



PEOPLE'S LEASING & FINANCE PLC
ANNUAL REPORT 2015/16

Invictus



SCAN ME

AN UNCONQUERABLE SPIRIT



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AUGMENTED REALITY

Augmented reality (AR) is the integration of digital information with live video or the user's environment in real time. Basically, AR takes an existing picture and blends new information into it. Augmented reality is changing the way we view the world - or at least the way its users see the world.

Invictus

AN UNCONQUERABLE SPIRIT THAT HAS NEVER BACKED DOWN IN THE FACE OF ADVERSITY AND CHALLENGE, PLC BOLDLY ASSUMES THE SPIRIT OF INVICTUS; A COMPANY THAT HAS RISEN ABOVE IT ALL TO BE ONE OF THE MOST RESPECTED AND SUCCESSFUL FINANCIAL GIANTS IN THE INDUSTRY. AND AS WE CELEBRATE OUR TRIUMPHS IN THE PAST 20 YEARS WE WILL STRIDE FORWARD WITH COURAGE AND FORTITUDE INTO THE NEXT PHASE AS AN UNSTOPPABLE FORCE THAT WILL CHANGE THE ECONOMIC LANDSCAPE; INTRODUCING A NEW REALITY AND RAISING THE BAR IN WHAT A SRI LANKAN BUSINESS CAN TRULY ACHIEVE. WE ARE THE MASTER OF OUR FATE AND THE CAPTAINS OF OUR JOURNEY.

INSTRUCTIONS TO SCAN:



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Search for "PLC AR"



Access PLC app and press the scan button and point the camera on to the image and see us transform.



SCAN ME

Every page that carries the icon "Scan Me" has an Augmented reality video embedded on it. Cover Page & Pages 8, 40, 47, 235

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OVERVIEW

“GIVES YOU AN OVERVIEW OF THE COMPANY’S PERFORMANCE, AND AN INTRODUCTION TO THE CAPITALS THAT PLAY A MAJOR ROLE IN RUNNING OUR BUSINESS, CONCLUDING WITH A PERFORMANCE REVIEW BY MR. HEMASIRI FERNANDO, OUR CHAIRMAN.”

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ABOUT THIS REPORT

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PEOPLE'S LEASING & FINANCE PLC PRESENTS ITS THIRD INTEGRATED ANNUAL REPORT WITH AN INTERACTIVE AND USER FRIENDLY APPROACH UNDER THE THEME "INVICTUS".

OVERVIEW

The report aims to share the Company's inimitable value creation story over the short, medium and long term with our renowned stakeholders. The holistic approach facilitates principally the providers of financial capital as well as other stakeholders in making effective decisions. The report presents concise communication of the Company's strategy, governance & capital management and demonstrates the links between its financial performance and its wider social, environmental and economic context.

The report has been prepared in line with the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) (2013) and the Preparer's Guide to Integrated Corporate Reporting Guidance published by the Institute of Chartered Accountants of Sri Lanka. The sustainability information included in this report has been based on the Global Reporting Initiatives (GRI) guidelines. The report continues to follow G4 'in accordance with comprehensive' option for the second consecutive year. The GRI Content Index is set out at the end of the report, pages 339 to 347.

FINANCIAL STATEMENTS AND EXTERNAL ASSURANCE

Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/ LKAs) issued by the Institute of Chartered Accountants of Sri Lanka. Where applicable, the Company has followed the rules and regulations of the Finance Business Act No. 42 of 2011; Finance Leasing Act No. 56 of 2000; Companies Act No. 7 of 2007; Listing Rules of the Colombo Stock Exchange; Finance Companies (Corporate Governance) Direction No. 3 of 2008 set by the Central Bank of Sri Lanka; and the Code of Best Practice on Corporate Governance issued jointly by the Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. There were no restatements applicable for the information provided in the previous reports.

External assurance has been obtained for the corporate governance from the M/s. Ernst & Young Chartered Accountants. The financial statements together with the related notes are audited by M/s. Ernst & Young Chartered Accountants, Sri Lanka and their assurance report is set out on page 241 of this report. The external assurance obtained from them for sustainability reporting is given on pages 337 to 338 of this report. Directors' Statement of Internal Control over Financial Reporting has been reviewed by the said Auditors.

In addition, a certificate has been obtained from the Sri Lanka Climate Fund for carbon neutrality.

SCOPE AND BOUNDARY

The content of the annual integrated report 2015/16 covers the Company's operations spanning the head office and the branch network for the period 1st April 2015 to 31st March 2016, with the most recent report being for the year ended 31st March 2015 for which comparatives are given throughout this report.

The report provides summary reviews on the performance of PLC's five subsidiaries: People's Insurance PLC; People's Leasing Property Development Limited; People's Leasing Fleet Management Limited; People's Microfinance Limited; and People's Leasing Havelock Properties Limited; and the associate, People's Merchant Finance PLC for the year ended 31st March 2016.

The content of this report has been developed with an emphasis on the aspects that are material for the Company as well as for its key stakeholders. The detailed analysis of the materiality assessment is on pages 27 to 28.

FORWARD LOOKING STATEMENTS

This integrated report contains certain forward looking statements and financial forecasts based on the available information as of the date of this report. As such statements and forecasts are

relating to the future events, it involves risks and uncertainties that may be beyond PLC's control. Therefore, readers are advised not to place undue reliance on these forward looking statements in making decisions. The Company is not obligated to update these forward looking statements to reflect any changes after the date of this report.

PRESENTATION

Augmented reality experience brings the readers an interactive value creation story throughout the Annual Report 2015/16. Printed copies of this report will be posted to only those who request for the same in writing which is in line with PLC's commitment towards reducing the corporate's carbon footprint. However, this report in the form of a CD-ROM will be posted to all shareholders and will be made available on the official website www.plc.lk in PDF and HTML formats.

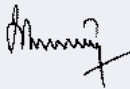
STATEMENT OF BOARD OF DIRECTORS OF THE COMPANY

The Board acknowledges its responsibility to ensure the integrity of the annual integrated report. In the Board's opinion, the report addresses all material issues and matters, and fairly presents the Company's integrated performance. On behalf of the Board,



Hemasiri Fernando
Chairman

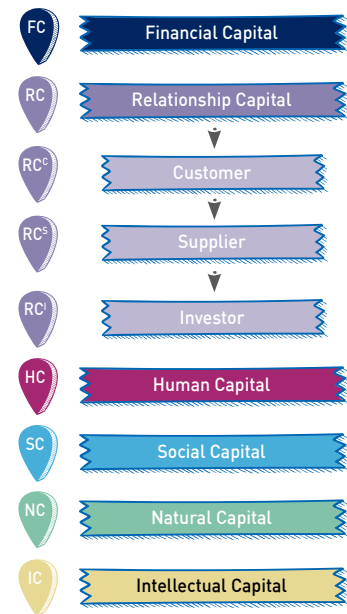
18th May 2016
Colombo



D. P. Kumarage
Chief Executive Officer

NAVIGATION

To make the readers more comfortable regarding our journey of value creation, navigation icons have been included to relevant pages within this Integrated Annual Report.



CONTACT

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Questions and inquiries on this Integrated Annual Report 2015/16 and information presented therein are to be directed to:

The Chief Financial Officer
People's Leasing & Finance PLC
1161, Maradana Road,
Colombo 08, Sri Lanka.
Postal Code: 00200
Tel: +94 11 2631631
Fax: +94 11 2631980/81

Investors can communicate with the Company via e-mail.
investor.relations@plc.lk

Sustainability related concerns could be communicated via e-mail
sustainability@plc.lk and by filling in the Stakeholder feedback form.



A Carbon Neutral Company

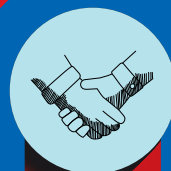
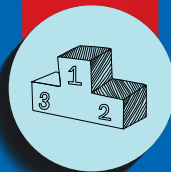
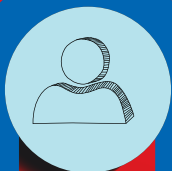
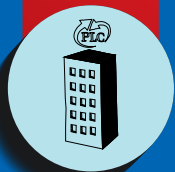


Read this Report online

**WE HAVE BEEN
FEARLESSLY
REAPING THE
BENEFITS AS WE
RAISE THE BAR
IN QUALITY AND
SERVICE.**



SCAN ME



1995/96

Sri Lanka's leasing giant is incorporated in 1995 as a private limited liability company with an initial capital of Rs. 10 million

1996/97

Spearheading a transformational mindset and cultural change, Mr. D. P. Kumarage is appointed as the Chief Executive Officer of the Company

1997/98

The first branch is opened in Kandy as the first step of PLC's ambitious growth plans.

2000/01

The corporate status of the Company changed from a Private Limited Liability company to a Public Limited Liability company

2002/03

Within a span of just seven years in operation PLC establishes itself as the market leader in the leasing industry

2007/08

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

2008/09

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

2009/10

People's Insurance Limited is formed as a wholly owned subsidiary, consolidating PLC's status as a diversified financial services provider

2011/12

PLC is listed on the main board of the Colombo Stock Exchange through the second largest IPO in the history of the Bourse

2012/13

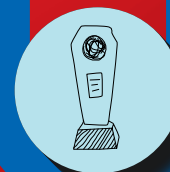
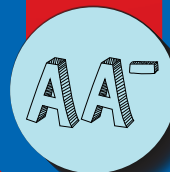
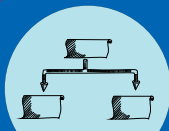
PLC becomes the first Non Bank Financial Institution (NBFI) to receive two international ratings, from Standard & Poor's and Fitch Ratings International.

2013/14

PLC successfully completes its amalgamation with its subsidiary, People's Finance PLC

2014/15

PLC bags the 'Silver Award' for overall excellence in financial reporting after securing the sector Gold Award for seven consecutive years.



SCAN ME

MOMENTOUS EVENTS 2015/16

CAPITAL INDICATOR



Rs. 0.50 per share was paid as final dividend for the FY 2014/15



Continued reforestation programme towards carbon neutrality



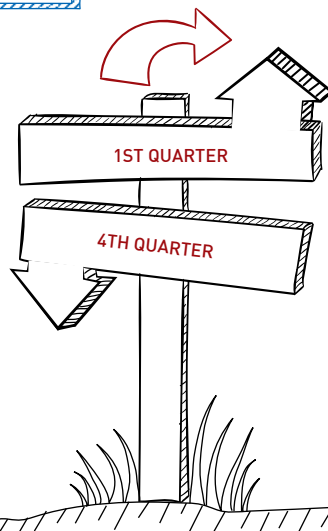
A special loan scheme for three-wheelers was introduced



PLC secured a 'Silver Award' at the SLIBFI award ceremony for the 'Best Social Uplifting Islamic Finance Entity of the Year'



An employee bagged a 'Silver Award' as the 'Rising Islamic Finance Personality of the Year' at SLIBFI



Set an epic record of Rs. 8.1 billion, monthly disbursement



'Online Issue / Advisory Tracking System' incorporated to the PLC internal web



IT systems were equipped to handle SLIPS through Lanka Clear



Launched the 'PLC Online' Customer Web Portal



Initiated renovation of the National Training Centre Auditorium, of National Hospital, Colombo



Recognised as the 'Financial Service Provider of the Year' by SLIM Nielsen Peoples Awards 2016



'2nd Runner-up' in Financial Service Sector at SAFA Best Presented Annual Report Awards 2014

FC People's Merchant Finance PLC became an associate of the Company

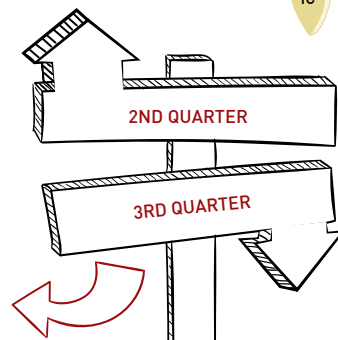
FC Established the Disposal Losses Recovery Unit

RC^o 'Fast Track' loan scheme re-launched

RCⁱ Appointed PLC as the Managing Agent of People's Merchant Finance PLC

HC Employees bagged two 'Gold Awards' and two 'Bronze Awards' under financial products and services category at the 15th SLIM-NASCO awards

IC Fitch Ratings Lanka affirmed the Company rating AA- (lka)



FC The third listed Debenture issue was oversubscribed

RCⁱ New branches opened at Kalawana, Medawachchiya and Pelmadulla

RCⁱ Launched Factoring; the Company's latest product

RCⁱ Concluding a successful IPO, People's Insurance listed on the CSE

RCⁱ An interim dividend of Rs. 0.75 per share was paid for FY 2015/16

RCⁱ Secured its position in restructured S&P SL 20 index

HC Received 'Gold Award' at SLITAD People Development Awards 2015

HC Best performed branches and employees were honoured at the PLC Premier Awards 2014/15

IC Ranked as one of the top 25 Listed Companies in Sri Lanka (17th position) by the Business Today magazine 2014/15

IC Adjudged as 'One of the Top Ten Corporate Citizens' of the year at the 'Best Corporate Citizen Sustainability Award 2015' for the 2nd consecutive year

IC Annual Report 2014/15 '365 Days That Were'

IC Secured two awards at 51st CA Sri Lanka Annual Report Awards; 'Gold Award' in the Financial Companies category for the 8th consecutive year
'Silver Award' in the overall Management Commentary category

IC Awards/recognitions at LACP 2015 Spotlight Awards; 'Silver Award' in the Competition Class of Print Annual Reports category
Ranked among the Top 100 Communication Materials

