–	158,749
Amortisation	10,534	–	10,534	13,101	–	13,101
Impairment	–	19,580	19,580	–	19,580	19,580
Exchange rate variance	–	–	–	94	–	94
<b>Balance as at 31 March 2019</b>	<b>148,854</b>	<b>19,580</b>	<b>168,434</b>	<b>171,944</b>	<b>19,580</b>	<b>191,524</b>
<b>Net book value as at 31 March 2019</b>	<b>35,940</b>	<b>288,965</b>	<b>324,905</b>	<b>34,821</b>	<b>397,519</b>	<b>432,340</b>

## Notes to the Financial Statements

Intangible assets include fully amortised software amounting to Rs. 136,106,914.00 for the company and Rs. 136,401,914.00 for the Group as at 31 March 2020 (Rs. 127,667,967.00 for Company and Rs. 127,962,967.00 for Group as at 31 March 2019), 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 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 2019/20.

### 34 Right-of-use assets

#### ACCOUNTING POLICY

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).

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Cost</b>				
Balance as at 1 April	91,985	91,985	91,985	91,985
Effect of adoption of SLFRS 16 as at 1 April 2019	2,080,315	–	1,547,546	–
Transfer from other asset (prepaid rentals)	143,322	–	170,723	–
<b>Balance as at 1 April – Adjusted</b>	<b>2,315,622</b>	<b>91,985</b>	<b>1,810,254</b>	<b>91,985</b>
Additions	206,943	–	206,943	–
<b>Balance as at 31 March</b>	<b>2,522,565</b>	<b>91,985</b>	<b>2,017,197</b>	<b>91,985</b>
<b>(Less): Accumulated amortisation</b>				
Balance as at 1 April	7,920	4,854	7,920	4,854
Effect of adoption of SLFRS 16 as at 1 April 2019	–	–	–	–
<b>Balance as at 1 April – Adjusted</b>	<b>7,920</b>	<b>4,854</b>	<b>7,920</b>	<b>4,854</b>
Amortisation	538,230	3,066	332,830	3,066
Impairment	36,965	–	36,965	–
<b>Balance as at 31 March</b>	<b>583,115</b>	<b>7,920</b>	<b>377,715</b>	<b>7,920</b>
<b>Net book value at 31 March</b>	<b>1,939,450</b>	<b>84,065</b>	<b>1,639,482</b>	<b>84,065</b>

## Notes to the Financial Statements

### 35 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.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Other financial assets – Insurance commission			232,692	143,817	–	–
Non-financial assets	35.1	228	914,309	880,827	1,235,329	1,164,884
<b>Total</b>			<b>1,147,001</b>	<b>1,024,644</b>	<b>1,235,329</b>	<b>1,164,884</b>

### 35.1 Non-financial assets

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Advance payments			145,383	242,023	124,859	213,488
Dividend receivable			310,000	142,102	–	–
Inventories			49,596	26,881	57,920	37,125
Prepaid expense			67,914	110,847	76,409	123,577
Unamortised cost on staff loans (Day 1 difference)	35.2	228	123,264	128,906	123,264	129,509
Differed expenses			–	–	244,874	221,842
Other receivables			218,152	230,068	608,003	439,343
<b>Total</b>			<b>914,309</b>	<b>880,827</b>	<b>1,235,329</b>	<b>1,164,884</b>

### 35.2 Unamortised cost on staff loans (Day 1 difference)

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	128,906	81,441	129,509	83,165
Charge for the year	(5,642)	47,465	(6,245)	46,344
<b>Balance as at 31 March</b>	<b>123,264</b>	<b>128,906</b>	<b>123,264</b>	<b>129,509</b>

## Notes to the Financial Statements

### 36 Due to banks

#### ACCOUNTING POLICY

Due to banks include bank overdrafts and long-term and short-term loans obtained from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “interest expenses” in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Overdraft	24,683	353,074	694,954	1,274,127
Short-term loans	500,127	11,344,182	500,127	11,687,811
Long-term loans	456,546	6,401,039	2,826,136	8,337,750
Asset-backed securities	6,956,829	9,175,638	6,956,829	9,175,638
<b>Total</b>	<b>7,938,185</b>	<b>27,273,933</b>	<b>10,978,046</b>	<b>30,475,326</b>
Fair value	8,057,554	27,260,329	11,097,415	30,118,093

#### 36.1 Movement of due to banks

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	27,273,933	39,921,789	30,475,326	41,834,394
Amount borrowed during the year	12,950,000	59,966,000	12,950,000	59,966,000
Repayments during the year	(34,046,652)	(77,536,350)	(35,209,177)	(77,456,806)
Interest expenses during the year	1,736,221	4,569,420	2,066,943	4,857,611
<b>Subtotal</b>	<b>7,913,502</b>	<b>26,920,859</b>	<b>10,283,092</b>	<b>29,201,199</b>
Overdrafts	24,683	353,074	694,954	1,274,127
<b>Balance as at 31 March</b>	<b>7,938,185</b>	<b>27,273,933</b>	<b>10,978,046</b>	<b>30,475,326</b>

#### 36.2 Long-term loan details

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	4 years	7.25-10.5	Secured
Commercial Bank of Ceylon PLC	08.09.2016	1,000,000	4 years	14.00	Secured
Sampath Bank PLC	31.12.2014	2,000,000	5 years	7.00-8.5	Secured
Axis Bank	27.03.2017	150,000	4 years	AWPLR + 1.25	Secured
Axis Bank	27.03.2017	250,000	4 years	AWPLR + 1.25	Secured
People's Bank	26.05.2015	4,250,000	4 years	8.50	Secured
People's Bank	27.11.2015	2,000,000	4 years	10.00	Secured
People's Bank	15.03.2016	2,000,000	4 years	AWPLR + 1.75	Secured
People's Bank	02.06.2016	2,500,000	4 years	6 months SLIBOR + 1.75	Secured
Bank of Ceylon	07.07.2016	3,000,000	4 years	11.50	Secured
RAK Bank/Standard Chartered Bank	27.04.2017	5,355,000	3 years	13.50	Secured
MCB Bank	26.09.2017	500,000	4 years	AWPLR+1.5	Secured

## Notes to the Financial Statements

### 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	4 years	13.81	Secured
Deutsche Bank	03.07.2015	3,000,000	4 years	8.82	Secured
Deutsche Bank	28.10.2016	1,769,900	4 years	14.47	Secured
Deutsche Bank	25.02.2016	4,250,700	4 years	11.75	Secured
Hatton National Bank PLC	29.06.2018	2,000,000	5 years	12.27	Secured
Hatton National Bank PLC	13.03.2019	2,000,000	5 years	13.08	Secured
People's Bank	18.08.2016	3,000,000	4 years	13.32	Secured
People's Bank	09.02.2018	1,000,000	2 years	11.71	Secured
People's Bank	10.09.2018	2,000,000	2 years	13.15	Secured
People's Bank	23.05.2019	1,000,000	3 years	11.16	Secured

\* The interest rate for each securitisation is given as the weighted average interest rate.

Details of the securities disclosed in Note 57 – “Asset pledged” on page 257 to the Financial Statements.

### 36.3 Contractual maturity analysis

#### 36.3.1 Contractual maturity analysis of dues to bank – Company

As at 31 March	2020			
	Within 1 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
<b>Total</b>	<b>3,569,992</b>	<b>4,368,193</b>	<b>–</b>	<b>7,938,185</b>

  

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	353,074	–	–	353,074
Short-term loans	11,344,182	–	–	11,344,182
Long-term loans	5,137,102	1,263,937	–	6,401,039
Asset backed securities	4,246,088	4,929,550	–	9,175,638
<b>Total</b>	<b>21,080,446</b>	<b>6,193,487</b>	<b>–</b>	<b>27,273,933</b>

## Notes to the Financial Statements

### 36.3.2 Contractual maturity analysis of dues to bank – Group

As at 31 March	2020			
	Within 1 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
<b>Total</b>	<b>5,263,064</b>	<b>5,714,982</b>	<b>–</b>	<b>10,978,046</b>

  

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	1,274,127	–	–	1,274,127
Short-term loans	11,687,811	–	–	11,687,811
Long-term loans	4,211,827	4,125,923	–	8,337,750
Asset backed securities	4,246,088	4,929,550	–	9,175,638
<b>Total</b>	<b>21,419,853</b>	<b>9,055,473</b>	<b>–</b>	<b>30,475,326</b>

## 37 Due to customers

### ACCOUNTING POLICY

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “interest expenses” in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Fixed deposits	99,930,391	83,033,465	100,929,548	83,608,860
Savings deposits	6,770,636	5,335,191	6,756,044	5,314,336
<b>Total</b>	<b>106,701,027</b>	<b>88,368,656</b>	<b>107,685,592</b>	<b>88,923,196</b>
Fair value	106,798,094	87,918,010	106,796,726	87,486,543

## Notes to the Financial Statements

### 37.1 Remaining contractual maturity analysis of dues to customers – Company

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	74,874,182	25,056,209	–	99,930,391
Savings deposits	6,573,515	53,391	143,730	6,770,636
<b>Total</b>	<b>81,447,697</b>	<b>25,109,600</b>	<b>143,730</b>	<b>106,701,027</b>

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	62,819,140	20,214,325	–	83,033,465
Savings deposits	5,166,435	49,237	119,519	5,335,191
<b>Total</b>	<b>67,985,575</b>	<b>20,263,562</b>	<b>119,519</b>	<b>88,368,656</b>

### 37.2 Remaining contractual maturity analysis of dues to customers – Group

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total 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
<b>Total</b>	<b>82,432,262</b>	<b>25,109,600</b>	<b>143,730</b>	<b>107,685,592</b>

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	63,394,535	20,214,325	–	83,608,860
Savings deposits	5,145,580	49,237	119,519	5,314,336
<b>Total</b>	<b>68,540,115</b>	<b>20,263,562</b>	<b>119,519</b>	<b>88,923,196</b>

## 38 Debt securities issued

### ACCOUNTING POLICY

Debt securities issued represent the funds borrowed by the Company and Group for long-term and short-term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “interest expenses” in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

## Notes to the Financial Statements

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory notes			17,087	14,928	17,087	14,928
Listed debentures	38.2	233	18,462,173	21,260,103	18,320,952	21,119,112
<b>Total</b>			<b>18,479,260</b>	<b>21,275,031</b>	<b>18,338,039</b>	<b>21,134,040</b>
<b>Fair value</b>			<b>18,759,201</b>	<b>20,824,768</b>	<b>18,616,227</b>	<b>20,683,777</b>

### 38.1 Movement of debt securities issued

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	21,275,031	15,783,502	21,134,040	15,783,502
Amount borrowed during the year	–	6,000,000	–	5,874,220
Redemption of debt securities issued	(3,338,413)	(1,164,060)	(3,338,413)	(1,164,060)
Interest expenses on debt securities issued	2,281,180	2,394,127	2,264,940	2,378,916
Interest paid on debt securities issued	(1,738,538)	(1,738,538)	(1,722,528)	(1,738,538)
<b>Balance as at 31 March</b>	<b>18,479,260</b>	<b>21,275,031</b>	<b>18,338,039</b>	<b>21,134,040</b>

### 38.2 Listed debentures

In 2015 the Company issued Rs. 6,000 million worth of senior, unsecured, redeemable, A' A(-) rated four-year (2015/2019) and five-year (2015/2020) debentures of Rs. 100.00 each. In 2016 the Company issued Rs. 8,000 million worth of senior, unsecured, redeemable, A' A(-) rated three-year (2016/2019), four-year (2016/2020) and five-year (2016/2021) debentures of Rs. 100.00 each.

In 2018 the Company issued Rs. 6,000 million worth of senior, unsecured, redeemable, A' A(-) rated four-year (2018/2022) and five-year (2018/2023) debentures of Rs. 100.00 each.