HIGHLIGHTS

G4-9

	Page No	2015/16	2014/15	Change (%)
FINANCIAL CAPITAL				
Income (Rs. Mn)	243	19,186.23	20,541.63	(6.60)
Net interest income (Rs. Mn)	243	9,935.02	10,000.03	(0.65)
Profit before income tax (PBT) (Rs. Mn)	243	6,143.09	5,375.11	14.29
Profit after income tax (PAT) (Rs. Mn)	243	4,347.35	3,752.96	15.84
Cost to income ratio (%)	52	38.22	34.63	3.59
Total assets (Rs. Mn)	245	124,335.65	112,322.98	10.69
Return on assets (ROA) (%)	51	5.19	4.75	0.44
Core capital (required min - Rs. 400 Mn) (Rs. Mn)	53	22,222.89	20,609.90	7.83
Core capital ratio (required min - 5%) (%)	51	19.56	20.22	(0.66)
Total risk weighted capital ratio (required min - 10%) (%)	51	18.14	19.04	(0.90)
RELATIONSHIP CAPITAL				
Branches (Number)	47	92	89	3.37
Customers (Number)	55	292,481	260,054	12.47
New customers (Number)	55	66,300	58,824	12.71
Supplier base (Number)	70	22,633	20,315	11.41
Payment to suppliers (Rs. Mn)	70	51,816.43	44,323.35	16.91
Earnings per share - Company (Rs.)	73	2.75	2.38	15.55
Net assets value per share (Rs.)	73	14.41	13.38	7.70
Dividend per share (Rs.)	73	1.25	1.25	-
Dividend payout (%)	73	45.43	52.62	(7.19)
Market value per share - Closing (Rs.)	76	16.00	22.10	(27.60)
Market capitalisation (Rs. Mn)	76	25,277.80	34,914.96	(27.60)
Price earning ratio (Times)	73	5.82	9.30	(37.42)
Return on equity (ROE) (%)	73	19.80	18.61	1.19
Debt to equity ratio (Times)	73	2.67	2.36	13.14
HUMAN CAPITAL				
Employees (Number)	83	1,834	1,666	10.08
Employees promoted (Number)	83	846	521	62.38
Investment in training (Rs. Mn)	83	22.80	26.76	(14.80)
Staff remuneration & benefits (Rs. Mn)	83	1,807.02	1,565.23	15.45
Employee retention ratio (%)	83	91.43	89.76	1.67
SOCIAL CAPITAL				
Economic value added (EVA) (Rs. Mn)	126	1,794.09	3,367.13	(46.72)
Investment on CSR (Rs. Mn)	96	76.25	71.68	6.38
Community based initiatives (Number)	96	158	127	24.41
Number of staff volunteered hours	96	29,659	16,060	84.68
NATURAL CAPITAL				
Carbon footprint (Tonnes of CO ₂ equivalent)	106	3,059.47	2,769.71	10.46
Trees planted for carbon credits (Number)	106	10,395	430	2,317.44
Number of staff volunteered hours	106	1,864	3,414	(45.40)
Investment on natural environment (Rs. Mn)	106	3.36	1.17	187.18
Paper recycled (Kg)	106	6,355	6,406	(0.80)
Environment based initiatives (Number)	106	27	28	3.57
INTELLECTUAL CAPITAL				
Brand value (Rs. Mn)	117	9,317.00	4,918.00	89.45
Market share (%)	117	12.48	13.78	(1.30)
Goodwill (Rs. Mn)	287	308.54	308.54	-
Group synergy -Window operations within the network (Number)	117	110	109	0.92



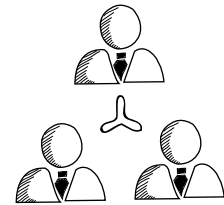
Rs. 4,347 Mn

Recorded the highest ever profit after tax in our journey strengthening the financial capital



Rs. 1,975 Mn

Dividend paid to ordinary shareholders to sustain our relationship capital



**1,834
TALENT POOL**

**Rs. 23 Mn
TRAINING INVESTMENT**

Improved human capital by achieving retention ratio of

91%



Rs. 2,915 Mn

By paying taxes contributed toward social capital



Rs. 76 Mn

Invested on CSR to improve the community thus contributing to social capital



**92
Branches**

**110
Window Offices
Island Wide**

Increases the relationship capital



**BRAND VALUE
increased by
89%**

**to
Rs. 9,317 Mn**

Secured a strong brand, for our well-built Intellectual capital



**SLIM NIELSEN PEOPLES
AWARD**

Peoples' choice for four consecutive years improved the intellectual capital

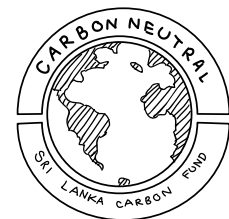


**3,059
Tonnes of CO₂
Equivalent**



**10,395
Trees**

Fostering a green environment and neutralizing the carbon emission; contributing to the natural capital



We now stand proud as a carbon neutral company

CHAIRMAN'S MESSAGE



"WE CONTINUED TO UPHOLD OUR COMMITMENT TO GOOD GOVERNANCE AND ENSURED THAT WE WERE IN COMPLIANCE TO THE BEST PRACTICES, WHILST BEING DISCIPLINED IN OUR RISK MANAGEMENT."

Hemasiri Fernando
Chairman
People's Leasing & Finance PLC

.....

This year's annual report has been aptly themed 'Invictus' reflecting the strength and stability which People's Leasing & Finance PLC has acquired over the span of two decades. In this time, we have consistently raised the bar on not only financial performance but also on the broader fronts of sustainability, good governance and business ethics. In this backdrop, it is indeed my privilege, on behalf of the Board of Directors, to present the annual report along with the audited financial statements and briefly share my thoughts on how we will navigate through the challenges of our times, to grow and reach our aspired goals in the new frontier.

.....

G4-1



“WE HAVE COME FAR, FACED MANY CROSS-ROADS AND TRIALS AS WE EVOLVED AND GREW WITH EXPERTISE COMBINED WITH A DEEP SENSE OF RESPONSIBILITY.”



WE SUSTAINED A STRONG AND A STABLE FINANCIAL POSITION CONSISTENTLY THROUGHOUT THE YEAR.



WORLD ECONOMY – DOWN-SIDE RISKS PREVAIL

We continued to witness the world economy moving away from the protracted slump in growth. Yet, the down-side risks remain significant and challenging. The main geo-political issues include sharp decline in crude oil and other commodity prices; the gradually tightening monetary policy in the United States; the instabilities in the global financial markets; and the slowdown of the emerging and developing market economies, particularly China. These have led to subdued and uneven economic activity across all countries. Consequently, the global economy grew, well below its potential, at 3.1 percent, marginally down compared to the previous year as per the statistics published by the International Monetary Fund, in its World Economic Outlook, April 2016.

SRI LANKA – IMBALANCES IN MACRO FUNDAMENTALS

In this volatile global economic backdrop, the Sri Lankan economy had to reckon with greater challenges to sustain its growth momentum. The turbulence that prevailed within the nation's socio-political landscape also did not give much solace to relieve the pressures on the economic front. Yet, standing resilient with positive contributions from all three key sectors, the economy in the year 2015 recorded a growth of 4.8 percent, a shade below the rate of 4.9 percent recorded in 2014 (Annual Report 2015, Central Bank of Sri Lanka).

From a macroeconomic standpoint, a policy corrective action was needed to bring stability and balance to the fundamentals. Accordingly, the monetary policy saw a shift towards a more tightening stance in the latter part of the year to contain the inflationary impact of private sector credit that was trending upwards. While inflation during the year was constrained below mid-single digits, fiscal consolidation fell far short of expectations. On the external sector front, the weakening of the rupee against the US dollar, higher trade deficit and greater foreign outflows in the short-term pressured the balance of payment position and depleted the reserves.

NBFI SECTOR – ROBUST AND STABLE

The non-bank financial institution (NBFI) sector was upbeat in the year 2015 and continued to gain ground in the economy, despite the negative macroeconomic undertones including the exchange rate depreciation, changes in duty and excise taxes on motor vehicles and monetary policy adjustments impacting interest rates. The sector proactively and positively managed the macro-prudential fundamentals resulting in it recording higher earnings and growing the asset base by over 20 percent while simultaneously improving asset quality with the non performing ratio falling to 5.7 percent.

The regulatory framework continued to remain supportive of the industry, enabling a 'level-playing-field' with greater efficiency, transparency and accountability for the NBFIs to achieve their growth aspirations in a sustainable manner. We would like herein to place our commendation to the regulators for their progressive approach and consistent efforts to bring in best practices and discipline to the industry.

COMPANY'S RESPONSE – INTEGRATED APPROACH

Steering through the rapidly changing, complex and volatile business backdrop, we had to bring in greater focus, energy and vitality to our operating model, be discerning in our strategy and follow through with a steady action plan and an effective monitoring process. During the year, we resolutely advocated our integrated line of thinking—to fortify our operations from a triple perspective, bringing together our business goals with socio-environmental value creation. We also continued to uphold our commitment to good governance and ensured that we were in compliance with the relevant codes prescribed by our regulators, whilst being disciplined in our risk management in line with best practices. These initiatives no doubt helped to unleash our potential to grow in all areas and record another year of solid performance.

CHAIRMAN'S MESSAGE

FINANCIAL PERFORMANCE – SOLID AND STABLE

With focused efforts to drive volumes as our top line strategy, we witnessed a steady flow of disbursements throughout the reporting year, posting record levels of Rs. 70.87 billion; up by 16.33 percent against the preceding year. This together with our ability to mobilise low cost funds, enabled us to sustain our net interest earnings. But, more importantly, we remained conscientious in our concerted efforts to manage the overall quality of our portfolio. We were able to curtail the non-performing ratio to 1.55 percent, which is well within our risk tolerance levels and significantly below the industry average. Consequently, our impairment charges declined substantially and we achieved an impressive bottom line of Rs. 4.35 billion, the highest ever recorded in our 20-year corporate journey. The return on equity was also noteworthy at 19.80 percent.

Our reputation from strength and stability within the financial arena, enabled us to execute cost-effective and strategic funding options to support our growth aspirations, resulting in us maintaining a strong and a stable financial position consistently throughout the year. Our asset position remained well matched to our liabilities whilst we maintained sound liquidity levels. Our core capital ratio stood at 19.55 percent—well above the limit prescribed by our regulator, the Central Bank of Sri Lanka, reflecting our strength and stability.

Given this outstanding financial performance, we are pleased to propose a final dividend of Rs. 0.50 per share to our most valued shareholders.

LOOKING FORWARD – EXCITING OPPORTUNITIES

As we celebrate 20 years of our existence, our organisation stands poised at the helm of our industry as a well respected corporate within the business arena of this country. We have come far, faced many cross-roads and trials as we evolved and grew with expertise combined with a deep sense of responsibility. Looking forward, we are fully cognisant of the adversities we

may have to face in the ensuing years, but believe that we have what it takes to stand against any headwind and continue to grow and consolidate our leadership position in the industry.

Given the optimistic predictions for both the domestic and global economic environment, we are confident that there will be many excellent opportunities to avail of. Our brand is strong and underpinned by the financial prowess of our parent, People's Bank, collaborative culture within our group network, sustainability focus and dynamism of our management, vibrancy of a young and talented team deployed across the organisation, and modern systems to support and streamline our processes, giving us the strength and capability to identify and exploit the business opportunities in the emerging landscape. In this setting, we are confident that we can make more in-roads to value creation for our stakeholders, not only within the nation, but also, to increase our footprint by leveraging on the potential prospects prevalent in South and East Asia.

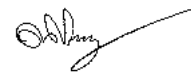
IN APPRECIATION

I have served this esteemed organisation as the chair for just above a year. In this short span, I am truly gratified and inspired by the role played by all our stakeholders in shaping our unique value proposition and championing our corporate goals. Their support this year remained vital in achieving yet another year of outstanding results.

My deepest gratitude is extended to my colleagues at the Boards of People's Leasing & Finance PLC and the People's Bank, for their insightful guidance and committed support to see through the trials of our industry and take our organisation from strength to strength. It is with warm appreciation that I wish to commend our Chief Executive Officer, management and the team—their dedication, work ethic and focused efforts towards excellence are proven by the positive progress and milestones achieved in the year. I sincerely look forward to their continued vitality and teamwork which will essentially underline our success in the ensuing

years. I place my sincere appreciation to our shareholders, business partners and all other valued stakeholders for their conviction and the confidence place in our corporate mission.

I wish to reiterate that we are well poised and stand committed to deliver on our corporate goals in a sustainable manner. I am confident that this organisation will continue to be at the vanguard of our industry, well into the years ahead.



Hemasiri Fernando
Chairman
People's Leasing & Finance PLC

18th May 2016
Colombo

OUR VALUE PROPOSITION

“WILL GIVE YOU AN OVERALL UNDERSTANDING OF HOW WE ARE STRUCTURED, OUR VALUE CREATION MODEL AND HOW WE ENGAGE WITH OUR STAKEHOLDERS.”

Vision, Mission & Values	18
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Organisational Structure & Profile	21
Value Creation Model	23
Stakeholder Engagement	26
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MISSION

DEDICATED VALUE- ADDED
CUSTOMER SERVICE TO ACCOMPLISH
ORGANISATIONAL SERVICE EXCELLENCE
WHILST MAINTAINING A SUSTAINABLE
COMPETITIVE ADVANTAGE.

CORE VALUES

ECONOMIC VIABILITY,
ENVIRONMENTAL RESPONSIBILITY
AND SOCIAL ACCOUNTABILITY.

VISION

TO BECOME LEGENDARY IN
THE FINANCIAL- SERVICE
SCENE AS A PROVIDER OF
CUSTOMER- FRIENDLY,
CREATIVE AND INNOVATIVE
TOTAL SOLUTIONS.

GOAL

CONTINUE TO BE THE MOST
ADMIRED AND SOCIALLY
RESPONSIBLE FINANCE
COMPANY.

CORPORATE PHILOSOPHY

CUSTOMERS

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

TEAM SPIRIT

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

OTHER STAKEHOLDERS

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

ENVIRONMENT & SOCIETY

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

ORGANISATIONAL EXCELLENCE

Be the premier finance company in Sri Lanka.

BUSINESS STRATEGY

WE STRIVE TO DELIVER SUSTAINABLE GROWTH AND SUPERIOR FINANCIAL PERFORMANCE OVER THE LONG TERM, WHILST BEING EFFICIENT, MAKING THE MOST OF OUR RESOURCES AND INVESTING IN NEW GROWTH.

SUSTAINABILITY POLICY

At PLC, we pledge towards building a sustainable framework that will meet the needs of the present without compromising the future; where growth is holistic and will permeate shared value positively to our stakeholders; where we continue to create an environment that will develop, sustain and spur sustained growth among all stakeholders.

CREATING SHARED VALUE FOR OUR STAKEHOLDERS

Our growth strategy is based on creating value for our stakeholders. Our shared values determine the way in which we interpret and respond to business opportunities and challenges, and establish expectations about how we work with them.



ORGANISATIONAL STRUCTURE & PROFILE

G4-3, 9, 16

ACHIEVEMENTS

- Included in S&P SL 20 index since December 2014
- Market leader of the leasing sector for 14 consecutive years
- One of the top ten best corporate citizens in the country
- One of the top 25 listed companies in the year

SCALE OF OPERATIONS - 2015/16

Asset base - Rs. 124.34 Bn
Income - Rs. 19.19 Bn
Disbursement - Rs. 70.87 Bn
Net profit after tax - Rs. 4.35 Bn

CREDIT RATINGS

Local

'AA- (lka)' Fitch Ratings Lanka

International

'B' Fitch Ratings International
'B+/B' Standard & Poors

SECTOR

Non-Bank Financial Institution

CSE LISTED

2011 and became a public quoted limited liability company

CORPORATE MEMBERSHIPS

- Leasing Association of Sri Lanka
- Asian Leasing and Finance Association
- The Finance House Association of Sri Lanka
- The Finance Ombudsman Sri Lanka
- Credit Information Bureau of Sri Lanka
- The Association of Margin Providers
- The Sri Lanka Institute of Directors
- Asian Financial Services Association
- Sri Lanka Business for Biodiversity Platform - Patron Member
- CSR Sri Lanka Ltd.

BRANCH NETWORK

92 branches & 110 window offices

LEGAL FRAMEWORK

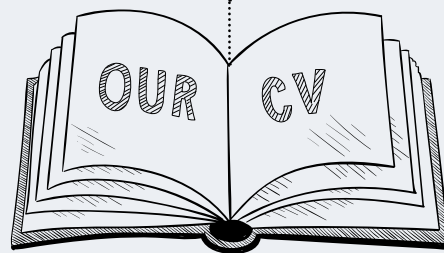
Companies Act No. 7 of 2007,
Finance Business Act No. 42 of 2011,
Finance Leasing Act No. 56 of 2000

INCORPORATED

1995 as a Private Limited Liability Company

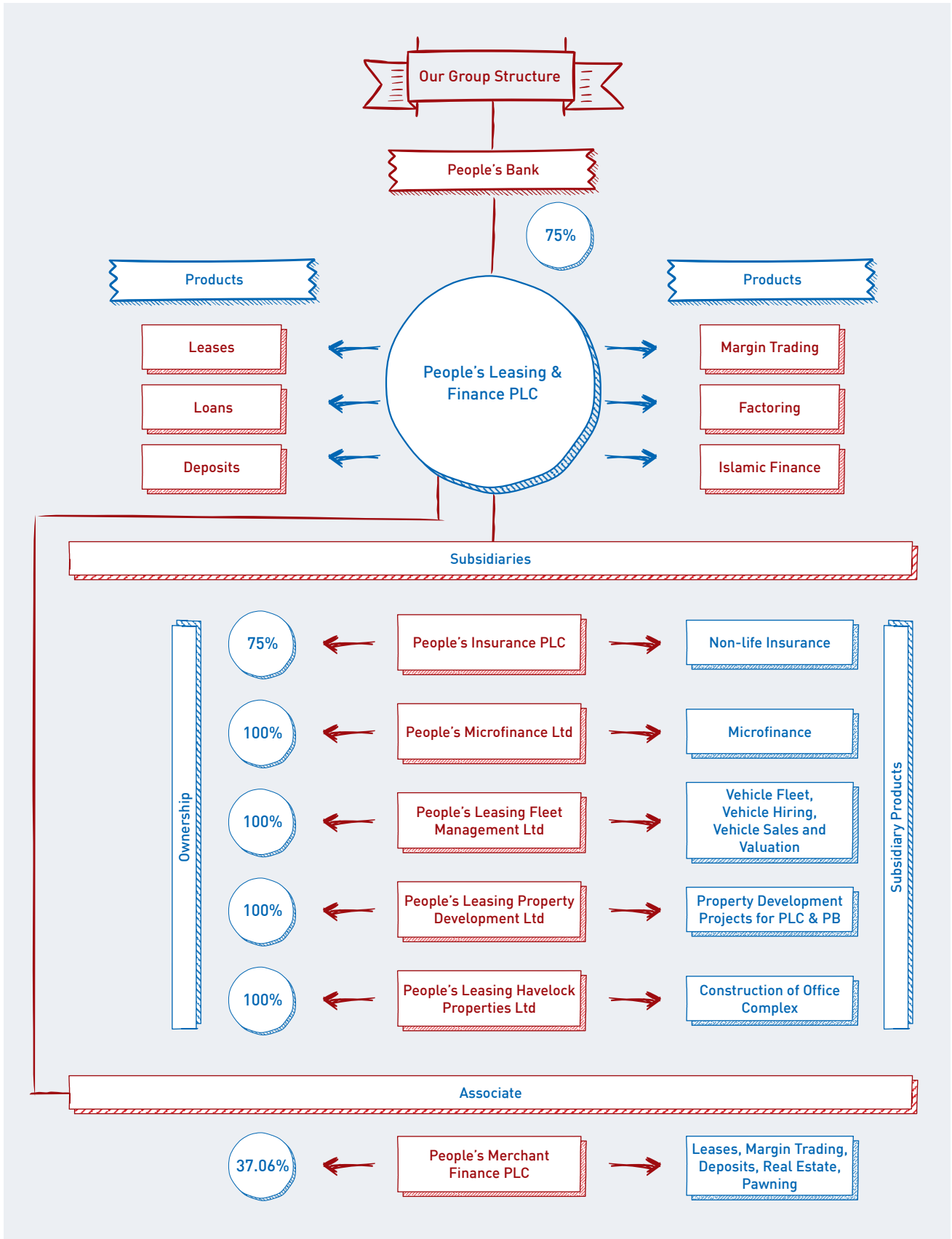
COMPANY NAME

People's Leasing & Finance PLC



"The PLC group has now become a leading financial conglomerate in Sri Lanka with five established subsidiaries and an associate Company under its name"

ORGANISATIONAL STRUCTURE & PROFILE



VALUE CREATION MODEL



“OUR APPROACH TO VALUE CREATION IS ETHICAL AND RESPONSIBLE. OUR FOCUS IS BEYOND SHORT-TERM GAINS. WHAT WE ARE TRULY LOOKING AT IS TO CREATE A VIABLE BUSINESS THAT COULD GIVE BACK TO THE SOCIETY. OUR STRATEGIC APPROACH COMBINES ECONOMIC VALUE CREATION WITH SOCIETAL AND ENVIRONMENTAL GOALS.”

D. P. Kumarage

Chief Executive Officer/General Manager
People's Leasing & Finance PLC

A HOLISTIC APPROACH TO VALUE CREATION

A comprehensive value creation story is set forth for our valued stakeholders to understand and appreciate our holistic approach to value. The report is arranged according to the value creation components, seeking to improve the connectivity of information and facilitate the reader's understanding.

The model presents two concepts of value: value creation within the organisation and value sharing amongst our principal stakeholders.

VISION & MISSION

The Company's vision and mission guide the entire value creation and sharing process. Our value statement encompassing economic viability, environmental responsibility and social accountability acts as the boundary to the process. Governance and risk elements are interlinked with the value statement to uphold transparency and to ensure effective risk management of the process.

CAPITALS (INPUTS)

As is the case with each process, value is created through inputs called capitals. As a financial services provider, financial capital plays a focal role in the value creation process. Besides, the Company recognises and gives due precedence to human capital, community capital, relationship capital, intellectual capital and natural capital as the other key capitals essentially underlining our value creation process.

PROCESS

The Company's strategy seeks to transform each capital into a unique value through an interconnected strategic process. The process directs the Company's sub processes to get the expected value.

OUTPUT, OUTCOME & IMPACT

Value reflects through three levels of components—outputs, outcomes and impacts. Products and services stand as the first level of value creation. The second and third levels represent value sharing modes with our key stakeholders. Outcomes reflect internal and external consequences of the organisation output to the stakeholders. The final level, impacts, describes broader consequences of outputs and outcomes to the entire society. A specialised management approach to each and every capital improves the overall output, outcomes and impacts of the Company in an effective and efficient manner.

EXTERNAL ENVIRONMENT

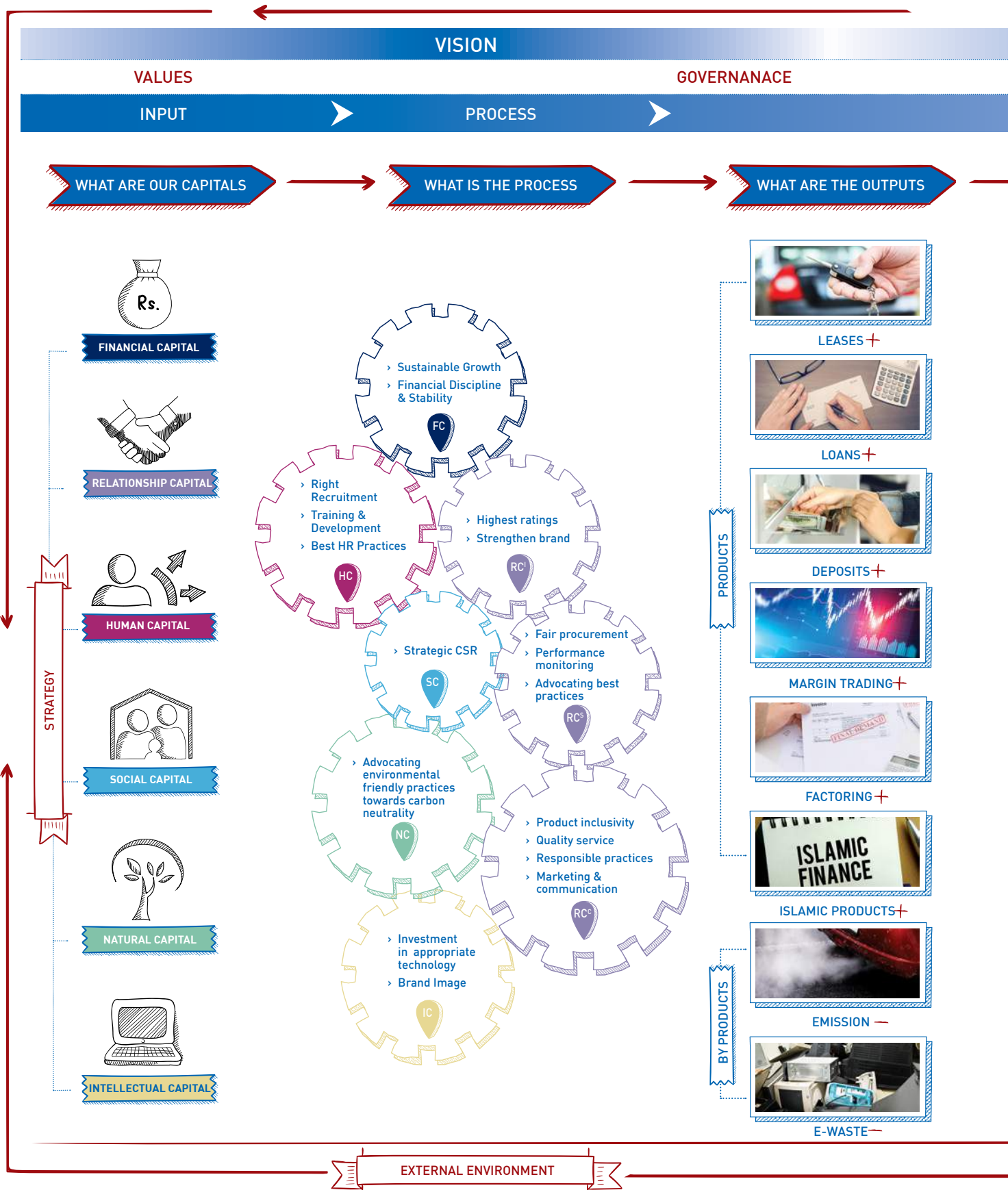
The statutory and regulatory framework essentially sets the operational backdrop for value creation. The process is exposed and has to take into account the risks and opportunities present within the external environment.

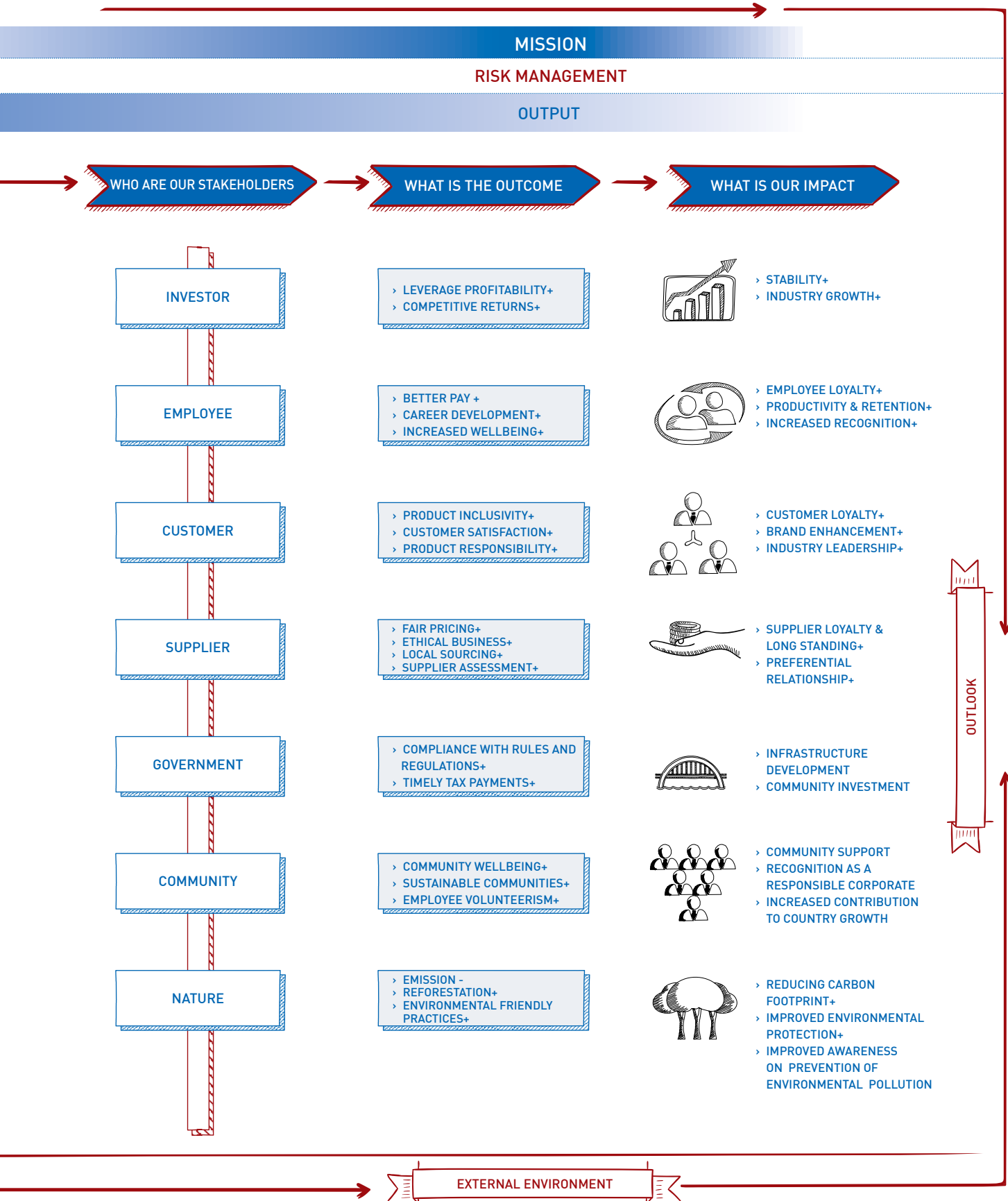
OUTLOOK

Our value creation process is not static. It accompanies regular reviews of each component and its interaction with other components. This supports us to revisit, revise and refine our value creation model.