As at 31 March	Face value Rs. '000	Interest rate %	Repayment term	Issued date	Maturity date	Company		Group	
						2020	2019	2020	2019
						Rs. '000	Rs. '000	Rs. '000	Rs. '000
Senior, unsecured, redeemable, AA(-) rated									
Type A	2,175,780	9.60	Semi annually	13-Nov-2015	12-Nov-2019	–	2,249,381	–	2,249,381
Type B	3,824,220	9.95	Annually	13-Nov-2015	12-Nov-2020	3,961,709	3,958,778	3,961,709	3,958,778
Type A	542,040	11.90	Semi annually	16-Nov-2016	16-Nov-2019	–	564,286	–	564,286
Type B	659,350	12.25	Semi annually	16-Nov-2016	16-Nov-2020	686,167	686,985	686,167	686,985
Type C	6,798,610	12.60	Semi annually	16-Nov-2016	16-Nov-2021	7,104,422	7,093,615	7,104,422	7,093,615
Type A	704,600	12.40	Annually	18-Apr-2018	18-Apr-2022	783,316	783,895	783,316	783,895
Type B	5,295,400	12.80	Annually	18-Apr-2018	18-Apr-2023	5,926,559	5,923,163	5,785,338	5,782,172
<b>Total</b>	<b>20,000,000</b>					<b>18,462,173</b>	<b>21,260,103</b>	<b>18,320,952</b>	<b>21,119,112</b>

## Notes to the Financial Statements

### 38.2.1 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)	Percentage of total proceeds	Amounts utilised in Rs. '000 (B)	Percentage of utilisation against allocation (B/A)	Clarification if not fully-utilised including where the funds are invested
<b>Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2015/16</b> The funds raised through this debenture issue will be utilised to finance working capital requirements to match the medium to long-term lending of PLC and to minimise the interest rate risk.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A
<b>Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2016/17</b> The funds raised through this debenture issue will be utilised to finance the budgeted lending portfolio and working capital requirements	8,000,000	Within the next 12 months from the date of allotment	8,000,000	100	8,000,000	100	N/A
<b>Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2018/19</b> The funds raised through this debenture issue utilised to repay the short-term facilities obtained to settle the debentures matured on the 26 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

### Remaining contractual maturity analysis of debt security – Company

As at 31 March	2020			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	17,087	–	–	17,087
Listed debentures	5,696,827	12,765,346	–	18,462,173
<b>Total</b>	<b>5,713,914</b>	<b>12,765,346</b>	<b>–</b>	<b>18,479,260</b>

  

As at 31 March	2019			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	14,928	–	–	14,928
Listed debentures	4,031,808	17,228,295	–	21,260,103
<b>Total</b>	<b>4,046,736</b>	<b>17,228,295</b>	<b>–</b>	<b>21,275,031</b>

## Notes to the Financial Statements

### Remaining contractual maturity analysis of debt security – Group

As at 31 March	2020			
	Within 1 year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory notes	17,087	–	–	17,087
Listed debentures	5,696,828	12,624,124	–	18,320,952
<b>Total</b>	<b>5,713,915</b>	<b>12,624,124</b>	<b>–</b>	<b>18,338,039</b>

  

As at 31 March	2019			
	Within 1 year	1-5 years	Over 5 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory notes	14,928	–	–	14,928
Listed debentures	4,031,808	17,087,304	–	21,119,112
<b>Total</b>	<b>4,046,736</b>	<b>17,087,304</b>	<b>–</b>	<b>21,134,040</b>

### 39 Other financial liabilities

#### ACCOUNTING POLICY

Other financial liabilities include amounts payable to suppliers, insurance payable, dividend payable and other payables.

#### Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

#### Withholding tax on dividends, distributed by the Company and subsidiaries

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on dividends distributed by the subsidiaries and associates dividends received by the Group from its subsidiaries and associates, have attracted a 14% deduction at source in the year 2020 (14% – 2019). WHT has been abolished with effect from 1 January 2020.

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount payable to suppliers	2,079,540	1,650,408	2,378,782	1,804,026
Insurance payable	645,306	605,843	–	–
Dividend payable	23,272	21,788	23,272	21,788
Other payables	265,999	202,338	427,654	639,122
<b>Total</b>	<b>3,014,117</b>	<b>2,480,377</b>	<b>2,829,708</b>	<b>2,464,936</b>

## Notes to the Financial Statements

### 40 – Insurance liabilities and reinsurance payable

#### ACCOUNTING POLICY

#### 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 derecognised 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 judgement is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

## **Insurance contract liabilities**

### **Non-life insurance contract liabilities**

Non-life insurance contract liabilities are recognised when contracts are entered and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the Statement of Income by setting up a provision for liability adequacy.

### **Derecognition of insurance payable**

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

### **Unexpired risk reserve**

The calculation of premium liability requires a comparison between the Company's held unearned premium reserves less deferred acquisition cost with the expected amount decided based on the significant management judgement. In estimating the unexpired risk liability, assumptions are made on the expected net claim ratio for each of business and claim management expenses incurred whilst these policies remain exposed for claims.

### **Non-life insurance contract liabilities**

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson Methods and Frequency/Severity Method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident periods and significant business lines, but can also be further analysed by geographical area and claim types. Large claims may be separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

All general insurance contracts are subject to a liability adequacy test (LAT). The LAT was carried out by M/s NMG Financial Services Consulting Pte Limited, Singapore.

## Notes to the Financial Statements

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Insurance liabilities	40.1	238	–	–	5,026,503	4,799,808
Reinsurance payables			–	–	38,717	81,065
<b>Total</b>			–	–	5,065,220	4,880,873

### 40.1 Insurance liabilities

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Outstanding claims provision	–	–	1,462,009	1,353,366
Provision for unearned premiums (net)	–	–	3,564,494	3,446,442
<b>Total</b>	–	–	5,026,503	4,799,808

### 41 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.

The present value of lease commitments as at 1 April 2019 has been calculated using weighted average incremental borrowing rate of 12.45%.

The Group applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and lease liabilities.

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April			–	–	–	–
Effect of adoption of SLFRS 16 as at 1 April 2019			2,080,315	–	1,547,546	–
			2,080,315	–	1,547,546	–
Additions/renewal of lease agreements during the year			206,943	–	206,943	–
Accretion of interest	6.2	165	238,581	–	183,724	–
Payments to lease creditors			(616,741)	–	(343,968)	–
Expiration of lease agreements during the year			–	–	–	–
<b>Balance as at 31 March</b>			1,909,098	–	1,594,245	–

## 42 Current tax liabilities

### ACCOUNTING POLICY

The Group and the Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgement is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

The Group and the Company recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax amounts in the period in which the determination is made.

As at 31 March	Note	Page No.	Company		Group	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Current tax payable	42.1	239	1,803,309	2,238,257	2,077,418	2,323,647
<b>Total</b>			<b>1,803,309</b>	<b>2,238,257</b>	<b>2,077,418</b>	<b>2,323,647</b>

### 42.1 Current tax liabilities

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	2,238,257	(89,849)	2,323,647	62,673
Provision for the year	2,822,836	3,442,009	3,259,538	3,601,824
Under/(over) provision in respect of previous year	–	(90,583)	(781)	(90,046)
Payment of income tax	(3,071,709)	(805,705)	(3,339,472)	(907,945)
<b>Tax credits</b>				
WHT/Other credit	(18,416)	(21,552)	(18,416)	(106,898)
Economic service charge	(141,084)	(196,063)	(147,098)	(235,961)
<b>Balance as at 31 March</b>	<b>1,803,309</b>	<b>2,238,257</b>	<b>2,077,418</b>	<b>2,323,647</b>

### 42.2 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. ESC abolished with effect from 1 January 2020 amendment to the Act yet to be enacted as of reporting date.

### 42.3 Withholding tax (WHT) on fixed deposits and savings 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.

# Notes to the Financial Statements

## 43 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	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Recognised under assets	43.1	241	(376,291)	–	(471,841)	(47,584)
Recognised under liabilities	43.1	241	–	837,179	418,132	1,141,973
<b>Deferred tax liabilities/(Assets)</b>	43.1	241	(376,291)	837,179	(53,709)	1,094,389

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.

### 43.1 Movement in deferred tax

As at 31 March	Company					Group				
	2020		2019			2020		2019		
	Rs. '000		Rs. '000			Rs. '000		Rs. '000		
Balance as at 1 April			837,179		2,275,868			1,094,389		2,310,652
Deferred tax on transitional adjustment					(250,729)			–		(266,494)
Charge for the year			(1,213,519)		(1,182,290)			(1,148,189)		(935,741)
Deferred tax charge relating to components of Statement of Comprehensive Income			49		(5,670)			91		(14,028)
<b>Balance as at 31 March</b>			<b>(376,291)</b>		<b>837,179</b>			<b>(53,709)</b>		<b>1,094,389</b>

  

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)	–	176,625	–	(36,483)	(91)	–
Carry forward tax losses	–	–	–	–	–	227	–	13,158	–	–
Impairment allowances for loans and receivables	1,933,299	439,714	(589,257)	–	–	1,998,246	440,392	(660,265)	–	–
Deferred 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 buildings	–	–	–	–	–	–	–	42,155	–	–
Fair value gains/losses – investment property	–	–	–	–	–	41,073	333,116	41,306	–	–
<b>Total</b>	<b>2,350,048</b>	<b>1,973,757</b>	<b>(1,213,519)</b>	<b>(49)</b>	<b>250,729</b>	<b>2,488,428</b>	<b>2,434,719</b>	<b>(1,148,189)</b>	<b>(91)</b>	<b>266,494</b>
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	–	–	–	–	250,729	–	–	–	–	266,494
Recognised under assets	–	(376,291)	–	–	–	–	(471,841)	–	–	–
Recognised under liabilities	–	–	–	–	–	–	418,132	–	–	–
<b>Net deferred tax liability as at 31 March</b>	<b>–</b>	<b>(376,291)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(53,709)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

As at 31 March 2019	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	137,884	–	(22,160)	(5,670)	–	140,042	–	(6,583)	14,028	–
Carry forward tax losses	–	–	–	–	–	13,385	–	13,238	–	–
Impairment allowances for loans and receivables	868,209	5,945	(430,436)	–	–	903,724	5,945	(444,376)	–	–
Deferred tax on transitional adjustment	250,729	–	–	–	250,729	266,494	–	–	–	266,494
Accelerated depreciation allowance for tax purpose (Lease)	–	2,083,511	(635,299)	–	–	–	2,083,511	(635,299)	–	–
Accelerated depreciation allowance for tax purpose (PPE)	–	4,545	(76,684)	–	–	–	119,997	(53,591)	–	–
Fair value gains/losses – freehold buildings	–	–	–	–	–	–	–	(17,711)	–	–
Fair value gains/losses – investment property	–	–	(17,711)	–	–	42,155	250,736	208,581	–	–
<b>Total</b>	<b>1,256,822</b>	<b>2,094,001</b>	<b>(1,182,290)</b>	<b>(5,670)</b>	<b>250,729</b>	<b>1,365,800</b>	<b>2,460,189</b>	<b>(935,741)</b>	<b>14,028</b>	<b>266,494</b>
Deferred tax effect on profit or loss and other comprehensive income for the year	–	–	(1,182,290)	–	–	–	–	(935,741)	14,028	–
Recognised under equity	–	–	–	–	250,729	–	–	–	–	266,494
Recognised under assets	–	–	–	–	–	–	(47,584)	–	–	–
Recognised under liabilities	–	837,179	–	–	–	–	1,141,973	–	–	–
<b>Net deferred tax liability as at 31 March</b>	<b>–</b>	<b>837,179</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,094,389</b>	<b>–</b>	<b>–</b>	<b>–</b>

Deferred tax assets/liabilities have been calculated at the rate specific to each company.

#### 44 Other liabilities

##### ACCOUNTING POLICY

Other liabilities include VAT on financial services payable, retirement benefit obligation, value added tax (VAT) payable, debt repayment levy payable, other tax payables and other payables. These liabilities are recorded at amounts expected to be payable at the reporting date.

#### 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”.

### 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 and 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.

### Retirement benefit obligation

The cost of the retirement benefit obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long-term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Vat on financial services payable			–	259,787	–	262,007
Debt repayment levy payable			–	110,055	–	110,055
Value added tax (VAT) payable			10,502	11,922	62,173	40,977
WHT payable			123,135	32,349	123,355	52,857
NBT payable			–	20,008	–	31,912
Crop insurance levy payable			–	10,970	–	10,970
Retirement benefit obligation	44.1	244	592,871	492,444	647,929	536,753
Amount payable to customers			401,960	161,210	409,602	162,060
Stamp duty payable			53,008	50,135	55,087	52,011
Other payable			387,089	315,609	402,539	347,084
<b>Total</b>			<b>1,568,565</b>	<b>1,464,489</b>	<b>1,700,685</b>	<b>1,606,686</b>

## Notes to the Financial Statements

### 44.1 Retirement benefit obligation

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April			492,444	393,048	536,753	423,788
Amount recognised in Statement of Profit or Loss	44.1.1	244	111,325	90,594	124,504	101,335
Actuarial gain/(Loss) recognise in Statement of Comprehensive Income	44.1.2	244	(172)	17,909	(1,225)	20,872
Benefits paid during the year			(10,726)	(9,107)	(12,103)	(9,242)
<b>Balance as at 31 March</b>			<b>592,871</b>	<b>492,444</b>	<b>647,929</b>	<b>536,753</b>

#### 44.1.1 Amount recognised in Statement of Profit or Loss

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current service cost	57,157	50,109	70,335	65,570
Net interest on the net defined benefit liability	54,168	40,485	54,169	35,765
<b>Total amount recognised in Statement of Profit or Loss</b>	<b>111,325</b>	<b>90,594</b>	<b>124,504</b>	<b>101,335</b>

#### 44.1.2 Amount recognise in Statement of Comprehensive Income

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Losses/(Gains) due to changes in assumptions	(2,410)	14,034	(1,716)	15,268
Experience losses/(gains) arising during the year	2,238	3,875	491	5,604
<b>Total actuarial (losses)/gain recognised in Statement of Comprehensive Income</b>	<b>(172)</b>	<b>17,909</b>	<b>(1,225)</b>	<b>20,872</b>

An actuarial valuation of the retirement benefit obligations was carried out as at 31 March 2020 by Messrs Smiles Global (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the Projected Unit Credit (PUC), the method recommended by the Sri Lanka Accounting Standard – LKAS 19 – “Employee Benefits”.