Our value creation and sharing process take the readers through an interactive experience throughout this integrated annual report.

VALUE CREATION MODEL





MISSION

RISK MANAGEMENT

OUTPUT

WHO ARE OUR STAKEHOLDERS

WHAT IS THE OUTCOME

WHAT IS OUR IMPACT

INVESTOR

- > LEVERAGE PROFITABILITY+
- > COMPETITIVE RETURNS+



- > STABILITY+
- > INDUSTRY GROWTH+

EMPLOYEE

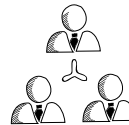
- > BETTER PAY +
- > CAREER DEVELOPMENT+
- > INCREASED WELLBEING+



- > EMPLOYEE LOYALTY+
- > PRODUCTIVITY & RETENTION+
- > INCREASED RECOGNITION+

CUSTOMER

- > PRODUCT INCLUSIVITY+
- > CUSTOMER SATISFACTION+
- > PRODUCT RESPONSIBILITY+



- > CUSTOMER LOYALTY+
- > BRAND ENHANCEMENT+
- > INDUSTRY LEADERSHIP+

SUPPLIER

- > FAIR PRICING+
- > ETHICAL BUSINESS+
- > LOCAL SOURCING+
- > SUPPLIER ASSESSMENT+



- > SUPPLIER LOYALTY & LONG STANDING+
- > PREFERENTIAL RELATIONSHIP+

GOVERNMENT

- > COMPLIANCE WITH RULES AND REGULATIONS+
- > TIMELY TAX PAYMENTS+



- > INFRASTRUCTURE DEVELOPMENT
- > COMMUNITY INVESTMENT

COMMUNITY

- > COMMUNITY WELLBEING+
- > SUSTAINABLE COMMUNITIES+
- > EMPLOYEE VOLUNTEERISM+



- > COMMUNITY SUPPORT
- > RECOGNITION AS A RESPONSIBLE CORPORATE
- > INCREASED CONTRIBUTION TO COUNTRY GROWTH

NATURE

- > EMISSION -
- > REFORESTATION+
- > ENVIRONMENTAL FRIENDLY PRACTICES+



- > REDUCING CARBON FOOTPRINT+
- > IMPROVED ENVIRONMENTAL PROTECTION+
- > IMPROVED AWARENESS ON PREVENTION OF ENVIRONMENTAL POLLUTION

EXTERNAL ENVIRONMENT

OUTLOOK

STAKEHOLDER ENGAGEMENT

G4-24, 25

A stakeholder is an individual or group affected by our business operations or who, in turn, may affect the environment in which we operate. This includes not only those individuals and groups with whom we have a direct relationship, but also those stakeholders along our economic value chain who are affected by our business decisions or who may also, through their decisions and activities, affect our operating environment.

Our prioritised stakeholders fall into following categories:

- Customers - individual and corporate clients
- Employees - full-time employees
- Business partners - banks, financial advisors, brokers, agents, other financial intermediaries, and suppliers of goods and services
- Investors – Parent, retail shareholders, institutional investors, bondholders and financial analysts and ratings agencies
- Community and environment – governmental/non-governmental/community based/environment related organisations/institutions, charities, regulators, and international bodies and associations

We are committed to engage with our stakeholders to foster meaningful relationships that deliver mutual benefits and respond appropriately to concerns that our stakeholders may have, or feedback they offer.

STAKEHOLDER ENGAGEMENT FRAMEWORK

The year-round engagement with stakeholders is decentralised. Through regular surveys, telephone conversations, meetings, seminars and conferences, each business unit is required to report regularly on its stakeholder engagement. Ensuing sections provide an overview of how our main stakeholders are engaged, frequency of engagement and key concerns that were raised through our engagement.

Stakeholder Segment & Report Content	
Stakeholder Segment Engaged	Key Sections in Response
Customers	Relationship Capital (Customer)
Employees	Human Capital
Suppliers	Relationship Capital (Supplier)
Investors	Relationship Capital (Investor)
Community	Social Capital (Community)
Environment	Natural Capital (Environmental Sustainability)

SE Table - 1

In July 2014, PLC initiated an independent stakeholder survey. This survey helped to assess the effectiveness of our corporate reporting. It also helped to determine the most 'material issues'—those issues we believe will shape the Company in the years ahead. Together with the GRI based aspects, these issues were considered to form the basis of PLC's annual report, and findings of the survey were used in our strategic planning.

As at 31st March 2015, the first two phases were completed. Stakeholders identified and prioritised during these phases, included parent company, shareholders, customers, employees, business partners, investment managers, representatives of government institutions, regulators and community representatives. The three-phased approach adopted for this exercise was as follows:

Three - Phased Approach to Stakeholder Engagement		
Phase	Actions	Outcome
Phase 1	Audit based on information already submitted, validated through in-depth interviews with internal stakeholders of the Company.	Understand internal performance
Phase 2	Understand sustainability impacts, risks, and opportunities through stakeholder engagement.	Understand external perspectives
Phase 3	Implement sustainability initiatives based on outcomes of audit and stakeholder engagement.	Integrated plan

SE Table - 2

STAKEHOLDER RESPONSIVENESS

After the completion of the stakeholder engagement process, the findings of the first two phases are amalgamated to develop a holistic and integrated plan for PLC. Feedback from stakeholders, both internal and external, therefore, served as the basis for this plan; addressing stakeholder needs is now an integral part of PLC's business strategy.

The integrated plan based on the views of the Company's most important stakeholders, is broken down into two parts, actions which will improve the systems and processes of the Company, and other areas that are material to key stakeholders.

Based on the findings, improvements are being made in the systems and processes of the Company. Areas to be reported based on aspects that have been deemed material to key stakeholders were also identified.

Feedback from stakeholders has contributed to shape and validate our strategy towards sustainable growth. It helped us to understand their requirements, and the impact we have on their lives/business. It also helped us make better decisions, identify risks and opportunities, improve our products and services and structure our business operations to meet stakeholder needs.

Based on the key deliverables, corporate and departmental objectives are being re-visited and tailored to effectively meet stakeholder expectations. Through our management information system, a key performance indicator based format is being developed as a monitoring mechanism—holistic and responsive—seeking to deliver shareholder returns whilst responding to all other stakeholders' needs.

MATERIALITY ASSESSMENT

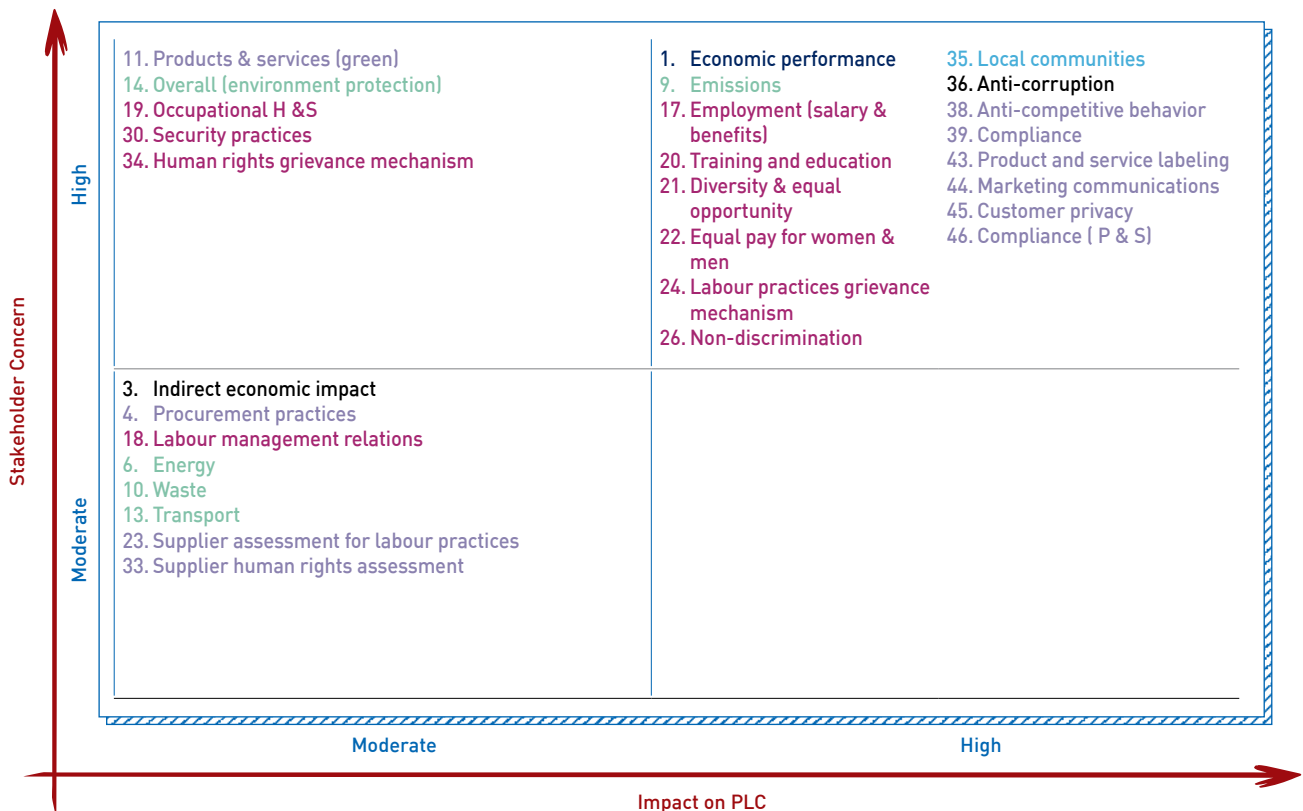
G4-18, 19, 27

PLC through its materiality assessment process identifies the issues that matter most to business and its stakeholders both internal and external. With the feedback generated, environmental, social and governance issues of concern are identified. The findings are also used to determine risks and opportunities for PLC.



In 2015/16, PLC was able to produce its materiality analysis featuring a broader sample of stakeholders and a value chain analysis, as a part of our independent stakeholder engagement carried out. Accordingly, material issues have been prioritised as follows. These results reflect the most material issues for PLC and basis of reporting. They are placed on a materiality matrix as per the GRI Guidelines, that displays their position relative to the degree of stakeholder concern and potential business impact.

Materiality Matrix



MATERIALITY ASSESSMENT

Changes during 2015/16 are highlighted in the following table with priority levels. Justification for low priority status is presented in the GRI Index itself. Please refer pages 339 to 347.

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Changes to Materiality - 2015/16				
Material Aspect	Relevant Stakeholder	2014/15 Materiality of Aspect (H/M/L)	2015/16 Materiality of Aspect (H/M/L)	Trajectory
2. Market presence	Employee/Community	M	L	▼
3. Indirect economic impact	Community	H	M	▼
10. Waste	Environment	L	M	▲
14. Overall	Environment/Community	H	M	▼
15. Supplier environment assessment	Supplier	M	L	▼
16. Environment grievance mechanism	Environment/Community	M	L	▼
25. Investment	Investor	M	L	▼
28. Child labour	Community	H	L	▼
29. Forced and compulsory labour	Employee	H	L	▼
37. Public policy	Community	M	L	▼
40. Supplier assessment for impact on society	Supplier	M	L	▼
42. Customer health & safety	Customer	M	L	▼

MA Table - 1

SUSTAINABILITY CONTEXT

The materiality matrix depicts matters material for PLC within the context of PLC's strategic framework. Stakeholder concerns (both positive and negative) were considered to update the material issues. Identifying these material issues helps us in our longer-term strategic direction as a company. It helps us manage risks and opportunities and it helps us understand relations between ourselves and our stakeholders. Most importantly the materiality analysis sets sustainability context to report under Management Analysis and the each capital section.

MANAGING MATTERS WHICH ARE MATERIAL FOR CREATING SHARED VALUE

To reinforce the importance of living our values every day, the performance of our business and employees are evaluated against a set of KPIs. By measuring performance indicators periodically and, where necessary, making adjustments based on the measured values, PLC try to achieve our strategic objectives and hence creating value for its stakeholders.

OUR STRATEGY

“PROVIDES YOU WITH A SUMMARY OF THE CHANGING LANDSCAPE WE OPERATE IN, HOW IT IMPACTS OUR STRATEGY AND OUR APPROACH TO RUNNING A SUSTAINABLE BUSINESS. THIS SECTION ALSO PROVIDES A REVIEW OF ACTUAL PERFORMANCE AGAINST OUR GOALS.”

Business Environment	30
Operational Strategy	34

BUSINESS ENVIRONMENT

At PLC, strategies are determined considering the several vagaries occurred in our business environment. This business environment contains both internal factors which we can influence on as well as external factors beyond our control. This section herein describes our strategy in response to economic conditions, risks and uncertainties that we are exposed.

Synopsis - Economic Review - 2015

Global Economy

Output Growth

World Economy
2014: 3.4%
2015: 3.1%

Advanced Economies
2014: 1.8%
2015: 1.9%

Emerging & Developing Economies
2014: 4.6%
2015: 4.0%

Key Trends

- The geopolitical tension, gradual tightening of monetary policy by the Federal Reserve in the United States, declining trends in oil prices and other raw materials, and the widespread uncertainty that prevailed in the global financial markets broadly impacted the world economic performance.
- World output remained modest and uneven across economies, with the growth lower than last year and below potential.
- Advanced nations led by the United States and the United Kingdom demonstrated greater levels of consumer and investor confidence and posted stronger results. The Euro area rebounded whilst Japan modestly moved away from zero growth levels witnessed in the previous year.
- The emerging and developing economies led by China, posted lower growth levels, although still robust compared to the advanced nations.

Sri Lankan Economy

GDP & Sectoral Performance

GDP Growth
2014: 4.9%
2015: 4.8%

Agriculture
2014: 4.9%
2015: 5.5%

Industry
2014: 3.5%
2015: 3.0%

Services
2014: 5.2%
2015: 5.3%

Key Trends

- Real GDP growth of 4.8 percent corresponded to a decline of 0.1 percentage points over 2014.
- Services sector growth was backed by the growth in financial services, real estate, transport, whole-sale and retail trade; whilst the construction sector slowed down marginally.
- Industry sector grew at a slower pace than 2014. The manufacturing sub-sector registered a growth whilst construction, mining and quarrying sub sector registered a contraction.
- Agriculture sector posted a higher growth over 2014, given a significant increase in paddy production in both Maha and Yala seasons. Tea and rubber registered a contraction in production levels.

Implications on PLC

- Lower level of economic activity ignited negative sentiments and lowered confidence of the overall corporate and SME sectors, in turn, impacting the PLC's potential growth.
- Servicing capacity of some of the customers in a volatile economic backdrop is impacted, and which may have compromised the quality of our portfolio.

Inflation

CCPI (Annual Average)
2014: 3.3%
2015: 0.9%

CCPI (YOY)
2014: 2.1%
2015: 2.8%

NCPI (YOY)
2014: n/a
2015: 4.2%

Note: Colombo Consumer Price Index (CCPI) (2006/07=100)
National Consumer Price Index (NCPI) (2013=100)

Key Trends

- The decline in global commodity prices, downward price revisions in key consumer goods and services, better supply-side conditions and lower inflation expectations supported inflation to be sustained below the mid-single digit levels.
- The accommodative monetary policy that prevailed in the year, supported inflation to be contained at lower levels. However, with the pick-up of credit together with the increase in salaries and wages, particularly, within the public sector, led to demand pressures on inflationary trends in the latter part of the year.

Implications on PLC

- The demand-led inflation trending upwards underlined the gradual tightening of the monetary policy by the end of the year together with other macro-prudential measures such as the loan to value ratio. This hindered the potential demand for facilities and impacted our topline growth to record below the targeted level.

External Environment

Balance of Payment
2014: US\$ 1,369 Mn
2015: US\$ (1,489) Mn

**External Official Reserves
(Months of Imports)**
2014: 5.1
2015: 4.6

**Exchange Rate
(RS/US\$)**
2014: 131.05
2015: 144.06

Key Trends

- The slow-down of the country's key export markets dampened the export sector earnings, whilst the import bill increased, primarily on account of higher motor vehicle imports. However, lower crude oil prices supported the import bill to be curtailed below the previous year. The trade deficit widened by 1.7 percent, year-on-year.
- The lower net foreign exchange inflows to the current account and financial account resulted in the balance of payment position deteriorate to a deficit compared to the surplus recorded in 2014.
- The gross official reserve position deteriorated to 4.6 months of imports.
- With greater flexibility given in determining the exchange rate on market forces, the rupee depreciated by almost 10 percent against the US dollar since September 2015.

Implications on PLC

- The loan to value directive and tightening monetary policy which were introduced to control the pressures on the balance of payment position had a direct impact on growing our portfolio as targeted which is typically skewed towards motor vehicles leasing and loan facilities.

BUSINESS ENVIRONMENT

Fiscal Management

**Revenue & Grants
(% of GDP)**
2014: 11.5%
2015: 13.1%

**Expenditure & Net
Lending (% of GDP)**
2014: 17.2%
2015: 20.5%

**Budget Deficit
(% of GDP)**
2014: (5.7%)
2015: (7.4%)

Key Trends

- The fiscal consolidation sharply fell short of expectations given the expenditure overruns.
- The budget deficit widened way above the targeted and compared to the deficit recorded in 2014.
- Revenue as a percentage of GDP was below the targeted, but registered an improvement over 2014 supported by one-off taxes, income tax and excise and import duties.
- Recurrent expenditure as a percentage of GDP registered a sharp increase on account of higher salaries, interest payments, current transfers and subsidies. Capital expenditure and net lending as a percentage of GDP also recorded an increase compared to the prior year.
- The deficit was largely financed through domestic sources reaching to 44.3 percent of GDP. This, included a significant portion from the non-bank sector. The foreign financing component also remained significant at 31.7 percent of GDP.

Implications on PLC

- The inflationary impact spurred by public expenditure underlined the need for monetary policy adjustments, bringing down the level of confidence within the business arena, impacting the demand for new facilities.
- The one-off super gain tax on 2013/14 financial year profits was effected this reporting year; which was adjusted against our retained earnings reflected in the balance sheet.
- Excise tax imposed on motor vehicles reflected negatively on PLC's leasing operations, bringing down the potential disbursements and targeted earnings.

Monetary Policy & Interest Rates

**Private Sector Credit
Growth (YOY)**
2014: 8.8%
2015: 25.1%

**Average Weighted
Deposit Rate**
2014: 6.20%
2015: 6.20%

**Average Weighted
Prime Lending Rate**
2014: 6.26%
2015: 7.53%

Key Monetary Policy Measures - 2015 - 2016

Date	Indicator	Policy Measure
15th April 2015	SDFR & SLFR	Reduced by 50 basis points; SDFR - 6.0% and SLFR - 7.5%.
3rd September 2015	Exchange Rate	Commenced the flexible exchange rate policy enabling market forces to determine the rate.
30th December 2015	SRR	Increased by 1.50 percentage points to 7.5% effective from 16-January 2016.
19th February 2016	SDFR & SLFR	Increased by 50 basis points; SDFR - 6.5% and SLFR - 8.0%.

Note: Standing Deposit Facility Rate (SDFR)/ Standing Lending Facility Rate(SLFR)/ Standard Reserve Requirement (SRR)/ Standing Deposit Facility (SDF)

Key Trends

- Complemented by lower inflation, the accommodative monetary policy continued in the year with the policy rates adjusted downward in April 2015. This supported to sustain a lower interest rate environment broadly throughout the year, which was conducive for credit growth.
- The private sector credit grew at a higher pace compared to the previous year.
- The excessive liquidity witnessed in the market tapered towards the latter part of the year, but broadly remained at high levels.
- With the increase in private credit igniting demand pressures on inflation, the gradual tightening of monetary policy commenced from end 2015. This included an upward revision of the SRR on rupee deposits and of the policy rates.
- Macro-prudential measures such as the minimum cash margin of 100 percent on letter of credit and loan to value ratio of 70 percent were imposed targeting specifically to curtain imports on motor vehicles and ease the external pressures.

Implications on PLC

- The lower interest rate regime that prevailed in the year curtailed PLC's interest income.
- The macro-prudential directives on motor vehicle imports impacted our leasing and loan portfolio, hindering the potential growth in new facilities and disbursements.

Non-Bank Financial Institution (NBFI) Sector

NBFI Key Indicators

Asset Base Growth
2014: 19.0%
2015: 22.3%

Net Interest Margin
2014: 8.0%
2015: 8.7%

Gross NPA Ratio
2014: 6.9%
2015: 5.7%

Capital Adequacy Ratio
2014: 13.5%
2015: 11.2%

Return on Equity
2014: 14.0%
2015: 12.3%

Return on Assets
2014: 3.1%
2015: 3.0%

Key Trends

- Accounting for 7.0 percent of the total assets of the financial sector, NBFI comprised 46 Licensed Finance Companies (LFC) and 07 Specialised Leasing Companies (SLC).
- The sector assets grew at a higher pace of 22.3 percent over the previous year to Rs. 997 billion.
- Primarily spurred by the demand for motor vehicle facilities, the loans and advances portfolio including finance leases registered a significant growth of 31.8 percent compared to the previous year to Rs. 796.0 billion.
- Given the bearish capital market trends, the sector investment portfolio decelerated by 9.2 percent to Rs.100 billion.
- As the main source of funding accounting for 48.2 percent, deposits posted a growth of 16.1 percent to Rs. 481 billion compared to 2014.
- The borrowings recorded a strong growth of 44.8 percent over the previous year to Rs. 314 billion.
- The quality of the credit portfolio was managed with the non performing accommodations ratio reflecting a noteworthy improvement to 5.7 percent.
- Following the credit expansion, net interest income of the sector grew by 32.4 percent over 2014 to Rs. 82.2 billion whilst the profit after tax grew by a moderate 2.7 percent to Rs. 15.2 billion.
- Sector capital adequacy position was stable and sound and the ratio was above the minimum prescribed.

OPERATIONAL STRATEGY

G4-2

Risks & Uncertainties	Opportunities
<ul style="list-style-type: none"> ➤ Uncertainty within the political and socio-economic environment ➤ Competitive business landscape ➤ Trained staff turnover ➤ Funding - cost & maturity mismatches ➤ Changing regulatory landscape 	<ul style="list-style-type: none"> ➤ Emerging economy ➤ Advocacy for best practices ➤ Technology advancements ➤ Recognition for social responsibility ➤ Rural development ➤ Potential in emerging Asia

In today’s dynamic business landscape, our organisation is well placed with immense potential to reach out to higher growth and move towards greater prosperity. Yet, we are well aware of the risks and uncertainties that loom which may hinder us from the desired and potential results, and even, undermine the sustainability of our operations, in the long-term. As a pragmatic and astute corporate, we have always looked to be ‘hands-on’ in our strategy and be responsive in actions to navigate through the risks; whilst seeking to avail the myriad of opportunities present within our operating backdrop. It is in this light that we have set out our three-year Strategic Business Plan, 2015-2018, giving precedence to three key strategies to be operationally successful and accomplish our business objectives.



COMPETITIVE STRATEGY

Differentiating our business from the competition in an overcrowded market is given top priority within our business plan. Our focus is on extending a high quality service—underscored by the expertise we have nurtured over a 20-year corporate journey, along-side our versatile product offer, vast distribution network and streamlined systems and processes that are in place across the organisation. We also have to our credit and seek to brace on the knowledge, the expertise gained and the relationships we have built overtime within the emerging small and medium enterprises (SME) sector. This is one of our key points of differentiation. Our focus is also on strengthening our ties with our parent company, People’s Bank, which no doubt, gives us a solid competitive edge. Building up on our brand positioning and bolting on our corporate image within the industry—well recognised as a responsible and ethical business—further complement this strategy, enabling us to stand well apart from our competition.

PRODUCT-MARKET STRATEGY

Under this strategy, our aim is to further penetrate the existing markets and gain market share on our core product—leases and loans. To this end, we stand committed to build strong relationships with our existing customers, boost their repeat patronage and retain the account within the business, amidst the competition. Relationship based marketing efforts therefore take up a significant part of our strategic approach.

Apart from the existing market base, we also aim to expand and develop new markets, particularly, in untapped, but strategic locations through setting up fully-fledge branches. Adhering to the new regulations issued by the Central Bank of Sri Lanka we will not be opening window offices hereafter and thus will utilise the customer touch points in central public places.

In terms of the product, we remain steadfast towards product development through value addition, tailored to meet customer needs and in line with the latest market trends. Product diversification is likewise prioritised with due investments on designing new products targeting new market segments. Necessary investments are made to build up the competencies required for the successful implementation of this strategy. Our venture into margin trading and factoring are underscored by this strategic direction.

GROWTH STRATEGY

Our business plan advocates an organic growth approach. We have sufficient internal resources to develop infrastructure and bring in innovation to strengthen our business, further expand and deliver on our growth plans. Our effective management approach along with good governance and ethical and socially responsible business practices complements our growth strategy and paves the way for sustainability in the long-term.

PRINCIPAL RISKS & STRATEGIC RESPONSE 2015/16**Key Risk****Uncertainty within the political and socio-economic environment**

- Changes in the monetary policy standpoint along with the imposition of the loan-to-value ratio impact the planned interest income, expenses and the capital base.
- Changes on corporate taxation including the one-off super gain tax, and the higher duty structure on motor vehicles compromise profitability, retained earnings and returns.
- The downgrading of the Sovereign by international rating agencies challenge the organisation's credit stability.

Strategic Focus

Be responsive and focused in strategy formulation and be consistent in the implementation of action plans underscored by sound operational and risk management practices.

Key Actions

- Revisited the strategies in the light of the current macroeconomic trends and formulated a three-year 'Strategic Business Plan '2015-2018'.
- Adjusted the lending rates in line with the policy rate movements and market liquidity scenarios.
- Focused efforts to ensure credit evaluation controls, recoveries and consistent monitoring to minimise the non-performing portfolio.
- Introduced new loan products to capture the market in the light of challenging regulations.
- Maintained risk exposure within prudent and prescribed levels with adequate checks and balances.

Key Risk**Competitive Business Landscape**

- In an overcrowded industry, both banking and non-banking institutions compete to offer similar or substitute products and services, thereby, eroding the market share and margins.

Strategic Focus

Offer best quality service to customers, strengthen group synergies, branding and carry out strategic marketing promotions.

Key Actions

- Sustained market positioning as the leader in the specialised leasing sector and as the largest institution within the non-bank financial institution sector.
- Upheld the brand promise as a trusted and responsible financial services institution.
- Reinforced the collaborative ties with the parent company, and with the sister companies within the PLC group.
- Closely engaged with customers at networking events and rewarded their loyalty.
- Evaluated and deliberated stakeholder engagement survey results to offer a more customised product and service in line with their expectations.
- Re-launched 'Fast-Track' loan product with enhanced features and ventured into clean loans and factoring for product diversification.

Key Risk**Trained Staff Turnover**

- Intense competition in the industry leads to a higher turnover of trained and skilled staff.

Strategic Focus

Uphold best and current HR policies and practices to retain staff within the organisation.