As at 31 March	Company/Group	
	2020	2019
<b>Actuarial assumptions</b>		
Discount rate	10.00%	11.30%
Future salary increment rate	9.00%	10.00%
Mortality	A1967/70 ultimate mortality	A1967/70 ultimate mortality
Disability	Standard RI rates	Standard RI rates
Retirement age	55 years	55 years

Expected average working life of the active participants is 8.87 years for the year ended 31 March 2020. (8.67 – 2019).

## Notes to the Financial Statements

### 44.1.3 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 measures.

The sensitivity of the Statement of Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	%	2020		2019	
		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	Rs. '000
Increase/(decrease) in discount rate	1	33,376	(33,376)	27,381	(27,381)
	-1	(37,348)	37,348	(30,587)	30,587
Increase/(decrease) in salary increment	1	(38,666)	38,666	(31,675)	31,675
	-1	35,140	(35,140)	28,831	(28,831)

### 44.1.4 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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Within the next 12 months	48,003	31,932	51,911	35,840
Between 1-5 years	67,487	50,535	83,388	60,683
Over 5 years	477,381	409,977	512,630	440,230
<b>Total</b>	<b>592,871</b>	<b>492,444</b>	<b>647,929</b>	<b>536,753</b>

## 45 Stated capital

As at 31 March	Company/Group			
	2020		2019	
	Number	Rs. '000	Number	Rs. '000
Balance as at 1 April 2019	1,579,862,482	13,236,073	1,579,862,482	13,236,073
Scrip dividend	47,840,906	679,341	–	–
<b>Balance as at 31 March 2020</b>	<b>1,627,703,388</b>	<b>13,915,414</b>	<b>1,579,862,482</b>	<b>13,236,073</b>

Issued for scrip dividend – 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.

# Notes to the Financial Statements

## 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 according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

## Regulatory capital

As at 31 March	2020		2019	
	Actual	Required	Actual	Required
Tier 1 capital/core capital (Rs. '000)	29,269,430	2,000,000	26,517,785	1,500,000
Tier 1 capital ratio (%)	15.12	7.00	14.36	6.00
Total capital ratio (%)	15.99	11.00	15.20	10.00

As per Finance Business Act Direction No. 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserve fund, retained earnings including current year profit, general and other reserves less goodwill, other intangible assets, other comprehensive income/(loss), 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 billion by 1 January 2020, 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 billion until 31 December 2020.

## 46 Statutory reserve fund

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	2,058,219	1,837,413	2,070,667	1,837,413
Transfer during the year	147,125	220,806	164,410	233,254
<b>Balance as at 31 March</b>	<b>2,205,344</b>	<b>2,058,219</b>	<b>2,235,077</b>	<b>2,070,667</b>

## 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) percent of total deposit liabilities, a sum equal to not less than five (5) percent of the net profits shall be transferred to reserve fund each year.

Since the capital funds are not less than twenty-five (25) percent of total deposit liabilities, company has transferred five (5) percent of the net profits to reserve fund.

## Lankan Alliance Finance Limited

As per Financial regulation 1994, 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

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April	13,361,805	11,502,165	15,198,424	13,167,172
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	–	(1,006,640)	–	(1,066,686)
Deferred tax on transitional adjustment	–	250,729	–	266,494
Capital gain tax	–	–	14	(167,949)
Profit for the year	2,942,508	4,416,121	3,408,670	4,813,578
Comprehensive income	123	(4,937)	4,449	(6,104)
Transfers to reserves	(147,125)	(220,806)	(164,410)	(233,254)
Transfers from reserves	–	400,000	–	400,000
Dividend paid	(1,929,323)	(1,974,827)	(1,929,323)	(1,974,827)
<b>Balance as at 31 March</b>	<b>14,227,988</b>	<b>13,361,805</b>	<b>16,517,824</b>	<b>15,198,424</b>

#### 48 Other reserves

##### Equity reserves

The reserves recorded in equity (Statement of Comprehensive Income) on the Statement of Financial Position include:

- “Available-for-sale” reserve, which comprises changes in fair value of available-for-sale financial assets (Refer Note 48.3 on page 248).
- “Fair value reserve” comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income (Refer Note 48.4 on page 248).
- “General reserve” represents the amounts set aside by the Directors for general application. The purpose of setting up the General reserve is to meet the potential future unknown liabilities.
- “Tax equalisation reserve” comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.
- “Revaluation reserve” relates to revaluation adjustment of investment property transferred from property, plant and equipment.
- “Foreign currency translation reserve”

As at the reporting date, the assets and liabilities of 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 48.5 on page 249).

##### 48.1 Movement of other reserve – 31 March 2020

	Note	Page No.	Company			Group		
			Opening balance as at 1 April 2019	Movement/transfers	Closing balance as at 31 March 2020	Opening balance as at 1 April 2019	Movement/transfers	Closing balance as at 31 March 2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fair value reserve	48.4	248	(52,742)	(49,372)	(102,114)	(54,705)	(61,300)	(116,005)
Foreign currency translation reserve	48.5	249	–	–	–	261,979	139,129	401,108
<b>Total</b>			<b>(52,742)</b>	<b>(49,372)</b>	<b>(102,114)</b>	<b>207,274</b>	<b>77,829</b>	<b>285,103</b>

## Notes to the Financial Statements

### 48.2 Movement of other reserve – 31 March 2019

	Note	Page No.	Company			Group		
			Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2019 Rs. '000	Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2019 Rs. '000
General reserve			300,000	(300,000)	–	300,000	(300,000)	–
Tax equalisation reserve			100,000	(100,000)	–	100,000	(100,000)	–
Available-for-sale reserve	48.3	248	46,869	(46,869)	–	45,585	(45,585)	–
Fair value reserve			–	(52,742)	(52,742)	–	(54,705)	(54,705)
Revaluation reserve			7,302	(7,302)	–	–	–	–
Foreign currency translation reserve	48.5	249	–	–	–	2,828	259,151	261,979
<b>Total</b>			454,171	(506,913)	(52,742)	448,413	(241,139)	207,274

### 48.3 Available-for-sale reserve

The available-for-sale reserve is comprised the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	–	46,869	–	45,585
Impact of adopting SLFRS 9	–	(46,869)	–	(45,585)
Balance as at 1 April – Adjusted	–	–	–	–
Net fair value gains/(losses) on remeasuring financial investments available for sale	–	–	–	–
<b>Balance as at 31 March</b>	–	–	–	–

### 48.4 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.

As at 31 March	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	(52,742)	–	(54,705)	–
Impact of adopting SLFRS 9	–	46,869	–	45,585
Balance as at 1 April – Adjusted	(52,742)	46,869	(54,705)	45,585
Net fair value gains/(losses) on remeasuring financial investments	(49,372)	(99,611)	(61,300)	(100,290)
<b>Balance as at 31 March</b>	(102,114)	(52,742)	(116,005)	(54,705)

## Notes to the Financial Statements

### 48.5 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign subsidiary.

As at 31 March	Group	
	2020	2019
	Rs. '000	Rs. '000
Balance as at 1 April	261,979	2,828
Net gains/(losses) arising from translating the Financial Statements	139,129	259,151
<b>Balance as at 31 March</b>	<b>401,108</b>	<b>261,979</b>

### 49 Non-controlling interest

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non-controlling interest represents 25% of net assets of the Subsidiary, People's Insurance PLC and 49% of net assets of the subsidiary, Lankan Alliance Finance Limited.

As at 31 March	Group	
	2020	2019
	Rs. '000	Rs. '000
Balance as at 1 April	2,269,520	2,165,070
Profit for the year	183,079	197,690
Other comprehensive income	(3,315)	(740)
Dividend paid for the year	(92,500)	(92,500)
<b>Balance as at 31 March</b>	<b>2,356,784</b>	<b>2,269,520</b>

### 50 Non-cash items included in profit before income tax

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation of property, plant and equipment	13	172	164,492	166,006	292,404	286,193
Amortisation of right-of-use assets	13	172	538,230	3,066	332,830	3,066
Amortisation of intangible assets	13	172	14,299	10,535	10,764	13,101
Impairment charges for right-of-use assets	34	227	36,965	–	36,965	–
Impairment charges for goodwill	33	225	68,145	19,580	68,145	19,580
Impairment losses of loans and receivables	11	169	4,759,682	1,721,779	4,983,577	1,828,091
Impairment losses of investment in associate	30	216	–	348,794	–	152,572
Charge for retirement benefit obligation	12	172	111,325	90,594	124,504	101,335
Gain/(Loss) on sale of property, plant and equipment	10	168	(6,183)	(19,645)	(6,183)	(26,625)
Net trading income from sale of vehicles	10	168	(301)	(2,704)	(301)	(3,575)
Net gain/(Loss) on financial assets – FVTPL	9	168	(11,017)	27,887	(19,586)	44,351
Gain/(Loss) on sale of investment properties	10	168	–	(6,980)	–	(6,980)
<b>Total</b>			<b>5,675,637</b>	<b>2,358,912</b>	<b>5,823,119</b>	<b>2,411,109</b>

## Notes to the Financial Statements

### 51 – Change in operating assets

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net (increase)/decrease in other balances with bank and financial institutions	197,093	965,940	714,016	1,383,292
Net (increase)/decrease in financial assets – FVTPL	(997,512)	123,659	(1,106,620)	198,748
Net (increase)/decrease in loans and receivables – Amortised cost	(798,990)	(14,268,180)	(2,162,373)	(17,931,962)
Net (increase)/decrease in insurance and reinsurance receivables	–	–	(309,538)	(478,708)
Net (increase)/decrease in financial assets – FVOCI	(248,102)	(6,130)	(1,391,351)	(6,809)
Net (increase)/decrease in debt instruments – Amortised cost	3,895,662	(3,112,984)	4,278,506	(3,077,982)
Net (increase)/decrease in other assets	187,643	(49,000)	(104,791)	120,886
<b>Total</b>	<b>2,235,794</b>	<b>(16,346,695)</b>	<b>(82,151)</b>	<b>(19,792,535)</b>

### 52 Change in operating liabilities

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net increase/(decrease) in due to customers	18,332,371	18,605,437	18,762,396	19,545,402
Net increase/(decrease) in other financial liabilities	535,224	(2,160,928)	366,256	(2,004,103)
Net increase/(decrease) in insurance liabilities and reinsurance payables	–	–	184,347	826,287
Net increase/(decrease) in other liabilities	566,140	1,142,196	1,031,696	1,306,814
<b>Total</b>	<b>19,433,735</b>	<b>17,586,705</b>	<b>20,344,695</b>	<b>19,674,400</b>

### 53 Contingent liabilities and commitments

#### Commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 – “Provisions, Contingent Liabilities and Contingent Assets”. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

#### Legal claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Group and Company have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date the Company and Group had several unresolved legal claims. The significant unresolved legal claims against the Group and Company for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

### Contingent liabilities, commitments of other group entities

The Group's/Company's share of any contingencies and capital commitments of a subsidiary and an associate for which the Company is also liable severally or otherwise is included with appropriate disclosures.

### Provisions for liabilities and contingencies

The Group/Company receives legal claims against it in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the Financial Statements are described as follows:

As at 31 March	Note	Page No.	Company		Group	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Contingent liabilities	53.1	251	689,290	514,014	707,179	514,150
Commitments	53.2	252	4,627,602	7,261,850	4,643,436	7,274,558
<b>Total</b>			<b>5,316,892</b>	<b>7,775,864</b>	<b>5,350,615</b>	<b>7,788,708</b>

### 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	
			2020	2019	2020	2019
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Litigation against the Company	53.3	252	287,415	115,051	287,415	115,187
Guarantees – Related parties			300,000	300,000	300,000	300,000
Guarantees – Others			32,798	31,025	32,798	31,025
Assessment received from Inland Revenue Department	53.1.1	251	67,938	67,938	85,827	67,938
Pending bill retirements			1,139	–	1,139	–
<b>Total</b>			<b>689,290</b>	<b>514,014</b>	<b>707,179</b>	<b>514,150</b>

#### 53.1.1 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. 67,937,854.00 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 appearing for and on behalf of the Company.

## Notes to the Financial Statements

### 53.2 Commitments

The Group/Company has commitments for acquisition of property, plant and equipment, intangible assets and unutilised facilities incidental to the ordinary course of business as at 31 March as follows:

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Capital commitments</b>				
Approved and contracted for	–	–	4,534	12,708
Approved but not contracted for	–	1,125,000	11,300	1,125,000
<b>Subtotal</b>	–	1,125,000	15,834	1,137,708
<b>Unutilised facilities</b>				
Margin trading	1,106,598	1,631,356	1,106,598	1,631,356
Fast track	2,132,016	3,760,438	2,132,016	3,760,438
Factoring	1,388,988	745,056	1,388,988	745,056
<b>Subtotal</b>	4,627,602	6,136,850	4,627,602	6,136,850
<b>Total</b>	4,627,602	7,261,850	4,643,436	7,274,558

### 53.3 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-six (46) 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.