Key Actions

- Empowered employees with due recognition and rewards for performance, based on a structured evaluation scheme.
- Focused training to enhance employee skills and develop their careers.
- Proactive measures taken to ensure employee wellbeing.
- Adjusted Remuneration packages based on the survey conducted by outsourced external party.

OPERATIONAL STRATEGY

PRINCIPAL RISKS & STRATEGIC RESPONSE 2015/16

Key Risk

Funding Cost & Maturity Mismatches

- Lower levels of liquidity in the market at the latter part of the year resulted in higher cost of funds with implications on product pricing and competitiveness.
- Downgrading of the Sovereign credit rating undermines the organisation's credit rating and in turn, the power of negotiating for foreign currency denominated funds.
- Mismatches in assets and liabilities may arise due to the lack of long term funds to finance long term lending.

Strategic Focus

Ensure responsiveness in treasury management in line with the monetary policy trends—diversify funding sources to reduce cost of funds and balance maturity mismatches between assets and liabilities.

Key Actions

- Leveraged on the financial prowess, brand strength, good reputation, backing from People's Bank and the strength of the group to negotiate best terms with the funding agencies.
- Sustained the preferred status amongst the funding agencies to source low cost funds, despite the downgraded international ratings on par with the Sovereign.
- Backed by sound credit ratings, funds are raised at the most effective rates locally and internationally.
- Maintained the targeted balance of 60:40 ratio between short-term and long-term funds.
- Aggressive promotions to drive savings for long-term and low cost funds.

Key Risk

Changing Regulatory Landscape

- Changes in rules, regulations and policies set by the statutory and regulatory bodies may bring uncertainties to daily operations and future plans.

Strategic Focus

Be agile, adapt and comply with changing regulatory and statutory requirements and seek for opportunities within the changes.

Key Actions

- Consistent tracking and monitoring compliance as per the statutory and regulatory requirements.

OS Table - 1

PRINCIPAL OPPORTUNITIES & STRATEGIC RESPONSE - 2015/16

Key Opportunity

Emerging Economy

- The nation is emerging into an upper-mid income country with greater potential for economic activity—and thus, driving the demand for financial services, particularly, from the burgeoning small and medium enterprises sector.

Strategic Focus

Position the business to capture the growing opportunities present within the emerging economy and leverage on the knowledge and the relationship ties built with the SME sector.

Key Actions

- Focused efforts to penetrate untapped regions by setting up customer touch points in strategic locations.
- Strengthened the product offer including the new products—margin trading and factoring—to be more inclusive to suit diverse risk-return profiled customers and niche markets.

Key Opportunity

Advocacy for Best Practices

- Current trends in the statutory & regulatory environment advocate best practices in business—bringing in greater clarity and discipline to the industry.

Strategic Focus

Uphold corporate stewardship and respond and comply positively to the changes in the regulatory framework and thereby, add value to the corporate brand.

Key Actions

- Continued to be conscientious in complying and reporting as per the current statutory and regulatory requirements.

PRINCIPAL OPPORTUNITIES & STRATEGIC RESPONSE - 2015/16**Key Opportunity****Technology Advancements**

- Evolving technology supports to set up streamlined operational processes for speedy and flexible financial solutions, in turn, boosting operational and financial performance.

Strategic Focus

Keep abreast and invest strategically in the latest technology to bring greater efficiency and productivity improvements to operations.

Key Actions

- Added value to the organisation's IT platform with two new systems for treasury operations and factoring.
- Extended due training support for employees on systems and process applications.
- Upheld best practices in information technology governance and upgraded the ISO standard to the 2013 version.

Key Opportunity**Image as a responsible brand in society**

- Our outlook as a responsible brand results societal trust, high customer loyalty and enables differentiation as an admired and socially responsible corporate.

Strategic Focus

Increasingly move towards an integrated approach to value creation, seeking to maximise profitability whilst upholding responsibility from a triple bottom line standpoint.

Key Actions

- Invested on our dedicated socially responsible campaign 'PLC Care', with focused efforts to support local community priorities placed a structured process to calculate carbon and other greenhouse emissions, offsetting all carbon emissions computed in the previous year.
- Continued to uphold highest ideals in governance and business ethics through the Code of Conduct and compliance to best practices, statutory and regulatory requirements.

Key Opportunity**Rural Development**

- With the changing socio-economic landscape and greater exposure to changes in technology and urban lifestyle values, the rural communities are opening up to embrace formal financing to support their funding requirements.

Strategic Focus

Establish new customer touch points in strategic and unexplored locations in the periphery and tailor the products to best-fit the emerging opportunities amongst the rural communities.

Key Actions

- Established a plan to set up to 1,000 customer touch points including in untapped rural areas.
- Customised products to suit rural customers and adopted greater flexibility in transactions through door-to-door mobile savings, collections and marketing promotions.
- Organised awareness programmes to build financial literacy amongst the rural masses, inculcated their habit of savings and educated them on the benefits of opting for formal financing solutions.
- Supported operations of the subsidiary, People's Microfinance Ltd to reach out effectively to the funding needs of the grass-root communities.

Key Opportunity**Potential in emerging Asia**

- With a shift in focus on emerging Asia, opportunities are opening up, particularly, in South and East Asia for financial services to fund their growing economies.

Strategic Focus

Leverage on the corporate standing to penetrate and reach out to the potential demand for financial services in South Asia.

Key Actions

- Seeking business opportunities in South-East Asia.

OS Table - 2

OPERATIONAL STRATEGY

Strategic Performance Measures – 2015/16					Page Reference
Key Capitals	Key Indicator	Target	Actual	% Variance	
Relationship Capital - Customer	New branches (Number)	4	3	(25.00)	57
	Window offices (Number)	111	110	(0.90)	57
	Deposit holders (Number)	195,093	168,999	(13.38)	61
	Loans & advances customers (Number)	114,753	123,359	7.50	58-59
	New products	1	1	-	56
Financial Capital	Disbursement growth (%)	24.32	16.33	(7.99)	58
	NPA ratio (%)	3.48	1.55	1.93	59
	Net profit (Rs. Mn)	4,324.01	4,347.35	0.54	52
Relationship Capital – Investor	Return on equity (%)	20.46	19.80	(0.66)	76
	Return on assets (%)	4.64	5.19	0.55	76
	Cost to income ratio (%)	34.52	38.22	3.70	52
Human Capital	Training investment (Rs. Mn)	40.00	22.80	(43.00)	94
	Average employee turnover (%)	9.00	8.57	(0.43)	87-88
	Employees promoted (Number)	700	846	20.86	86
Intellectual Capital	Brand value (Rs. Mn)	N/A	9,317	-	118
	ICT investment (Rs. Mn)	222.00	213.79	(3.70)	120
	ISMS reviews/certification audits (Number)	3	3	-	121
Social Capital	CSR investment (Rs. Mn)	108.10	76.25	(29.46)	97-98
	Community based initiatives (Number)	155	158	1.94	98-103
	Employee volunteerism (Hours)	22,000	29,659	34.81	99-103
Natural Capital	Investment on natural environment (Rs. Mn)	5	3.36	(32.80)	115
	Environment based initiatives (Number)	25	27	8.00	111-114
	Employee volunteerism (Hours)	2,000	1,864	(6.80)	111-114
	Carbon footprint (Tonnes of CO ₂ equivalent)	2,492.74	3,059.47	22.74	108
	Trees planted (Number)	600	10,395	1,632.50	112

OS Table - 3

MANAGEMENT DISCUSSION & ANALYSIS

“COVERS A RANGE OF TOPICS ON THE ADMINISTRATION OF OUR CAPITALS AT A MANAGEMENT LEVEL, TOGETHER WITH COMPARISONS FROM THE PRECEDING YEAR, AND DEFINES OUR FUTURE ASPIRATIONS.”

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INTERVIEW WITH THE CEO



WE ARE TODAY THE TREND-SETTER WITHIN THE NON-BANK FINANCIAL INSTITUTION SECTOR IN THE COUNTRY, DEMONSTRATING OUR STRENGTH IN EVERY ASPECT OF OUR BUSINESS. WE ARE WELL-RESPECTED, TRUSTED AND INVINCIBLE

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

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Q THIS YEAR'S ANNUAL REPORT IS PREPARED ON THE THEME OF 'INVICTUS'. WHAT IS THE SIGNIFICANCE OF CHOOSING SUCH A THEME?

A: Surmounting the challenges of our operating landscape, we have successfully journeyed steadily and progressively, delivering consistent results over the past 20 years. We are today the trend-setter within the non-bank financial institution sector in the country, demonstrating our strength in every aspect of our business. We are well-respected, trusted and invincible. So I believe, 'Invictus' is a fitting theme at this juncture, as we mark our 20th anniversary.
.....

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'EVEN AGAINST THE MARKET HEADWINDS AND POLICY DIRECTIVES, WE POSTED YET ANOTHER IMPRESSIVE YEAR. WE WERE STEADY IN OUR STRATEGY AND DELIVERY OF OUR ACTION PLAN'



WE SUSTAINED A STRONG AND A STABLE FINANCIAL POSITION CONSISTENTLY THROUGHOUT THE YEAR



COULD YOU OUTLINE THE ECONOMIC CHALLENGES FACED IN THE REPORTING FINANCIAL YEAR 2015/16?

A: Our operating backdrop was no doubt challenging and complex. We saw uncertainty within the socio-political landscape which set the tone for business confidence and the level of economic activity.

With inflation at single-digit levels, the monetary policy was broadly accommodative. Yet, towards the latter part of the financial year, the private sector credit picked-up, in turn, tapering the high levels of liquidity in the financial market. As a result, the market rates gradually adjusted upwards. We also witnessed the exchange rate shifting towards a flexible regime and the rupee depreciating quite substantially against the US dollar towards the latter part of 2015. This challenged the country's external front which prompted for corrective action to ease the pressure on the balance of payment position. The restrictive policies like the higher tariff and loan-to-value ratio were implemented to curtail the unprecedented increase in motor vehicle imports. But, this had direct implications on our sector performance, particularly, leasing, our core product.



HOW DID THE COMPANY OVERCOME THE SAID CHALLENGES?

A: Even against the market headwinds and policy directives, we posted yet another impressive year. We were steady in our strategy and delivery of our action plan. Our operational and financial results were noteworthy and we managed to surpass the industry on most counts. Our disbursement registered a growth of 16.33 percent over the previous financial year. We posted Rs. 70.87 billion. We also continued to secure best rates and enjoy a funding cost advantage. Though our top line interest income was slightly affected by the low interest rates, net operating income grew by 13.86 percent due to the reduction in impairment charges

we experienced with the improved recovery efforts. Overheads remained high, but the top-line was stronger to brace our profits and returns. Profits before tax grew by 14.29 percent to Rs 6.14 billion—the highest ever achieved in the Company's history. Return on equity stood at 19.80 percent, up from 18.61 percent posted in the previous year.

We maintained the stability and the soundness of our financial position throughout the year. Our asset base touched Rs. 124 billion, up by 10.69 percent as at the year-end. The strength of our asset position was ahead of our peers in the non-bank financial sector and even on par with some in the banking sector. The liability position was Rs. 101.56 billion, well covered by our assets. The shareholders' funds reached Rs. 22.77 billion. We sustained a healthy core capital ratio of 19.56 percent, exceeding the minimum stipulated.

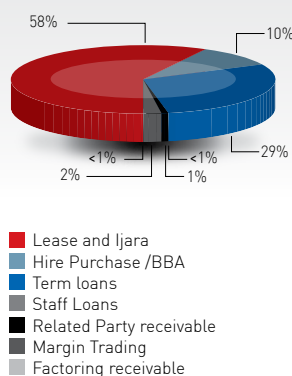


INDEED YOUR FINANCIALS WERE IMPRESSIVE; HOW WAS YOUR VALUE CREATION APPROACH?

A: Our approach to value creation is ethical and responsible. Our focus is beyond short-term gains. What we are really looking at is to create a sustainable business that could give back to society. Our holistic approach combines economic value creation with societal and environmental goals.

We are focused and consistent in this approach which is truly top-down, reaching across the organisation. We have the top level commitment from our Chairman and the Board of Directors. Our Board is responsible to oversee and give direction for both financial and non-financial aspects of our operations. We even have in place a dedicated director who is responsible to oversee and give guidance on social and environmental initiatives of our organisation. In fact, our reporting too follows an integrated approach under the IR guidelines, and this year is our third, for which we have the full support of the Board.

Loans and Receivable



INTERVIEW WITH THE CEO

AS A RESPONSIBLE CORPORATE CITIZEN HOW DO YOU SHARE THE VALUE CREATED BY THE COMPANY WITH KEY STAKEHOLDERS?

A: We have in place a sound dividend policy for our shareholders, and this year, we paid dividends amounting to Rs. 1.97 billion. We also give value to our shares as one of the largest blue-chip companies on the Colombo Stock Exchange. In fact, we are amongst the privileged 20 corporates with best market caps, giving us access to the S&P Sri Lanka 20 Index. In terms of other key stakeholders, take our customers for instance; we serve them with an accessible, responsible and versatile product offer; for our employees—our greatest asset—we give them coveted careers and competitive benefits; and for suppliers and business partners, we give them service opportunities, enabling them to grow within the supplier chain. We have also set aside, as a policy, 2.50 percent of our net profits for community related and environmentally responsible causes. Today, we are proudly stand as a foremost carbon neutral company in the industry.

MOVING ON, WHAT ARE THE ATTRIBUTES THAT WENT IN TO MANAGING THE PORTFOLIO QUALITY?

A: This is a vital area that needs careful planning and meticulous action, especially given our drive for growth with ambitious targets. Our approach is multi-dimensional. From operational staff, management to the Board level, we are proactive and work in unison. We ensure close engagement with customers and keep a close watch on the collections. We are hands-on in risk assessments and take timely action to arrest default situations. We have even tied up the non-performing ratio in to our performance scheme with targets set for individual officers as well collectively, at the branch level. Our collection this year touched over 95 percent. We succeeded to bring down our non-performing ratio to 1.55 percent as compared to the ratio of 2.72 percent recorded in the preceding financial year. This is well within our risk tolerance standards and well below the industry.

IN A COMPETITIVE INDUSTRY BACKDROP, HOW EFFECTIVE IS YOUR FUNDING STRATEGY TO MEET THE COMPANY'S EXPANSIONARY PLANS?