### 54 Net assets value per ordinary share

As at 31 March	Company		Group	
	2020	2019	2020	2019
	Total equity attributable to equity holders of the Company (Rs. '000)	30,246,632	28,603,355	32,953,418
Total number of shares	1,627,703,388	1,579,862,482	1,627,703,388	1,579,862,482
Net assets value per share (Rs.)	18.58	18.10	20.25	19.44

**Notes to the  
Financial Statements**

**55 Current/non-current analysis**

	Company					
	2020			2019		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
<b>Assets</b>						
Cash and cash equivalents	7,164,139	–	7,164,139	3,294,055	–	3,294,055
Balances with banks and financial institutions	3,207,440	–	3,207,440	3,404,533	–	3,404,533
Financial assets – Fair value through profit or loss	1,031,719	–	1,031,719	23,190	–	23,190
Loans and receivables – Amortised cost	65,360,573	82,386,938	147,747,511	65,875,884	85,832,018	151,707,902
Financial assets – Fair value through other comprehensive income	324,371	10	324,381	125,641	10	125,651
Debt instruments – Amortised cost	4,106,963	–	4,106,963	8,002,625	–	8,002,625
Investments in subsidiaries	–	3,213,788	3,213,788	–	3,213,788	3,213,788
Investment in associate	–	–	–	–	237,633	237,633
Property, plant and equipment	–	1,143,929	1,143,929	–	1,098,286	1,098,286
Goodwill and intangible assets	–	257,581	257,581	–	324,905	324,905
Right-of-use assets	–	1,939,450	1,939,450	–	84,065	84,065
Deferred tax assets	–	376,291	376,291	–	–	–
Other assets	981,430	165,571	1,147,001	769,174	255,470	1,024,644
<b>Total assets</b>	<b>82,176,635</b>	<b>89,483,558</b>	<b>171,660,193</b>	<b>81,495,102</b>	<b>91,046,175</b>	<b>172,541,277</b>
<b>Liabilities</b>						
Due to banks	3,569,992	4,368,193	7,938,185	21,080,446	6,193,487	27,273,933
Due to customers	81,447,697	25,253,330	106,701,027	67,985,575	20,383,081	88,368,656
Debt securities issued	5,713,914	12,765,346	18,479,260	4,046,736	17,228,295	21,275,031
Other financial liabilities	3,014,117	–	3,014,117	2,480,377	–	2,480,377
Lease liabilities	1,909,098	–	1,909,098	–	–	–
Current tax liabilities	1,803,309	–	1,803,309	2,238,257	–	2,238,257
Deferred tax liabilities	–	–	–	–	837,179	837,179
Other liabilities	1,568,565	–	1,568,565	1,464,489	–	1,464,489
<b>Total liabilities</b>	<b>99,026,692</b>	<b>42,386,869</b>	<b>141,413,561</b>	<b>99,295,880</b>	<b>44,642,042</b>	<b>143,937,922</b>
<b>Net assets</b>	<b>(16,850,057)</b>	<b>47,096,689</b>	<b>30,246,632</b>	<b>(17,800,778)</b>	<b>46,404,133</b>	<b>28,603,355</b>

## Notes to the Financial Statements

	Group					
	2020			2019		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
<b>Assets</b>						
Cash and cash equivalents	7,693,032	–	7,693,032	4,310,595	–	4,310,595
Balances with banks and financial institutions	6,661,407	–	6,661,407	7,375,423	–	7,375,423
Financial assets – Fair value through profit or loss	1,198,592	–	1,198,592	72,386	–	72,386
Loans and receivables – Amortised cost	66,973,007	87,161,927	154,134,934	67,042,635	89,913,202	156,955,837
Insurance and reinsurance receivables	1,194,933	–	1,194,933	885,395	–	885,395
Financial assets – Fair value through other comprehensive income	1,455,692	10	1,455,702	125,641	10	125,651
Debt instruments – Amortised cost	4,157,713	655,726	4,813,439	9,091,945	–	9,091,945
Investment in associate	–	–	–	–	237,633	237,633
Investment properties	–	1,131,652	1,131,652	–	1,131,596	1,131,596
Property, plant and equipment	–	3,998,370	3,998,370	–	4,017,301	4,017,301
Goodwill and intangible assets	–	368,574	368,574	–	432,340	432,340
Right-of-use assets	–	1,639,482	1,639,482	–	84,065	84,065
Deferred tax assets	–	471,841	471,841	–	47,584	47,584
Other assets	1,069,758	165,571	1,235,329	909,414	255,470	1,164,884
<b>Total assets</b>	<b>90,404,190</b>	<b>95,593,097</b>	<b>185,997,287</b>	<b>89,813,434</b>	<b>96,119,201</b>	<b>185,932,635</b>
<b>Liabilities</b>						
Due to banks	5,263,064	5,714,982	10,978,046	21,419,853	9,055,473	30,475,326
Due to customers	82,432,262	25,253,330	107,685,592	68,540,115	20,383,081	88,923,196
Debt securities issued	5,713,915	12,624,124	18,338,039	4,046,736	17,087,304	21,134,040
Other financial liabilities	2,829,708	–	2,829,708	2,464,936	–	2,464,936
Insurance liabilities and reinsurance payable	–	5,065,220	5,065,220	–	4,880,873	4,880,873
Lease liabilities	–	1,594,245	1,594,245	–	–	–
Current tax liabilities	2,077,418	–	2,077,418	2,323,647	–	2,323,647
Deferred tax liabilities	–	418,132	418,132	–	1,141,973	1,141,973
Other liabilities	1,700,685	–	1,700,685	1,606,686	–	1,606,686
<b>Total liabilities</b>	<b>100,017,052</b>	<b>50,670,033</b>	<b>150,687,085</b>	<b>100,401,973</b>	<b>52,548,704</b>	<b>152,950,677</b>
<b>Net assets</b>	<b>(9,612,862)</b>	<b>44,923,064</b>	<b>35,310,202</b>	<b>(10,588,539)</b>	<b>43,570,497</b>	<b>32,981,958</b>

## **56 Financial reporting by segment**

### ACCOUNTING POLICY

The Group's segmental reporting is based on the following operating 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 segment.)

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 includes all other business activities that Group engaged other than above segments.

## Notes to the Financial Statements

	Lease and hire purchase		Loans		Islamic		Insurance		Other		Eliminations		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
For the year ended 31 March														
Interest income	17,074,973	17,157,233	12,902,498	12,120,975	1,477,951	1,487,121	782,716	670,357	1,308,340	1,073,124	(263,599)	(274,470)	33,282,879	32,234,340
Net earned premium	-	-	-	-	-	-	5,357,949	4,877,621	-	-	(155,919)	(149,048)	5,202,030	4,728,573
Net fee and commission income	1,082,308	985,849	817,833	696,467	93,681	85,449	-	-	191,201	184,108	(1,019,391)	(947,576)	1,165,632	1,004,297
Net trading income	-	-	-	-	-	-	8,622	(19,011)	10,964	(25,340)	-	-	19,586	(44,351)
Other operating income	237,426	232,293	179,408	164,107	20,551	20,134	78,649	80,036	352,332	395,944	(483,663)	(459,168)	384,703	433,346
<b>Gross income</b>	<b>18,394,707</b>	<b>18,375,375</b>	<b>13,899,739</b>	<b>12,981,549</b>	<b>1,592,183</b>	<b>1,592,704</b>	<b>6,227,936</b>	<b>5,609,003</b>	<b>1,862,837</b>	<b>1,627,836</b>	<b>(1,922,572)</b>	<b>(1,830,262)</b>	<b>40,054,830</b>	<b>38,356,205</b>
Interest expenses	8,425,432	8,590,915	6,366,577	6,069,175	729,277	744,626	-	-	853,246	761,051	(263,597)	(274,469)	16,110,935	15,891,298
Total operating income	9,969,275	9,784,460	7,533,162	6,912,374	862,906	848,078	6,227,936	5,609,003	1,009,591	866,785	(1,658,975)	(1,555,793)	23,943,895	22,464,907
Credit loss expenses	2,768,746	1,060,462	1,929,504	579,390	169,306	5,364	-	-	34,346	62,987	-	-	4,901,902	1,708,203
Net operating income	7,200,529	8,723,998	5,603,658	6,332,984	693,600	842,714	6,227,936	5,609,003	975,245	803,798	(1,658,975)	(1,555,793)	19,041,993	20,756,704
Depreciation	354,765	124,711	292,987	72,584	27,591	19,103	90,245	24,030	39,359	18,018	(168,949)	43,914	635,998	302,360
<b>Segment result</b>	<b>3,648,381</b>	<b>4,874,052</b>	<b>2,756,857</b>	<b>3,443,345</b>	<b>315,792</b>	<b>422,463</b>	<b>1,053,624</b>	<b>805,796</b>	<b>369,475</b>	<b>431,784</b>	<b>(411,280)</b>	<b>(238,991)</b>	<b>7,732,849</b>	<b>9,738,449</b>
Less : Taxes on financial services													2,030,532	2,117,910
Share of (loss) of an associate (net of tax)													-	(33,234)
Income tax expense													2,110,568	2,576,037
<b>Profit attributable to equity holders</b>													<b>3,591,749</b>	<b>5,011,268</b>
As at 31 March														
Segment assets	90,379,077	89,272,030	74,640,489	65,974,886	7,029,126	13,674,721	10,099,370	9,625,118	10,026,879	12,898,087	(6,177,654)	(5,512,207)	185,997,287	185,932,635
<b>Total assets</b>	<b>90,379,077</b>	<b>89,272,030</b>	<b>74,640,489</b>	<b>65,974,886</b>	<b>7,029,126</b>	<b>13,674,721</b>	<b>10,099,370</b>	<b>9,625,118</b>	<b>10,026,879</b>	<b>12,898,087</b>	<b>(6,177,654)</b>	<b>(5,512,207)</b>	<b>185,997,287</b>	<b>185,932,635</b>
Segment liabilities	73,522,577	73,583,999	60,719,375	54,380,929	5,718,132	11,271,623	6,449,060	6,329,550	8,156,777	10,631,469	(3,878,836)	(3,246,893)	150,687,085	152,950,677
<b>Total liabilities</b>	<b>73,522,577</b>	<b>73,583,999</b>	<b>60,719,375</b>	<b>54,380,929</b>	<b>5,718,132</b>	<b>11,271,623</b>	<b>6,449,060</b>	<b>6,329,550</b>	<b>8,156,777</b>	<b>10,631,469</b>	<b>(3,878,836)</b>	<b>(3,246,893)</b>	<b>150,687,085</b>	<b>152,950,677</b>

## 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 2020 Rs. '000	31 March 2019 Rs. '000	31 March 2020 Rs. '000	31 March 2019 Rs. '000	
Rentals receivables on lease	Securitisation	13,674,060	11,917,923	13,674,060	11,917,923	Loans and receivables
	Term loan	–	9,238,434	–	9,238,434	Loans and receivables
	Short-term loans	14,644,573	15,850,462	14,644,573	15,850,462	Loans and receivables
Rentals receivables on hire purchase	Securitisation	–	37,648	–	37,648	Loans and receivables
	Term loan	–	52,359	1,037,255	52,359	Loans and receivables
	Short-term loans	12,362	17,012	59,067	17,012	Loans and receivables
Rentals receivables on loans	Securitisation	3,920,262	4,730,027	3,920,262	4,730,027	Loans and receivables
	Short-term loans	6,866,971	1,036,545	6,866,971	1,036,545	Loans and receivables
Fixed deposits	Bank guarantee for assessment	–	87,504	–	87,504	Contingent liabilities and commitments
Fixed deposits	Overdrafts	–	–	75,000	12,000	Balances with banks and financial institutions
Freehold lands and buildings	Term loans	–	–	3,818,007	3,812,272	Property, plant and equipment

## 58 Related party disclosure

The Company and the Group carried 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 carried out transactions with KMPs and 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 Transactions with key management personnel and their close family members

Remuneration to key management personnel

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>(a) Remuneration to Board of Directors</b>				
Short-term employees benefits	6,269	9,315	13,143	16,564
<b>Total</b>	<b>6,269</b>	<b>9,315</b>	<b>13,143</b>	<b>16,564</b>

## Notes to the Financial Statements

For the year ended 31 March	Company		Group	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>(b) Remuneration to Corporate Management</b>				
Short-term employees benefits	181,362	175,624	199,122	196,855
Post employment benefits	8,051	14,770	8,051	14,770
<b>Total</b>	<b>189,413</b>	<b>190,394</b>	<b>207,173</b>	<b>211,625</b>

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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Number of ordinary shares held	945,947	500,798	1,285,009	563,798
Cash dividend paid (Rs. '000)	607	711	820	766
Scrip dividend (Number of shares)	28,001	–	28,001	–

### 58.2.3 Transactions, arrangements and agreements involving key management personnel (KMPs), their close family members (CFMs) and other related entities

	Board of Directors		Corporate Management		Total	
	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>(a) Items in Statement of Profit or Loss</b>						
Interest income	–	120	502	707	502	827
Interest expense	9,492	2,963	32,295	27,257	41,787	30,220
<b>(b) Items in Statement of Financial Position</b>						
<b>Assets</b>						
Loans and receivables – Amortised cost	–	–	7,497	2,272	7,497	2,272
<b>Total</b>	<b>–</b>	<b>–</b>	<b>7,497</b>	<b>2,272</b>	<b>7,497</b>	<b>2,272</b>
<b>Liabilities</b>						
Due to customers	89,788	16,613	267,780	238,722	357,568	255,335
<b>Total</b>	<b>89,788</b>	<b>16,613</b>	<b>267,780</b>	<b>238,722</b>	<b>357,568</b>	<b>255,335</b>