A: Sustaining a discerning funding strategy is a top priority for us. We have a strong credit record with a clear negotiating advantage to raise funds at the most cost effective rates. We are backed by two international ratings, the only corporate to do so in the industry. Of course, this position was compromised towards the latter part of the financial year given the inevitable downgrading by one notch, on par with the Sovereign downgrading by Fitch Ratings International. Yet, we stand strong and amongst the top in the preferred list in the financial circles.

We follow a best-fit funding strategy, balancing out the market dynamics with our growth aspirations. We are careful to keep the maturity mismatches between assets and liabilities in-tact and to plan out a right mix between long-term instruments and short-term. In the early part of the year, with higher liquidity, our focus was on long-term fixed rate loans from the domestic sources. Yet, towards the latter, with the liquidity in the market drying up, we looked at furthering our exposure in fixed deposits. We continued however, to be steady in our efforts to amass savings, best in terms of low cost and long-term funds. We also explored our options in the overseas financial markets, a need of the hour and encouraged by policymakers to strengthen the foreign inflows to the country.

PLC ISSUED DEBENTURES IN NOVEMBER 2015. HOW SUCCESSFUL WAS THE ISSUE?

A: Once again, for the third time, we were able to raise a successful issue. We were looking at raising 40 million debentures at Rs. 100/-, with an option of issuing 20 million more in the case of oversubscription. The issue with two tenors was rated AA- (lka) with a stable outlook by Fitch Ratings Lanka Ltd. The response from both institutional investors and retail alike was impressive and the issue was oversubscribed. We were able to raise Rs. 6.0 billion in total.

WHAT ARE THE LATEST DEVELOPMENTS IN YOUR PRODUCT OFFER?

A: We have always been strong in our product offer, well-rounded to match our diverse customer profiles. Whilst reinforcing our core product expertise in leasing, product diversification is very much a part of our strategy. We have already developed a solid non-core product base including loans, Islamic finance and deposits. In fact, in September 2015, we re-launched our 'Fast-Track' loan product with greater value added features and aggressive marketing promotions. The response for this product so far, is noteworthy, bringing in relatively higher margins to our business. Margin trading, recently introduced product firmly took off ground in the year, well placed at the top. This product is expected to reap strong returns when the capital market picks-up. Factoring is our latest product on offer. Well calculated to balance the risk-returns, we are confident of successfully taking off this product in the ensuing years. Besides, we have the strength and diversity from the product range offered by our subsidiary network, enabling us to be a true 'one-stop' to support our valued customer needs.

HOW COMMITTED WAS PLC IN UPHOLDING ITS CUSTOMER CENTRIC APPROACH?

A: We are a front-runner organisation within the financial services sector and the market leader within the leasing sector, which we hold for the 14th consecutive year. Our customer base is currently touching 292,481 whilst our market share is at 12.48 percent. We have undoubtedly earned the confidence and trust of our customers. We have a strong brand and positioning. Yet, we understand and deeply aware of the need to keep abreast and respond with professionalism to the changing consumer patterns, attitudes and expectations. It is crucial that we keep building on our relationships through closer engagement. We have to reach customers across the spectrum from the branch level to the trade chambers and associations.

Our vast distribution network remained a critical success factor, giving us a strong competitive advantage over our peers. This is more so in an intensely competitive landscape. We maintained a strong presence and reached different customer segments across all provinces and districts. Our branches are even located in the most remote areas where markets remain socially and economically backward. We had 92 branches at the end of reporting year with 110 window operations mainly located within our parent's network. We also established three new branches in the year, covering Kalawana, Medawachchiya and Pelmadulla.

EMPLOYEES ARE YOUR MOST PRECIOUS ASSET; WHAT WAS THE LEVEL OF COMMITMENT TO GIVE THE BEST TO TEAM PLC?

A: We have with us a cadre of 1,834 employees. They have been the bedrock of the feats and milestones reached so far in our twenty-year journey. We fully recognise and are grateful for their role in determining our competitive edge, positioning and our success. We truly believe in the merits of closely engaging our employees and nurturing their talent and work ethics. So investing in giving our employees the 'best place to work' as recognised in the recent past, is a compelling strategic priority. Our commitment is steady and we are committed to ensure an enabling environment. We follow the best practices in recruitment, recognition and compensation. This was well reflected through our retention ratio of 91.43 percent recorded this year.

WHAT IS YOUR STANDPOINT ON EMPLOYEE DEVELOPMENT AND HOW DOES YOUR ORGANISATION ENSURE THAT EMPLOYEES ARE EXPOSED TO THE BEST LEVEL OF TRAINING PERTINENT TO A SERVICE ORGANISATION?

A: We extended a well-structured training for 1,381 of our employees at an investment of Rs. 22.80 million out of which 14 employees were sent on overseas training. Apart from the routine and general training, we

collaborated effectively with well recognised institutions to offer tailor-made programmes to address specific skill gaps and develop their managerial skills that stands in the way of reaching to our potential. Currently we have 75 of our employees following these programmes. We also continued with our reimbursement scheme to encourage our employees to take up post graduate level studies and to obtain professional qualifications. These efforts were fittingly recognised by the Sri Lanka Institute of Training and Development at the People Development Awards 2015. We were delighted to receive a Gold award.

HOW HAVE YOU PROGRESSED WITH YOUR DEDICATED ENVIRONMENTAL AND SOCIAL CAMPAIGN? DID YOU REALISE THE TARGETED OUTCOMES?

A: We saw our strategic campaign 'PLC Care' takes further strides in the year. The campaign reached out to our CSR goals within the five focused areas that cover environmental sustainability, SME and micro level entrepreneurship, financial literacy, education and road discipline. We are truly impressed with the spirit of employee volunteerism and with our CSR team for their leadership and dedication to see through this campaign. This year, we carried out various initiatives under the focused approach to social and environmental capital at a total investment of over Rs. 75 million.

Previous year we started our journey towards carbon neutrality by placing a structured process to calculate the carbon and other greenhouse gas emissions. Going beyond, this year we became a carbon neutral company.

HOW ADAPTABLE AND RESPONSIVE IS YOUR ORGANISATION TO LEVERAGE ON TECHNOLOGY TO NAVIGATE THROUGH THE CHANGING INDUSTRY LANDSCAPE AND DELIVER EXCELLENCE IN OPERATIONS?

A: Technology has changed the way we do business. Harnessing the power of technology and leveraging are forward drivers for any corporate in today's context. We have been focused

and consistent in our efforts to align our corporate goals with strategic investments in latest technology. The automation of our workplace processes and document management, state-of-the-art call centre, and online presence through our official website, among others, have been our enablers with significant productivity gains and cost efficiencies.

HOW COMMITTED IS THE COMPANY TO UPHOLD SOUND GOVERNANCE AND RISK MANAGEMENT PRACTICES?

A: The Company is committed to uphold and comply with the mandatory as well as voluntary codes of corporate conduct. Quality time is allocated to ensure that the internal controls are in place and the risk oversight is effective in decision making and steering the operations in the right direction. We also sought to refine our business continuity plan in line with the current and best practices. This we believe, will brace our vigilance towards any unforeseen event. Further, in this reporting year, the Board appointed one of our independent directors to chair the Integrated Risk Management Committee tasked with the risk management function at the group level.

HOW EFFECTIVE WAS THE COLLABORATIVE CULTURE IN SUPPORTING THE SUBSIDIARIES TO MEET THE YEAR'S STRATEGIC EXPECTATIONS?

A: This was a sound financial year for all our five subsidiaries with a return on equity touching 20.60 percent in the year. We were fully committed and continued to strategically enable our subsidiaries to reach out to their potential. Indeed, our brand, branch network and shared services stood as the anchor, supporting the subsidiaries to strengthen their market base and reach out to solid operational results. We were impressed at the way synergies were working out and with their commitment towards adopting best and current practices in business, with greater focus on risk management, good governance and even social responsibility.

INTERVIEW WITH THE CEO

PEOPLE'S INSURANCE DEBUTED ON THE COLOMBO STOCK EXCHANGE. WAS THE IPO A SUCCESS AND HOW DID THE COMPANY PERFORM IN THE YEAR?

A: It was indeed a milestone year for our flagship subsidiary. Almost six times oversubscribed, the IPO broad-based a 25 percent ownership stake whilst diluting our stake to 75 percent. Subsequently, on 12th January 2016, People's Insurance was listed on the Main Board. In terms of market share, People's Insurance sustained its positioning amongst the top five non-life insurers and posted a noteworthy performance. The premium income growth was sound and the underwriting result was positive, in contrast to the negative results experienced by most of the other non-life insurers.

WAS THE FLEET MANAGEMENT COMPANY PERFORMANCE UP TO YOUR EXPECTATIONS?

A: Yes; since revamping the operations three years ago, our fleet management arm has taken steady strides to reach higher ground and yield sound returns on our investment. Well placed within the group, fleet management was able to reap significant synergistic benefits in fleet services and motor valuation supporting both our leasing operations as well as the claims management process of People's Insurance. This year, People's Fleet Management was also an active bidder in our tenders floated to sell disposal vehicles under our recovery operations. The company also opened a new vehicle sales outlet.

AS A STRONG ADVOCATE OF SOCIAL RESPONSIBILITY, HOW COMPLEMENTARY IS YOUR MICROFINANCE OPERATIONS TO THE OVERALL CORPORATE AGENDA AND GOALS?

A: Our venture in to microfinance truly complements our inclusive approach to value creation. We saw greater levels of activity, gaining a stronger customer base of 41,308 amongst the grass-root communities. Our target audience was typically, women, who have the power to bring social and economic change, securing ripple-effect benefits. This year our portfolio reached over Rs. 1,400

million, growing at 44 percent. We have firm plans to take this venture forward and secure greater social goals whilst ensuring the viability and good returns on our investment.

DID THE PROPERTY DEVELOPMENT COMPANIES MAKE PROGRESS IN THE FINANCIAL YEAR?

A: Our property development ventures proves to be strategically significant with solid investment value in today's marketplace. People's Leasing Property Development in the year completed 14 projects for People's Bank. Our BOI approved Havelock Properties venture made excellent progress and kept up the targets in construction works on the twelve-storey building in Colombo 5.

AS THE MANAGING AGENT, WHAT ARE THE PROSPECTS OF REVIVING PEOPLE'S MERCHANT?

A: We took up the proposition of the Central Bank to be the managing agent of the distressed People's Merchant. In August 2015, we absorbed a 37 percent stake and under our supervision, People's Merchant is sorting out its operational bottlenecks and financial difficulties. We are confident that this company will fully turn-around in the near future.

HOW DID THE PLC GROUP PERFORM ON A CONSOLIDATED BASIS?

A: Definitely, as a group, we are growing from strength to strength. In the reporting year, the consolidated income stood at Rs 22.58 billion while profit after tax reported at Rs. 4.74 billion. People's Insurance contributed almost 16 percent to the consolidated income. Net profits before taxes grew by 13.92 percent and touched Rs. 6.71 billion. The financial position was sound throughout the year, with the assets growing at 11.89 percent to Rs. 131.09 billion as at the year-end.

HOW DO YOU BENCHMARK YOUR ORGANISATION IN TERMS OF THE INDUSTRY AND WITHIN THE CORPORATE ARENA?

A: We are a well-respected corporate in this country. Throughout past years, we have progressed to reach the heights of the industry. Today, we claim the market

leadership as the top-most corporate in both leasing and within the non-bank financial institution sector. We stand tall and strong with highest ratings and a quality portfolio, unrivalled profits and assets to our credit. It is our exemplary business practices that have placed us amongst the top ten corporates in Sri Lanka, adjudged by the Ceylon Chamber of Commerce. This is our second consecutive year to be selected by the Chamber, after an in-depth short-listing and competitive selection process.

We were also recognised once again for the quality and standards in responsible reporting at the 51st Annual Report Awards, organised by CA Sri Lanka. Our report 2014/15 themed '365 Days That Were' received the coveted Silver award for the overall 'Management Commentary' and we retained our 'Gold' title as the 'Best Annual Report in the Sector', for the 8th consecutive year. This report was also recognised with Gold in the Print Annual Report category by the League of American Communication Professionals at the 2015 Spotlight Awards.

WHAT ECONOMIC CHALLENGES DO YOU FORESEE IN THE SHORT TO MEDIUM TERM?

A: As a nation, the country aims at achieving higher growth targets and at becoming an upper mid-income country in the medium term. Yet, the challenges in the short-term loom are on the prospects. The global economic dynamics, particularly the adjustments happening in the emerging markets together with partisan politics in the domestic scenario will continue to pressure the economic stability and growth. Effective policy measures are called for to counter-balance the impact on the macro economy. Policy signals are already trending upwards seeking to lessen the foreign capital outflows and the pressure on the exchange rate.

WHAT ARE THE STRATEGIC FOCUS AREAS AND KEY ACTIONS EXPECTED IN THE SHORT TO MEDIUM TERM?

A: Being at the helm of the non-bank financial services sector, we are in good stead to take on the opportunities that

lie within our market scenario, even against the challenges. Although, we have the necessary footing, we cannot be complacent. We have to drive our top-line strategy with greater focus and agility. We will continue to be bullish in our efforts to diversify our markets and product, enhance service quality and strengthen the distribution channels. This will also include converting our window operations to fully fledged branches. We will further our best practices in managing our cadre. We will also be committed to manage the quality of our portfolio and ensure financial stability with necessary safeguards and effective risk management.


HOW DO YOU PLAN TO CELEBRATE THE 20TH ANNIVERSARY?

A: We have lined up many celebratory events and initiatives, reaching out to our key stakeholders from our employees, customers, investors to suppliers. In celebrating 20 years, we have also made plans to add new products to our versatile product portfolio. We consider this as an excellent public relations and marketing opportunity to leverage upon, build brand presence and reinforce our positioning. We have already initiated the public relations campaign, made firm plans to organise multi-religious events to bring out our diversity, arrange dedicated networking events with our loyal stakeholders both at the regional level and the head office, extend exciting offers for our customers and establish eight new branches to reach the 100th mark. We are also expecting to recognise our committed employees who have stayed with us and supported us to reach the heights throughout our 20-year journey.

HOW WOULD YOU LIKE TO CONCLUDE THIS INTERVIEW?