### 58.3 Net accommodation and net accommodation as a percentage of capital funds

	2020 Rs. '000	2019 Rs. '000	2020 %	2019 %
People's Bank	–	–	–	–
People's Leasing Property Development Limited	614,680	553,289	2.03	1.93
People's Leasing Fleet Management Limited	24,630	15,473	0.08	0.05
People's Leasing Havelock Properties Limited	905,663	792,369	2.99	2.77
People's Micro-commerce Ltd.	152,095	249,288	1.00	0.87
People's Insurance PLC	35,868	25,347	0.12	0.09
Lankan Alliance Finance Limited	39,152	36,907	0.13	0.13
Board of Directors	–	–	–	–
Corporate Management	7,497	2,272	0.02	0.01
<b>Total net accommodation</b>	<b>1,779,585</b>	<b>1,674,945</b>	<b>6.37</b>	<b>5.85</b>

### 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. The significant financial dealings during the year and as at the Statement of Financial Position date are as follows:

	Company		Group	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>(a) Items in Statement of Profit or Loss</b>				
Interest income	5,433	9,615	5,433	9,615
Interest expenses	528,544	1,483,228	528,544	1,483,228
<b>(b) Items in Statement of Financial Position</b>				
<b>Assets</b>				
Loans and receivables – Amortised cost	29,024	31,789	29,024	31,789
<b>Total</b>	<b>29,024</b>	<b>31,789</b>	<b>29,024</b>	<b>31,789</b>
<b>Liabilities</b>				
Due to banks	1,892,687	5,900,647	1,892,687	2,782,080
<b>Total</b>	<b>1,892,687</b>	<b>5,900,647</b>	<b>1,892,686</b>	<b>2,782,080</b>

Further, transactions as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

- Investments in Treasury Bills, Treasury Bonds
- Payments of statutory rates and taxes
- Payments for utilities mainly comprising of telephone, electricity and water
- Payments for employment retirement benefits – EPF, ETF
- Payment of incidentals such as RMV charges and CRIB fees that are paid based on standard rates.

#### (c) Individual Significant Transactions

There were no individual significant transactions with the Government of Sri Lanka and Government-related entities, other than on normal day-to-day business operations.

## Notes to the Financial Statements

### 58.4.1 Company

The Company had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Subsidiaries		Associate	
	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>(a) Items in Statement of Profit or Loss</b>						
Interest income	1,132,518	861,046	188,265	202,763	–	–
Interest expense	391,216	1,061,632	75,333	71,706	–	–
Fee and commission income	–	–	680,264	609,575	–	–
Other operating income	–	–	475,829	490,724	–	–
Benefits, claims and underwriting expenditure	–	–	137,224	129,245	–	–
Other operating expenses	43,403	40,542	307,666	307,118	–	–
<b>(b) Items in Statement of Financial Position</b>						
<b>Assets</b>						
Cash and cash equivalents	6,290,427	2,267,088	–	–	–	–
Balances with banks and financial institutions	2,801,890	3,035,576	–	–	–	–
Loans and receivables – Amortised cost	–	–	1,772,088	1,672,674	–	–
Debt instruments – Amortised cost	4,106,963	7,976,782	–	–	–	–
Investments in subsidiaries/associate (net of impairment)	–	–	3,213,788	3,213,788	–	237,633
Other assets	–	–	262,509	185,670	–	–
<b>Total</b>	<b>13,199,280</b>	<b>13,279,446</b>	<b>5,248,385</b>	<b>5,072,132</b>	<b>–</b>	<b>237,633</b>
<b>Liabilities</b>						
Due to banks	1,654,194	4,441,332	–	–	–	–
Due to customers	–	–	503,009	459,770	–	–
Debt securities issued	–	–	141,222	140,991	–	–
Other financial liabilities	–	–	703,566	660,248	–	–
Other liabilities	5,923	3,179	9,260	7,535	–	–
<b>Total</b>	<b>1,660,117</b>	<b>4,444,511</b>	<b>1,357,057</b>	<b>1,268,544</b>	<b>–</b>	<b>–</b>
<b>(c) Transactions</b>						
Transaction cost on debenture issue and securitisation	4,850	4,820	–	–	–	–
Cash and cash equivalents – Repo investments	25,122,245	12,866,179	–	–	–	–
Cash and cash equivalents – Repo settlements	23,236,534	12,915,511	–	–	–	–
Balances with banks and financial institutions – FD investments	2,610,079	2,807,018	–	–	–	–
Balances with banks and financial institutions – FD withdrawals	4,060,829	3,773,639	–	–	–	–
Loans and receivables – Grantings	–	–	608,624	773,491	–	–
Loans and receivables – Repayments	–	–	507,911	761,515	–	–
Debt instruments – Amortised cost – Investments	13,164,970	12,671,279	–	–	–	–
Debt instruments – Amortised cost – Settlements	17,787,216	8,456,153	–	–	–	–

## Notes to the Financial Statements

	Immediate parent		Subsidiaries		Associate	
	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to banks – Borrowings	4,800,000	24,285,200	–	–	–	–
Due to banks – Repayment	7,625,383	30,627,459	–	–	–	–
Due to customers – Investments	–	–	470,485	421,902	–	–
Due to customers – Settlements	–	–	320,485	354,378	–	–
Dividend paid	1,446,993	1,481,121	–	–	–	–
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	–	–	3,595,939	3,790,763	–	–
<b>Total</b>	<b>99,859,099</b>	<b>109,888,379</b>	<b>5,503,444</b>	<b>6,102,049</b>	<b>–</b>	<b>–</b>
<b>(d) Off-balance sheet items</b>						
Guarantees	–	–	300,000	300,000	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>300,000</b>	<b>300,000</b>	<b>–</b>	<b>–</b>

### 58.4.2 Group

The Group had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Associate	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>(a) Items in Statement of Profit or Loss</b>				
Interest income	1,196,187	1,321,593	–	–
Interest expenses	406,388	1,061,632	–	–
Net earned premiums	232,100	219,372	–	–
Fee and commission income	49,207	93,796	–	–
Other operating income	146,318	142,779	–	–
Benefits, claims and underwriting expenditure	162,557	52,812	–	–
Other operating expenses	44,303	41,442	–	–
<b>(b) Items in Statement of Financial Position</b>				
<b>Assets</b>				
Cash and cash equivalents	6,517,002	3,206,927	–	–
Balances with banks and financial institutions	3,555,637	3,097,947	–	–
Loans and receivables – Amortised cost	–	–	–	–
Insurance and reinsurance receivables	273,277	36	–	–
Debt instruments – Amortised cost	4,106,963	7,976,782	–	–
Investments in subsidiaries/associate (net of impairment)	–	–	–	237,633
Other assets	28,528	43,826	–	–
<b>Total</b>	<b>14,481,407</b>	<b>14,325,518</b>	<b>–</b>	<b>237,633</b>
<b>Liabilities</b>				
Due to banks	2,143,641	5,052,345	–	–
Other liabilities	13,103	7,103	–	–
<b>Total</b>	<b>2,156,744</b>	<b>5,059,448</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

### 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
			2020	2019	2020	2019	
			Rs. '000	Rs. '000	%	%	
People's Bank	Immediate Parent	Repo investments	25,122,245	12,866,179	74.77	39.30	Normal terms
		Repo settlements	23,236,534	12,915,511	69.16	39.45	Normal terms
		FD withdrawals	4,060,829	3,773,639	12.09	11.53	Normal terms
		Treasury bill investments	13,164,970	12,671,279	39.18	38.71	Normal terms
		Treasury bill settlements	17,787,216	8,456,153	52.94	25.83	Normal terms
		Borrowings	4,800,000	24,285,200	14.29	74.19	Normal terms
		Repayment of borrowings	7,625,383	30,627,459	22.70	93.56	Normal terms
People's Insurance PLC	Subsidiary	Insurance premium paid in respect of customers introduced by PLC	3,595,939	3,790,763	10.70	11.58	Normal terms

## 59 Risk management (Company/Group) 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 Liability 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 and Control, Deputy General Manager – Recoveries and 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 (IRMOC)

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 subcommittees 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

The outbreak and spread of the coronavirus globally have caused disruption to business and economic activities and had created a widespread uncertainty to the global economy. Further the various quarantine measures adopted by different countries widely affected the global trade.

As the banking and NBFI sectors are the backbone of any economy, any significant economic downturn will directly affect banks and NBFI. Due to difficult operating conditions, the performance of the banking sector and the NBFIs in particular will be more challenging, affecting the quality of the asset and the recovery of profitability. Relief measures for affected businesses and individuals in line with the directions issued by the CBSL. (Up to six-month moratorium) are expected to mitigate the impact on individuals and businesses, but will increase non-performing loans by 2020. Further Fitch Ratings, the outlook for the country, banking and NBFI sector in Sri Lanka is negative for 2020. The liquidity position of the financial sector will be affected by the debt moratorium, although this is counteracted to some extent by the lowering of liquidity requirements for financial institutions. The need to strengthen the capital of NBFIs will be felt even more, as it must have the financial capacity to detect crises like this. Stress testing will also be important because of the uncertainty.

Due to the challenging economic and business circumstances, 2020 budgets and forecasts prepared in 2019 may now be of limited relevance. Therefore, 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 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.

## 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

CA Sri Lanka has issued certain temporary practical expedients in the application of certain provisions in SLFRS 9, considering the insufficiency of updated information, uncertainty relating to borrowers repayment ability, resource constraints and various Government relief measures as a result of the outbreak, even though circumstances require reassessment of all the factors for the preparation of Financial Statements for the reporting on 31 March 2020 financial statements and thereon. Accordingly, an entity may continue using the information used for Probability of Default (PD), Loss Given Default (LGD), Economic Factor Adjustment (EFA) and cash flow assumptions in 31 December 2019 during the January to March period subject to appropriate adjustments being incorporated, when the information become available subsequently. In addition, extensive disclosures need to be made in the 2020 reporting on the factors and assumptions used and changes made or not made to the ECL methodology.

## Notes to the Financial Statements

The Company considered February 2020 Days Past Due (DPD) for calculating Probability of Default (PD) as at 31 March 2020, instead of March (DPD), due to March figures have been impacted by the setting of COVID-19 pandemic using under the practical expedient clause of SLFRS 9.

On EFA, weightage assigned to worst case scenario has increased by transferring the weightage from best case scenario to worst case scenario in the 31 March 2020 by Using December 2019 Macroeconomic factors, since March 2020 data not available as at 31 March 2020.

### 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 pages 193 to 210.

## 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 2020	Company						
	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000		
Cash and cash equivalents (excluding cash in hand)	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	53,535,961	72,124,229	19,872,168	4,324,707	4,943,201	1,697,480	156,497,746
Financial assets – Fair value through other comprehensive income	324,381	–	–	–	–	–	324,381
Debt instruments – Amortised cost	4,106,963	–	–	–	–	–	4,106,963
Other financial assets	232,692	–	–	–	–	–	232,692
<b>Total</b>	<b>68,947,293</b>	<b>72,124,229</b>	<b>19,872,168</b>	<b>4,324,707</b>	<b>4,943,201</b>	<b>1,697,480</b>	<b>171,909,078</b>

## Notes to the Financial Statements

As at 31 March 2019	Company						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Cash and cash equivalents (excluding cash in hand)	2,432,493	–	–	–	–	–	2,432,493
Balances with banks and financial institutions	3,404,533	–	–	–	–	–	3,404,533
Financial assets – Fair value through profit or loss	23,190	–	–	–	–	–	23,190
Loans and receivables – Amortised cost	91,969,035	51,680,382	7,181,345	2,480,131	2,432,294	909,054	156,652,241
Financial assets – Fair value through other comprehensive income	125,651	–	–	–	–	–	125,651
Debt instruments – Amortised cost	8,002,625	–	–	–	–	–	8,002,625
Other financial assets	143,817	–	–	–	–	–	143,817
<b>Total</b>	<b>106,101,344</b>	<b>51,680,382</b>	<b>7,181,345</b>	<b>2,480,131</b>	<b>2,432,294</b>	<b>909,054</b>	<b>170,784,550</b>

As at 31 March 2020	Group						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
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 – Fair value through profit or loss	1,198,592	–	–	–	–	–	1,198,592
Loans and receivables – Amortised cost	59,572,933	72,558,699	20,026,507	4,368,247	4,968,284	1,810,210	163,304,880
Insurance and reinsurance receivables	1,194,933	–	–	–	–	–	1,194,933
Financial assets – Fair value through other comprehensive income	1,455,702	–	–	–	–	–	1,455,702
Debt instruments – Amortised cost	4,813,439	–	–	–	–	–	4,813,439
<b>Total</b>	<b>81,920,766</b>	<b>72,558,699</b>	<b>20,026,507</b>	<b>4,368,247</b>	<b>4,968,284</b>	<b>1,810,210</b>	<b>185,652,713</b>

## Notes to the Financial Statements

As at 31 March 2019	Group							Total Rs. '000
	Neither past impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000		
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000			
Cash and cash equivalents (excluding cash in hand)	3,419,847	-	-	-	-	-	3,419,847	
Balances with banks and financial institutions	7,375,423	-	-	-	-	-	7,375,423	
Financial assets – Fair value through profit or loss	72,386	-	-	-	-	-	72,386	
Loans and receivables – Amortised cost	95,195,827	53,759,046	7,429,329	2,506,116	2,433,493	909,054	162,232,865	
Insurance and reinsurance receivables	885,395	-	-	-	-	-	885,395	
Financial assets – Fair value through other comprehensive income	125,651	-	-	-	-	-	125,651	
Debt instruments – Amortised cost	9,091,945	-	-	-	-	-	9,091,945	
<b>Total</b>	<b>116,166,474</b>	<b>53,759,046</b>	<b>7,429,329</b>	<b>2,506,116</b>	<b>2,433,493</b>	<b>909,054</b>	<b>183,203,512</b>	

### 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

As at 31 March 2020	Company										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	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	13,864,614	30,535,229	9,267,973	4,337,271	35,230,788	11,861,226	18,168,984	28,421,616	2,618,256	2,191,789	156,497,746
Less – Impairment charges	-	-	-	-	-	-	-	-	-	-	8,750,235
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	147,747,511
Financial assets – Fair value through other comprehensive income	324,371	-	-	-	-	-	-	10	-	-	324,381
Debt instruments – Amortised cost	4,106,963	-	-	-	-	-	-	-	-	-	4,106,963
Other financial assets	232,692	-	-	-	-	-	-	-	-	-	232,692

## Notes to the Financial Statements

As at 31 March 2019	Company										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	3,294,055	-	-	-	-	-	-	-	-	-	3,294,055
Balances with Banks and financial institutions	3,404,533	-	-	-	-	-	-	-	-	-	3,404,533
Financial assets – Fair value through profit or loss	18,185	-	-	-	-	-	-	-	-	5,005	23,190
Loans and receivable – Amortised cost	4,537,434	22,967,478	5,389,956	3,142,997	26,898,641	10,252,386	20,151,673	49,473,826	701,409	13,136,441	156,652,241
Less – Impairment charges	-	-	-	-	-	-	-	-	-	-	4,944,339
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	151,707,902
Financial assets – Fair value through other comprehensive income	125,641	-	-	-	-	-	-	10	-	-	125,651
Debt instruments – Amortised cost	8,002,625	-	-	-	-	-	-	-	-	-	8,002,625
Other financial assets	143,817	-	-	-	-	-	-	-	-	-	143,817

\* Financial services include banks, finance institutions and insurance companies.

As at 31 March 2020	Group										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	7,693,032	-	-	-	-	-	-	-	-	-	7,693,032
Balances with Banks and financial institutions	6,661,407	-	-	-	-	-	-	-	-	-	6,661,407
Financial assets – Fair value through profit or loss	1,198,592	-	-	-	-	-	-	-	-	-	1,198,592
Loans and receivables – Amortised cost	16,854,089	31,148,829	11,378,906	4,352,849	35,265,304	10,905,103	18,606,628	29,850,095	2,618,256	2,324,821	163,304,880
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	1,455,692	-	-	-	-	-	-	10	-	-	1,455,702
Debt instruments – Amortised cost	4,813,439	-	-	-	-	-	-	-	-	-	4,813,439

## Notes to the Financial Statements

As at 31 March 2019	Group										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	4,310,595	-	-	-	-	-	-	-	-	-	4,310,595
Balances with Banks and financial institutions	7,375,423	-	-	-	-	-	-	-	-	-	7,375,423
Financial assets – Fair value through profit or loss	25,340	-	2,598	-	-	-	-	37,050	-	7,398	72,386
Loans and receivables – Amortised cost	5,111,329	23,418,172	7,186,594	3,151,245	26,923,048	10,711,001	20,580,403	50,444,181	1,397,571	13,309,321	162,232,865
Less – Impairment charges	-	-	-	-	-	-	-	-	-	-	5,277,028
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	156,955,837
Insurance and reinsurance receivable	-	-	-	-	-	-	-	-	-	885,395	885,395
Financial assets – Fair value through other comprehensive income	125,641	-	-	-	-	-	-	10	-	-	125,651
Debt instruments – Amortised cost	9,091,945	-	-	-	-	-	-	-	-	-	9,091,945

\* Financial services include banks, finance institutions and insurance companies.

### Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows:

As at 31 March 2020	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
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
<b>Total</b>	<b>85,815,366</b>	<b>336,375</b>	<b>68,728,321</b>	<b>1,617,684</b>	<b>156,497,746</b>

## Notes to the Financial Statements

As at 31 March 2019	Company					Total Rs. '000
	Lease/ Ijarah receivable Rs. '000	Hire- purchase/ Murabah receivable Rs. '000	Term loan and receivables Rs. '000	Related party receivables Rs. '000		
	Central	10,531,143	81,252	4,727,536	–	
Eastern	5,165,679	73,237	1,737,083	–	6,975,999	
North Central	4,954,592	34,479	1,871,533	–	6,860,604	
Northern	2,729,265	6,166	1,216,073	–	3,951,504	
North Western	7,713,255	61,366	3,617,350	–	11,391,971	
Sabaragamuwa	5,405,912	15,816	2,389,395	–	7,811,123	
Southern	12,615,344	56,475	10,282,167	–	22,953,986	
Uva	5,736,146	19,085	2,777,120	–	8,532,351	
Western	32,570,235	310,882	38,619,182	1,334,473	72,834,772	
<b>Total</b>	<b>87,421,571</b>	<b>658,758</b>	<b>67,237,439</b>	<b>1,334,473</b>	<b>156,652,241</b>	

As at 31 March 2020	Group				Total Rs. '000
	Lease/ Ijarah receivable Rs. '000	Hire- purchase/ Murabah receivable Rs. '000	Term loan and receivables Rs. '000	Debentures Rs. '000	
	Central	10,488,737	537,826	4,670,984	
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	333,004	2,441,301	–	8,647,632
Southern	12,306,699	671,881	10,083,825	–	23,062,405
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
<b>Total</b>	<b>85,815,366</b>	<b>3,355,778</b>	<b>71,615,697</b>	<b>2,518,039</b>	<b>163,304,880</b>

## Notes to the Financial Statements

As at 31 March 2019	Group				
	Lease/ Ijarah receivable	Hire- purchase/ Murabah receivable	Term loan and receivables	Debentures	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Central	10,531,143	400,620	4,727,536	–	15,659,299
Eastern	5,165,679	357,062	1,737,083	–	7,259,824
North Central	4,954,592	300,106	1,871,533	–	7,126,231
Northern	2,729,265	6,166	1,216,073	–	3,951,504
North Western	7,713,255	165,767	3,617,350	–	11,496,372
Sabaragamuwa	5,405,912	266,934	2,389,395	–	8,062,241
Southern	12,615,344	371,285	10,282,167	–	23,268,796
Uva	5,736,146	574,249	2,777,120	–	9,087,515
Western	32,570,235	430,429	38,695,606	2,089,101	73,785,371
Bangladesh	–	–	2,535,712	–	2,535,712
<b>Total</b>	<b>87,421,571</b>	<b>2,872,618</b>	<b>69,849,575</b>	<b>2,089,101</b>	<b>162,232,865</b>

### 59.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavours to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their creditworthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customers. For impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

## Notes to the Financial Statements

The following table shows the fair value of collateral and credit enhancements held by the Company:

	31 March 2020		31 March 2019	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Company</b>				
Cash and cash equivalents (excluding cash in hand)	6,508,137	6,508,137	2,432,493	2,432,493
Balances with banks and financial institutions	3,207,440	3,207,440	3,404,533	3,404,533
Financial assets – Fair value through profit or loss	1,031,719	1,031,719	23,190	23,190
Loans and receivables – Amortised cost	147,747,511	517,217	151,7s07,902	507,129
Financial assets – Fair value through other comprehensive income	324,381	324,381	125,651	125,651
Debt instruments – Amortised cost	4,106,963	4,106,963	8,002,625	8,002,625
Other financial assets	232,692	232,692	143,817	143,817
<b>Total</b>	<b>163,158,843</b>	<b>15,928,549</b>	<b>165,840,211</b>	<b>14,639,438</b>

The following table shows the fair value of collateral and credit enhancements held by the Group:

	31 March 2020		31 March 2019	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>				
Cash and cash equivalents (excluding cash in hand)	7,023,760	7,023,760	3,419,847	3,419,847
Balances with banks and financial institutions	6,661,407	6,661,407	7,375,423	7,375,423
Financial assets – Fair value through profit or loss	1,198,592	1,198,592	72,386	72,386
Loans and receivables – Amortised cost	154,134,934	517,217	156,955,837	507,129
Insurance and reinsurance receivable	1,194,933	1,194,933	885,395	885,395
Financial assets – Fair value through other comprehensive income	1,455,702	1,455,702	125,651	125,651
Debt instruments – Amortised cost	4,813,439	4,813,439	9,091,945	9,091,945
<b>Total</b>	<b>176,482,767</b>	<b>22,865,050</b>	<b>177,926,484</b>	<b>21,477,776</b>

## Notes to the Financial Statements

### 59.2.4 Collateral and other credit enhancements

The below tables provide 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 in if the future value of collateral is forecast using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure show 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					
	Maximum exposure to credit risk Rs. '000	Movable securities Rs. '000	Immovable securities Rs. '000	Total collateral Rs. '000	Net exposure Rs. '000	Associated ECL Rs. '000
<b>Company</b>						
<b>As at 31 March 2020</b>						
Loans and receivables – Amortised cost	32,227,433	16,125,508	22,048,802	38,174,310	(5,946,877)	6,891,791
As at 31 March 2019						
Loans and receivables – Amortised cost	15,109,189	11,147,560	10,066,386	21,213,946	(6,104,757)	3,566,512
<b>Group</b>						
<b>As at 31 March 2020</b>						
Loans and receivables – Amortised cost	33,283,862	18,830,629	22,048,802	40,879,431	(7,595,569)	7,087,069
As at 31 March 2019						
Loans and receivables – Amortised cost	15,435,957	13,010,735	10,066,386	23,077,121	(7,641,164)	3,807,017

### 59.2.5 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 59.2.6 Financial assets and liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase agreements and other similar secured lending and borrowing arrangements.

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	Company and Group					
	2020			2019		
	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000
<b>Financial assets</b>						
Loans and receivables – Amortised cost	8,255,369	3,014,640	5,240,729	7,180,183	2,843,487	4,336,696

59.2.7 Sensitivity of impairment provision on loans and receivables

As at 31 March 2020	Company				
	Sensitivity on ECL sensitivity effect on Statement of Financial Position				Sensitivity
	[increase/(decrease) in impairment provision]				effect
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Rs. '000
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)
<b>Probability weighted economic scenarios</b>					
– 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

As at 31 March 2020	Group				
	Sensitivity on ECL sensitivity effect on Statement of Financial Position				Sensitivity
	[increase/(decrease) in impairment provision]				effect
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Rs. '000
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)
<b>Probability weighted economic scenarios</b>					
– 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

As at 31 March 2019	Company				
	Sensitivity on ECL sensitivity effect on Statement of Financial Position				Sensitivity
	[increase/(decrease) in impairment provision]				effect
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Rs. '000
PD 1% increase across all age buckets	4,104	5,581	–	9,685	9,685
PD 1% decrease across all age buckets	(4,104)	(5,581)	–	(9,685)	(9,685)
LGD 5% increase	20,606	30,329	149,977	200,912	200,912
LGD 5% decrease	(20,606)	(30,329)	(149,977)	(200,912)	(200,912)
<b>Probability weighted economic scenarios</b>					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,146)	(2,549)	–	(4,695)	(4,695)
– Base case 10% decrease, worst case 5% increase and best case 5% increase	2,394	2,634	–	5,028	5,028

## Notes to the Financial Statements

As at 31 March 2019	Group					Sensitivity effect Rs. '000
	Sensitivity on ECL sensitivity effect on Statement of Financial Position					
	[increase/(decrease) in impairment provision]					
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000		
PD 1% increase across all age buckets	4,104	5,581	–	–	9,685	
PD 1% decrease across all age buckets	(4,104)	(5,581)	–	–	(9,685)	
LGD 5% increase	20,606	30,329	149,977	200,912	200,912	
LGD 5% decrease	(20,606)	(30,329)	(149,977)	(200,912)	(200,912)	
<b>Probability weighted economic scenarios</b>						
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,146)	(2,549)	–	(4,695)	(4,695)	
– Base case 10% decrease, worst case 5% increase and best case 5% increase	2,394	2,634	–	5,028	5,028	

### 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.

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:

- 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day; and
- 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day; and
- 10% of the total outstanding borrowings excluding secured borrowings.

Further, the Company shall maintaining liquid assets in the form of Sri Lankan Government Treasury Bills and Government Securities equivalent to 7.5% of the average of its month end total deposit liabilities and 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 2020 – “Amendments to Direction on Liquid Assets” for the period of 6 months with effect from 31 March 2020 as follows:

- 6% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day; and
- 10% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day, and
- 5% of the total outstanding borrowings excluding secured borrowings.

Further the Company shall maintaining liquid assets in the form of Sri Lankan Government Treasury Bills and 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.

## Notes to the Financial Statements

The ratios at the end of the year was as follows:

As at 31 March	Company		Group	
	2020	2019	2020	2019
<b>Liquidity ratios</b>				
Advances to deposits ratios (Times)	1.38	1.38	1.43	1.43
Liquidity assets to deposits (%)	14	12	18	16

### 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 2020.

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 2020	Company							Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000		
<b>Financial assets</b>								
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 other comprehensive income	–	324,371	–	–	–	10	–	324,381
Debt instruments – Amortised cost	–	2,187,464	2,005,192	–	–	–	–	4,192,656
Other financial assets	–	232,692	–	–	–	–	–	232,692
<b>Total undiscounted financial assets</b>	<b>16,912,749</b>	<b>39,273,432</b>	<b>53,769,476</b>	<b>81,262,031</b>	<b>18,863,910</b>	<b>163,713</b>	<b>–</b>	<b>210,245,311</b>
<b>Financial liabilities</b>								
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
<b>Total undiscounted financial liabilities</b>	<b>68,103</b>	<b>39,975,144</b>	<b>56,402,444</b>	<b>38,801,189</b>	<b>16,020,062</b>	<b>554,800</b>	<b>–</b>	<b>151,821,742</b>
<b>Net undiscounted financial assets/(liabilities)</b>	<b>16,844,646</b>	<b>(701,712)</b>	<b>(2,632,968)</b>	<b>42,460,842</b>	<b>2,843,848</b>	<b>(391,087)</b>	<b>–</b>	<b>58,423,569</b>

## Notes to the Financial Statements

As at 31 March 2019	Company							Total Rs. '000
	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<b>Financial assets</b>								
Cash and cash equivalents	2,992,445	301,610	–	–	–	–	3,294,055	
Balances with banks and financial institutions	–	1,698,971	1,836,466	–	–	–	3,535,437	
Financial assets – Fair value through profit or loss	–	23,190	–	–	–	–	23,190	
Loans and receivables – Amortised cost	7,990,862	26,640,427	57,210,326	85,466,009	22,308,173	293,024	199,908,821	
Financial assets – Fair value through profit or loss	–	125,641	–	–	–	10	125,651	
Debt instruments – Amortised cost	–	2,768,180	5,630,481	–	–	–	8,398,661	
Other financial assets	–	143,817	–	–	–	–	143,817	
<b>Total undiscounted financial assets</b>	<b>10,983,307</b>	<b>31,701,836</b>	<b>64,677,273</b>	<b>85,466,009</b>	<b>22,308,173</b>	<b>293,034</b>	<b>215,429,632</b>	
<b>Financial liabilities</b>								
Due to banks	353,074	14,159,491	6,828,631	3,562,915	5,746,634	–	30,650,745	
Due to customers	5,192,685	21,803,392	45,296,507	17,453,379	7,335,769	119,519	97,201,251	
Debt securities issued	14,928	1,365,592	3,603,396	14,988,116	7,442,993	–	27,415,025	
Other financial liabilities	–	2,480,377	–	–	–	–	2,480,377	
<b>Total undiscounted financial liabilities</b>	<b>5,560,687</b>	<b>39,808,852</b>	<b>55,728,534</b>	<b>36,004,410</b>	<b>20,525,396</b>	<b>119,519</b>	<b>157,747,398</b>	
<b>Net undiscounted financial assets/(liabilities)</b>	<b>5,422,620</b>	<b>(8,107,016)</b>	<b>8,948,739</b>	<b>49,461,599</b>	<b>1,782,777</b>	<b>173,515</b>	<b>57,682,234</b>	

As at 31 March 2020	Group							Total Rs. '000
	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<b>Financial assets</b>								
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 receivables	–	1,268,209	572,030	–	–	–	1,840,239	
Financial assets – Fair value through other comprehensive income	–	1,455,692	–	–	–	10	1,455,702	
Debt instruments – Amortised cost	–	2,187,562	2,066,319	361,538	340,866	202,942	5,159,227	
<b>Total undiscounted financial assets</b>	<b>17,441,642</b>	<b>41,870,251</b>	<b>57,174,510</b>	<b>82,243,465</b>	<b>20,533,189</b>	<b>462,191</b>	<b>219,725,248</b>	
<b>Financial liabilities</b>								
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	
<b>Total undiscounted financial liabilities</b>	<b>5,454,053</b>	<b>39,851,854</b>	<b>56,713,203</b>	<b>39,753,656</b>	<b>16,281,028</b>	<b>554,800</b>	<b>158,608,594</b>	
<b>Net undiscounted financial assets/(liabilities)</b>	<b>11,987,589</b>	<b>2,018,397</b>	<b>461,307</b>	<b>42,489,809</b>	<b>4,252,161</b>	<b>(92,609)</b>	<b>61,116,654</b>	

## Notes to the Financial Statements

As at 31 March 2019	Group							Total Rs. '000
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000		
<b>Financial assets</b>								
Cash and cash equivalents	4,008,985	301,610	–	–	–	–	4,310,595	
Balances with banks and financial institutions	–	2,385,902	4,365,793	–	–	–	6,751,695	
Financial assets – Fair value through profit or loss	–	72,386	–	–	–	–	72,386	
Loans and receivables – Amortised cost	8,284,582	26,979,662	58,160,401	87,956,663	23,606,274	388,453	205,376,035	
Insurance and reinsurance receivable	251,348	851,895	–	–	–	–	1,103,243	
Financial assets – Fair value through other comprehensive income	–	125,641	–	–	–	10	125,651	
Debt instruments – Amortised cost	–	3,481,995	5,819,836	–	–	–	9,301,831	
<b>Total undiscounted financial assets</b>	12,544,915	34,199,091	68,346,030	87,956,663	23,606,274	388,463	227,041,436	
<b>Financial liabilities</b>								
Due to banks	964,087	14,672,154	7,421,881	4,743,776	5,945,416	30,610	33,777,924	
Due to customers	5,192,685	21,642,645	44,986,745	17,453,379	7,335,769	119,519	96,730,742	
Debt securities issued	14,928	1,349,592	3,603,396	14,956,116	7,285,993	–	27,210,025	
Other financial liabilities	–	2,464,936	–	–	–	–	2,464,936	
Insurance liabilities and reinsurance payable	–	4,880,873	–	–	–	–	4,880,873	
<b>Total undiscounted financial liabilities</b>	6,171,700	45,010,200	56,012,022	37,153,271	20,567,178	150,129	165,064,500	
<b>Net undiscounted financial assets/(liabilities)</b>	6,373,215	(10,811,109)	12,334,008	50,803,392	3,039,096	238,334	61,976,936	

### 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.

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As at 31 March 2020	Company					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	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 commitments	–	4,627,602	–	–	–	4,627,602
<b>Total commitments and guarantees</b>	–	4,914,776	334,178	67,938	–	5,316,892

As at 31 March 2019	Company					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	3,650	327,375	–	–	331,025
Assessment received from Inland Revenue Department	–	–	–	67,938	–	67,938
Accidents of leased out vehicles	–	98,757	16,294	–	–	115,051
Capital commitments	–	6,418,100	843,750	–	–	7,261,850
<b>Total commitments and guarantees</b>	–	6,520,507	1,187,419	67,938	–	7,775,864

As at 31 March 2020	Group					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	5,300	327,498	–	–	332,798
Assessment received from Inland Revenue Department	–	–	–	85,827	–	85,827
Pending bill retirements	–	1,139	–	–	–	1,139
Accidents of leased out vehicles	–	280,735	6,680	–	–	287,415
Capital commitments	–	4,627,602	15,834	–	–	4,643,436
<b>Total commitments and guarantees</b>	–	4,914,776	350,012	85,827	–	5,350,615

As at 31 March 2019	Group					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	3,650	327,375	–	–	331,025
Assessment received from Inland Revenue Department	–	–	–	67,938	–	67,938
Accidents of leased out vehicles	–	98,757	16,430	–	–	115,187
Capital commitments	–	6,418,100	856,458	–	–	7,274,558
<b>Total commitments and guarantees</b>	–	6,520,507	1,200,263	67,938	–	7,788,708

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	2020 Rs. '000	2019 Rs. '000
Cash in hand	656,002	861,562
Balances in current accounts	1,148,826	658,512
Deposits in commercial banks	3,413,893	3,382,418
Treasury bills (Less than 12 months)	4,111,641	7,988,657
Other approved securities	5,129,015	301,548
<b>Total liquid assets</b>	<b>14,459,377</b>	<b>13,192,697</b>

### 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. The Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

#### 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 2020 and 31 March 2019 to a reasonably possible change in interest rates, with all other variable constant:

As at 31 March	2020 Rs. '000	2019 Rs. '000
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	4,277	(16,080)
1%	8,554	(32,160)
-0.50%	(4,277)	16,080
-1%	(8,554)	32,160

#### Sensitivity of lease liability to key assumption

##### Sensitivity to incremental borrowing rates

Increase/(decrease) in incremental borrowing rate as at 31 March 2020 by 1% would have (decreased)/increased the lease liability by approximately Rs. 41 million and Rs. 43 million respectively.

## Notes to the Financial Statements

### Interest rate risk exposure on financial assets 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 repricing or maturity dates.

As at 31 March 2020	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
<b>Assets</b>								
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 instruments – Amortised cost	4,106,963	28,443	2,141,057	1,937,463	–	–	–	–
Other financial assets	232,692	–	–	–	–	–	–	232,692
<b>Total</b>	<b>163,814,845</b>	<b>15,903,295</b>	<b>31,653,732</b>	<b>40,168,798</b>	<b>64,522,858</b>	<b>16,980,219</b>	<b>96,676</b>	<b>3,239,502</b>
<b>Liabilities</b>								
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	–
<b>Total</b>	<b>138,041,687</b>	<b>14,283,985</b>	<b>26,523,834</b>	<b>50,339,315</b>	<b>30,788,887</b>	<b>12,611,814</b>	<b>479,735</b>	<b>3,014,117</b>
<b>Total interest sensitivity gap</b>	<b>25,773,158</b>	<b>1,619,310</b>	<b>5,129,898</b>	<b>(10,170,517)</b>	<b>33,733,971</b>	<b>4,368,405</b>	<b>(383,059)</b>	<b>–</b>

## Notes to the Financial Statements

As at 31 March 2019	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	
<b>Assets</b>									
Cash and cash equivalents	3,294,055	65,422	301,548	-	-	-	-	2,927,085	
Balances with banks and financial institutions	3,404,533	219,358	1,546,030	1,639,145		-	-	-	
Financial assets – Fair value through profit or loss	23,190	-	-	-	-	-	-	23,190	
Loans and receivables –									
Amortised cost	156,652,241	8,008,232	20,944,731	42,275,472	65,998,670	19,344,501	80,635	-	
Less – Impairment charges	4,944,339	-	-	-	-	-	-	-	
Net loans and receivables	151,707,902	-	-	-	-	-	-	-	
Financial assets – Fair value through other comprehensive income	125,651	-	-	-	-	-	-	125,651	
Debt instruments –									
Amortised cost	8,002,625	343,710	2,550,185	5,108,730	-	-	-	-	
Other financial assets	143,817	-	-	-	-	-	-	143,817	
<b>Total</b>	166,701,773	8,636,722	25,342,494	49,023,347	65,998,670	19,344,501	80,635	3,219,743	
<b>Liabilities</b>									
Due to banks	27,273,933	1,665,071	15,924,202	4,269,546	2,106,305	3,308,809	-	-	
Due to customers	88,368,656	8,449,606	19,979,499	39,556,470	14,298,434	5,965,128	119,519	-	
Debt securities issued	21,275,031	1,337,390	-	2,709,346	11,247,003	5,981,292	-	-	
Other financial liabilities	2,480,377	-	-	-	-	-	-	2,480,377	
<b>Total</b>	139,397,997	11,452,067	35,903,701	46,535,362	27,651,742	15,255,229	119,519	2,480,377	
<b>Total interest sensitivity gap</b>	27,303,776	(2,815,345)	(10,561,207)	2,487,985	38,346,928	4,089,272	(38,884)	-	

## Notes to the Financial Statements

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 repricing or maturity dates.

As at 31 March 2020	Group							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
<b>Assets</b>								
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 – Fair value through profit or loss	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 instruments – Amortised cost	4,813,439	28,443	2,180,693	1,948,577	222,280	255,622	177,824	–
<b>Total</b>	<b>177,152,039</b>	<b>16,373,519</b>	<b>32,307,423</b>	<b>44,829,232</b>	<b>66,580,725</b>	<b>20,797,430</b>	<b>549,094</b>	<b>4,884,562</b>
<b>Liabilities</b>								
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
Insurance liabilities and reinsurance payable	5,065,220	–	–	–	–	–	–	5,065,220
Lease liabilities	1,594,245	–	55,961	183,262	542,017	433,765	379,240	–
<b>Total</b>	<b>146,490,850</b>	<b>14,924,298</b>	<b>26,985,989</b>	<b>50,616,555</b>	<b>32,624,442</b>	<b>12,921,600</b>	<b>523,038</b>	<b>7,894,928</b>
<b>Total interest sensitivity gap</b>	<b>30,661,189</b>	<b>1,449,221</b>	<b>5,321,434</b>	<b>(5,787,323)</b>	<b>33,956,283</b>	<b>7,875,830</b>	<b>26,056</b>	<b>–</b>

## Notes to the Financial Statements

As at 31 March 2019	Group								
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000	
<b>Assets</b>									
Cash and cash equivalents	4,310,595	358,072	301,548	-	-	-	-	3,650,975	
Balances with banks and financial institutions	7,375,423	219,358	3,150,896	4,005,169	-	-	-	-	
Financial assets – Fair value through profit or loss	72,386	-	-	-	-	-	-	72,386	
Loans and receivables – Amortised cost	162,232,865	8,288,691	20,711,550	43,727,634	68,000,116	21,338,212	166,662	-	
Less – Impairment charges	5,277,028	-	-	-	-	-	-	-	
Net loans and receivables	156,955,837	-	-	-	-	-	-	-	
Insurance and reinsurance receivable	885,395	-	-	-	-	-	-	885,395	
Financial assets – Fair value through other comprehensive income	125,651	-	-	-	-	-	-	125,651	
Debt instruments – Amortised cost	9,091,945	1,107,375	2,875,840	5,108,730	-	-	-	-	
<b>Total</b>	<b>178,817,232</b>	<b>9,973,496</b>	<b>27,039,834</b>	<b>52,841,533</b>	<b>68,000,116</b>	<b>21,338,212</b>	<b>166,662</b>	<b>4,734,407</b>	
<b>Liabilities</b>									
Due to banks	30,475,326	2,586,124	16,413,032	4,690,335	3,247,635	3,507,591	30,609	-	
Due to customers	88,923,196	8,449,606	19,831,974	39,275,151	15,269,553	5,977,325	119,587	-	
Debt securities issued	21,134,040	1,322,179	-	2,709,346	11,247,003	5,855,512	-	-	
Other financial liabilities	2,464,936	-	-	-	-	-	-	2,464,936	
Insurance liabilities and reinsurance payables	4,880,873	-	-	-	-	-	-	4,880,873	
<b>Total</b>	<b>147,878,371</b>	<b>12,357,909</b>	<b>36,245,006</b>	<b>46,674,832</b>	<b>29,764,191</b>	<b>15,340,428</b>	<b>150,196</b>	<b>7,345,809</b>	
<b>Total interest sensitivity gap</b>	<b>30,938,861</b>	<b>(2,384,413)</b>	<b>(9,205,172)</b>	<b>6,166,701</b>	<b>38,235,925</b>	<b>5,997,784</b>	<b>16,466</b>	<b>-</b>	

### 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 31 March 2020 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).

## Notes to the Financial Statements

### Impact on Statement of Profit or Loss due to exchange rate shocks

	Change in currency rate in %	Company		Group	
		2020 Effect on profit before tax Rs. '000	2019 Effect on profit before tax Rs. '000	2020 Effect on profit before tax Rs. '000	2019 Effect on profit before tax Rs. '000
		USD	1	3	49
USD	-1	(3)	(49)	(509)	(437)

### 59.4.3 Equity price risk

The sensitivity analysis for equity price risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of +/- 1%.

1% increase/decrease in equity market prices	2020			2019		
	Effect on net asset value Rs. '000	Effect on profit before tax Rs. '000	Effect on comprehensive income Rs. '000	Effect on Net asset value Rs. '000	Effect on profit before tax Rs. '000	Effect on comprehensive income Rs. '000
<b>Company</b>						
Financial assets – FVTPL	136	136	–	232	232	–
Financial assets – FVOCI	3,244	–	3,244	1,256	–	1,256
<b>Group</b>						
Financial assets – FVTPL	272	272	–	724	724	–
Financial assets – FVOCI	3,244	–	3,244	1,256	–	1,256

### 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 is 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 principal 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 2020.

### 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.

#### Methods used to manage risks

##### Risk appetite and risk tolerance

PI has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. PI manages the volatility and potential downward risk through diversification.

##### Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that PI identified at present as having the greatest potential for shock losses. They are catastrophe, reserving, and equity investment risk. PI manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that PI is willing to expose.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

	31 March 2020			31 March 2019		
	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	769,853	46,757	723,096	735,451	19,655	715,796
Marine	1,695	1,160	535	641	481	160
Fire	411,378	334,342	77,036	480,124	399,907	80,217
Miscellaneous	143,830	50	143,780	137,149	–	137,149
<b>Total</b>	<b>1,326,756</b>	<b>382,309</b>	<b>944,447</b>	<b>1,353,365</b>	<b>420,043</b>	<b>933,322</b>

## Notes to the Financial Statements

### Claims development table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date:

#### Gross non-life insurance outstanding claims provision for 2020

Accident period	Current estimate of cumulative claims incurred										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	3,936,702	207,430	133,163	98,883	81,659	74,438	73,857	71,828	101,134	–	4,779,094
2018/19	–	3,165,480	73,912	21,099	(9,647)	4,918	(8,584)	51	11,385	(120)	3,258,494
2017/18	–	–	2,792,805	33,255	21,071	5,704	8,298	(608)	4,738	(844)	2,864,419
2016/17	–	–	–	2,635,203	50,267	5,397	(8,555)	(17,006)	(113)	(945)	2,664,248
2015/16	–	–	–	–	2,182,704	31,044	35,874	(5,165)	6,377	1,703	2,252,537
2014/15	–	–	–	–	–	2,040,473	(15,126)	28,391	1,577	1,465	2,056,780
2013/14	–	–	–	–	–	–	2,042,094	(167,837)	50,297	3,148	1,927,702
2012/13	–	–	–	–	–	–	–	2,042,934	(58,704)	4,224	1,988,454
2011/12	–	–	–	–	–	–	–	–	1,396,938	2,762	1,399,700
2010/11	–	–	–	–	–	–	–	–	–	213,653	213,653
<b>Current estimate of cumulative claims incurred</b>	<b>3,936,702</b>	<b>3,372,910</b>	<b>2,999,880</b>	<b>2,788,440</b>	<b>2,326,054</b>	<b>2,161,974</b>	<b>2,127,858</b>	<b>1,952,588</b>	<b>1,513,629</b>	<b>225,046</b>	<b>23,405,081</b>

Accident period	Cumulative payments to date										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	(3,512,356)	(655,462)	(47,288)	(18,977)	(25,253)	(16,417)	(4,872)	(10,954)	(100,722)	–	(4,392,301)
2018/19	–	(2,646,682)	(515,478)	(26,927)	(26,780)	(15,396)	(14,079)	(5,532)	(16,329)	–	(3,267,203)
2017/18	–	–	(2,267,584)	(468,923)	(30,768)	(13,186)	(10,447)	(10,057)	(8,627)	(2,129)	(2,811,721)
2016/17	–	–	–	(2,129,944)	(389,878)	(23,979)	(12,958)	(16,478)	(8,262)	(390)	(2,581,889)
2015/16	–	–	–	–	(1,743,315)	(395,617)	(28,525)	(53,691)	(16,664)	(1,718)	(2,239,530)
2014/15	–	–	–	–	–	(1,586,379)	(329,993)	(29,760)	(19,215)	(2,329)	(1,967,676)
2013/14	–	–	–	–	–	–	(1,621,312)	(252,384)	(57,574)	(3,495)	(1,934,765)
2012/13	–	–	–	–	–	–	–	(1,465,582)	(311,763)	(5,154)	(1,782,499)
2011/12	–	–	–	–	–	–	–	–	(893,615)	(72,227)	(965,842)
2010/11	–	–	–	–	–	–	–	–	–	(134,902)	(134,902)
<b>Cumulative payments to date</b>	<b>(3,512,356)</b>	<b>(3,302,144)</b>	<b>(2,830,350)</b>	<b>(2,644,771)</b>	<b>(2,215,994)</b>	<b>(2,050,974)</b>	<b>(2,022,186)</b>	<b>(1,844,438)</b>	<b>(1,432,771)</b>	<b>(222,344)</b>	<b>(22,078,328)</b>
<b>Total gross claims outstanding</b>	<b>424,346</b>	<b>70,766</b>	<b>169,530</b>	<b>143,669</b>	<b>110,060</b>	<b>111,000</b>	<b>105,672</b>	<b>108,150</b>	<b>80,858</b>	<b>2,702</b>	<b>1,326,753</b>

## Notes to the Financial Statements

### Net non-life insurance outstanding claims provision for 2020

Accident period	Current estimate of cumulative claims incurred										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	4,133,095	97,140	45,809	5,260	3,243	1,233	1,935	6,707	391	–	4,294,813
2018/19	–	3,106,289	77,270	24,501	(3,500)	5,037	(11,575)	51	11,400	(120)	3,209,353
2017/18	–	–	2,692,279	37,716	15,721	5,742	14,290	(608)	9,001	(844)	2,773,297
2016/17	–	–	–	2,549,666	59,287	6,864	(10,511)	(16,949)	(128)	(945)	2,587,284
2015/16	–	–	–	–	2,100,737	16,076	34,203	(3,982)	6,454	1,599	2,155,087
2014/15	–	–	–	–	–	2,023,094	(15,127)	28,151	2,382	1,465	2,039,965
2013/14	–	–	–	–	–	–	2,034,121	(158,485)	51,344	3,157	1,930,137
2012/13	–	–	–	–	–	–	–	1,976,422	(15,515)	4,239	1,965,146
2011/12	–	–	–	–	–	–	–	–	1,224,086	4,621	1,228,707
2010/11	–	–	–	–	–	–	–	–	–	209,132	209,132
<b>Current estimate of cumulative claims incurred</b>	<b>4,133,095</b>	<b>3,203,429</b>	<b>2,815,358</b>	<b>2,617,143</b>	<b>2,175,488</b>	<b>2,058,046</b>	<b>2,047,336</b>	<b>1,831,307</b>	<b>1,289,415</b>	<b>222,304</b>	<b>22,392,921</b>

Accident period	Cumulative payments to date										
	2019/20 Rs. '000	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2019/20	(3,458,681)	(622,081)	(38,888)	(19,032)	(25,335)	(16,471)	(4,888)	(10,990)	(15,733)	–	(4,212,099)
2018/19	–	(2,619,040)	(492,761)	(25,385)	(26,799)	(15,396)	(11,079)	(5,532)	(16,329)	–	(3,212,321)
2017/18	–	–	(2,209,836)	(446,918)	(30,608)	(13,132)	(10,432)	(10,057)	(8,627)	(2,129)	(2,731,739)
2016/17	–	–	–	(2,075,965)	(387,579)	(23,866)	(12,833)	(16,282)	(8,244)	(390)	(2,525,159)
2015/16	–	–	–	–	(1,756,890)	(369,486)	(27,883)	(31,860)	(16,664)	(1,614)	(2,204,397)
2014/15	–	–	–	–	–	(1,564,956)	(329,883)	(29,152)	(17,417)	(2,329)	(1,943,737)
2013/14	–	–	–	–	–	–	(1,593,260)	(226,969)	(32,280)	(3,495)	(1,856,004)
2012/13	–	–	–	–	–	–	–	(1,424,239)	(248,760)	(5,123)	(1,678,122)
2011/12	–	–	–	–	–	–	–	–	(881,711)	(71,904)	(953,615)
2010/11	–	–	–	–	–	–	–	–	–	(131,282)	(131,282)
<b>Cumulative payments to date</b>	<b>(3,458,681)</b>	<b>(3,241,121)</b>	<b>(2,741,485)</b>	<b>(2,567,300)</b>	<b>(2,227,211)</b>	<b>(2,003,307)</b>	<b>(1,990,258)</b>	<b>(1,755,081)</b>	<b>(1,245,765)</b>	<b>(218,266)</b>	<b>(21,448,475)</b>
<b>Total gross claims outstanding</b>	<b>674,414</b>	<b>(37,692)</b>	<b>73,873</b>	<b>49,843</b>	<b>(51,723)</b>	<b>54,739</b>	<b>57,078</b>	<b>76,226</b>	<b>43,650</b>	<b>4,038</b>	<b>944,446</b>

# Notes to the Financial Statements

## 60 Comparative information

### ACCOUNTING POLICY

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting Standard – LKAS 01 – “Presentation of Financial Statements”. Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period’s Financial Statements and to enhance the inter period comparability.

The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The presentation and classification of the following items in these Financial Statements are amended to ensure the comparability with the current year.

	Company			Group		
	As disclosed previously Rs. '000	Current year presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current year presentation Rs. '000	Adjustment Rs. '000
Right-of-use assets	–	84,065	(84,065)	–	84,065	(84,065)
Leasehold property	84,065	–	84,065	84,065	–	84,065

Leasehold property has been reclassified as right-of-use asset during the financial year.

## 61 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 epidemic has disrupted business and economic activities and created uncertainty for the global and local economy. Following the triggering of COVID-19 in Sri Lanka, the PLC strictly followed the guidelines and instructions issued by the Government and the Central Bank of Sri Lanka (CBSL) when conducting its commercial operations. As a result, the PLC is currently in the process of evaluating the applications in order to determine eligibility of the customers to provide relief to affected businesses and individuals in accordance with the guidelines issued by the CBSL. These relief measures include the deferrals, restructuring, concessionary interest rates and waive certain fees and charges.

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 minimise 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 occurred subsequent to the reporting date that is not adjusted in Annual Financial Statements of 2019/2020.

A detailed assessment on risk management relating to COVID-19 is disclosed in Note 59 on pages 262 to 287 of the Financial Statements.