A: In concluding this interview I would like to extend my sincere gratitude to each and every stakeholder who has been a pillar of strength to us within our twenty year journey. Also my special appreciation goes out to our Chairman and Board for their visionary direction. I would also like to thank the Board of People's Bank for their guidance and collaborative support. I pay my heartfelt

tribute to our outstanding team at PLC and at the subsidiaries. A job-well-done in the year and I hope to see the same level of liveliness and hard-work, but more so, professionalism in our way forward. I wish to thank our regulators for their direction to strengthen the level-playing-field in the industry. My gratitude is with our customers, investors, suppliers and strategic partners for their loyalty and patronage. I am confident that all our stakeholders will join our future path, be beside us, support our goals and reach out to the pinnacle of success.



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

18th May 2016
Colombo

**A TESTAMENT TO
OUR INSPIRING
LEADERSHIP,
WE HAVE GROWN
IN LEAPS AND
BOUNDS IN
UNIMAGINABLE
WAYS.**

110
SERVICE CENTERS

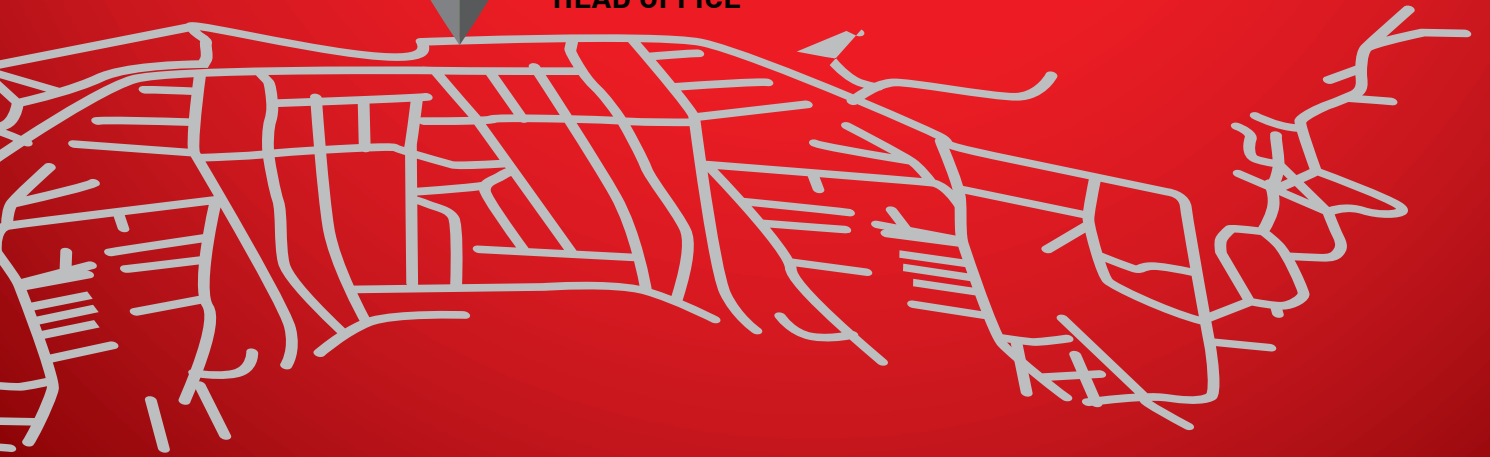


92

BRANCHES



SCAN ME
HEAD OFFICE



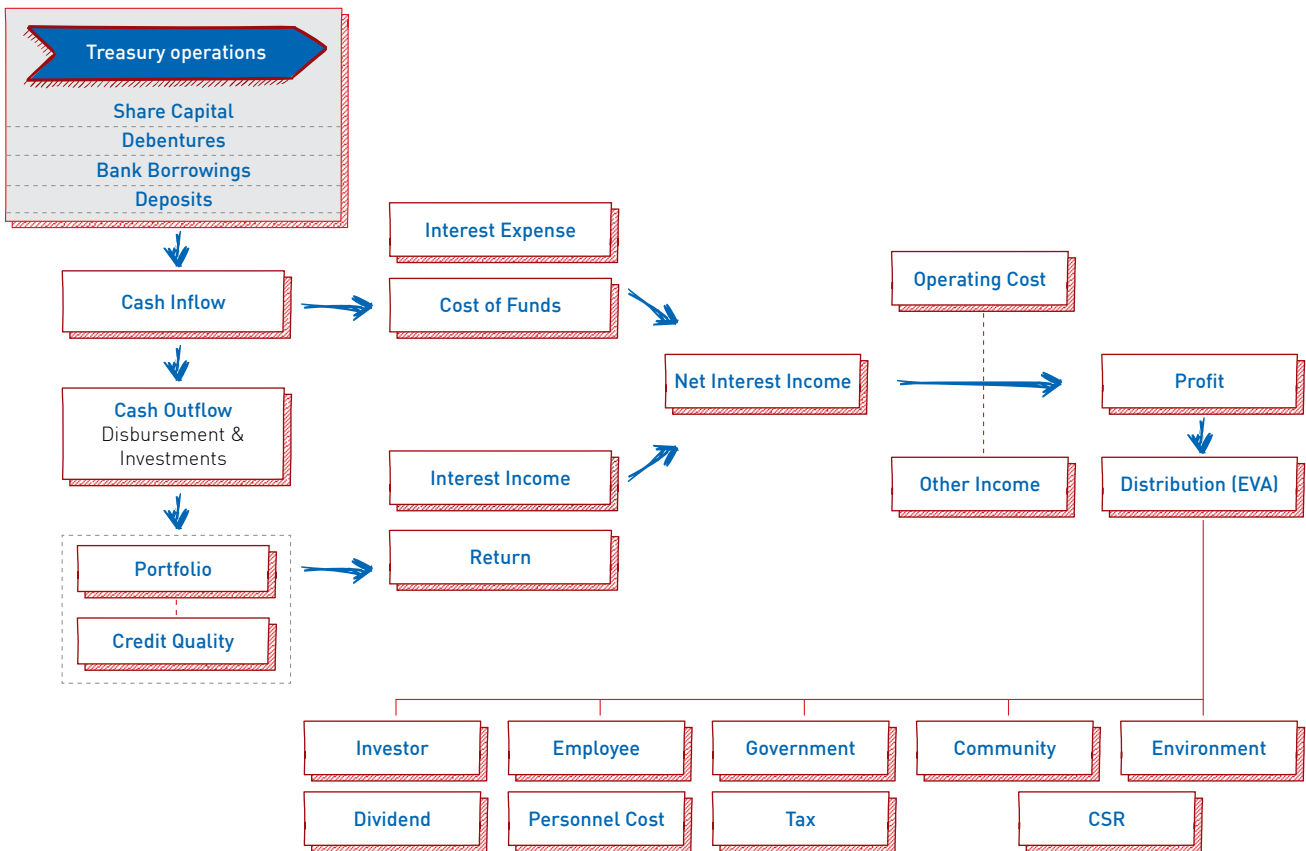
CAPITAL MANAGEMENT

FINANCIAL CAPITAL

OVERVIEW

As a finance company, financial capital is at the heart of our business which is directly linked with all other capitals within our value creation process. The process discussed below outlines, in detail, the financial capital's role within the organisation. This process involves sourcing funds required to facilitate the operations from the most reliable sources and effectively disbursing such collected funds to generate interest income whilst fulfilling our obligations towards the fund providers. Our aim is to maintain sound margins throughout this process, which in turn, transforms into healthy profits. Financial value generated by way of profits is shared amongst all the key stakeholders of the company.

ROLE OF THE FINANCIAL CAPITAL



TREASURY OPERATIONS

Treasury plays a strategic role by sourcing low cost funds required to support the top-line growth strategy and targets by seeking new funding sources including foreign funding and directing the funds towards right investments. It holds an important position in the Asset & Liability Management Committee (ALCO) along with Fixed Deposits Division of the Company. Treasury is responsible for monitoring assets and liability profile and interest movement and provides insights to ALCO, facilitating them to assess market and liquidity risks.

Given the low interest rates that prevailed throughout the year, mostly in the first half, the treasury sought to source the funds in the most cost-effective way to sustain the interest margins and strike the best balance to manage maturity mismatches between financing and lending. At the latter part of the year strategy shifted more towards short term loans with the fluctuations in the interest rates.

Strategic Priorities

- Source funds from the most cost effective way including foreign loans.
- Manage asset and liability mismatch to improve the financial position of the Company.
- Take measures to mitigate the foreign exchange risk.
- Direct funds towards right investments.
- Address and respond to regulatory requirements and developments.

In order to raise the funds at competitive rates, the treasury exploits the strong financial position of the Company, strength of the PLC brand backed by the two international ratings comparable to the Sovereign ratings. However, during the year, Fitch Ratings International downgraded PLC's rating to 'B' from 'B+' whilst Standard & Poor's rating remained at 'B+/B' with a negative outlook following in line with the downgrade of the Sovereign ratings. PLC's local rating from Fitch Ratings Lanka remained unchanged with 'AA-' (lka).

Treasury Instruments

Domestic Sources

During the year, the funding mix was dominated by the deposits, comprising fixed deposits and savings both conventional and Islamic, with a representation of 35.75 percent of the funding mix. However, the contribution of deposits reflects a decline compared to the previous year's contribution of 40.62 percent. This is due to our strategy

of not promoting deposits as a funding source given the availability of other alternative low cost funding sources. In addition, fixed deposits mostly ranging from one to two years are strategically discouraged to strike a balance between maturity tenures of assets and liabilities. However, during the latter part of the year, PLC increased deposit rates in line with the increasing interest rate trends in the country. The long term domestic banking sources remained a preferred funding source for the Company, accounting for 21.17 percent, followed by securitisation and debentures. During the year, we went for our third listed debenture issue to raise Rs. 4.0 billion with an option to raise further Rs. 2.0 billion in the case of oversubscription. The issue was oversubscribed on the opening day itself as in the previous issues which stood as a testimony of the investors' confidence towards the company. With that, debentures posted 63.37 percent increase over the position as at 31st March 2015, taking a share of 16.34 percent of the total funding mix.

At the latter part of the year, the Company sought after short-term loans to cater to the expanding business volumes under the volatile interest rate scenario thus, resulting in a 64.17 percent growth against the balance of the previous year. However, similar strategy as in previous financial year was executed in relation to the commercial papers and promissory notes.

Foreign Debt

Due to the availability of sufficient liquidity in the domestic market, we did not reach international markets to source foreign currency funds. The existing exposure of the foreign loan obtained in 2013/14 was well managed and stood at US\$ 3.5 million (equivalent to Rs. 506.40 million). This loan is expected to be settled in May 2016. However, with the increasing trend in the interest rate in the domestic market, the Company is considering the possibilities to obtain funds from international markets at a competitive rate in order to diversify the funding sources.

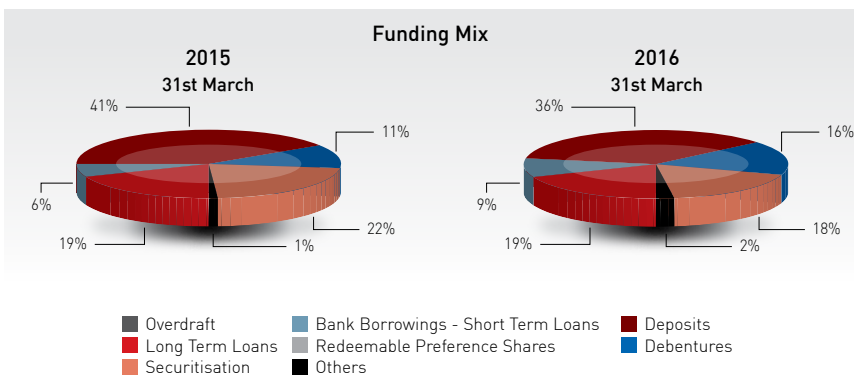
Investments

Adhering to the Directions issued by the Central Bank of Sri Lanka on liquidity, PLC invested Rs. 6.44 billion collectively in reverse repurchase agreements, treasury bills and treasury bonds. In addition, the investment in fixed deposits grew to Rs. 847.45 million compared to the previous year's investment of Rs. 326.32 million. The exposure to the blue chip equity rose to Rs. 211.65 million, indicating a growth of 7.88 percent against the balance as at the end of 2014/15.

Treasury instruments

- Funding**
- Fixed deposits & savings
 - Asset backed securities
 - Short & long term loans
 - Refinance loans
 - Debentures
 - Foreign loans
 - Commercial papers

- Investments**
- Government securities
 - Equity in blue chip companies
 - Debentures
 - Fixed deposits



CAPITAL MANAGEMENT

FINANCIAL CAPITAL

DISBURSEMENTS & PORTFOLIO

Refer: Relationship Capital – Customer, Page 54-68

Our core business, finance leases and loans were exposed to significant challenges during the financial year due to several changes that took place in the duty structure in the latter part of the previous financial year. In addition, regulations imposed on loan to value ratio (LTV) in the mid of the year also had a negative bearing on the leasing industry. The company fell short of achieving its budgeted disbursements by 6 percent. However, backed by our solid mainstay and prudent management policy, we were able to mitigate the challenges and achieve record level disbursements, amounting to Rs. 70.87 billion. We continued in our trend-setting journey, reaching another milestone in the non-bank financial institution (NBFI) sector, recording Rs. 8.15 billion disbursements in the month of March 2016. The Company saw its re-launched short-term loan product 'Fast Track' perform exceptionally well during the financial year 2015/16. Clean loan facilities introduced by the Company for its existing customers with an outstanding credit history also contributed to increasing disbursements.

Loans and Receivables Portfolio

During the year, gross loans and receivables portfolio topped the Rs. 100 billion mark and reached Rs. 111,453.27 million up by 10.86 percent compared to the ratio as at 31st March 2015. Net portfolio after accounting for collective and individual impairment stood at Rs. 109,872.42 million as at

31st March 2016 which is the highest portfolio in the NBFI sector. Lease/ljarah receivables remained as the highest contributor to the total gross portfolio, with a contribution of 57.62 percent. Notwithstanding the negative sentiments in the leasing sector due to new regulations, we saw an impressive improvement of 62.33 percent in the loan portfolio compared to the portfolio of the previous financial year. Thus, loan portfolio reflects 29.22 percent of the total portfolio as against 19.95 percent at the end of March 2015. Hire purchase portfolio reduced approximately by 49.49 percent in line with the policy decision taken to curtail the exposure in preceding financial year, following the budgetary reforms in 2014.

Despite the pessimism prevailed in the capital market throughout the year, margin trading receivables posted an increment of 14.55 percent over the previous year, thus reaching to Rs. 1,594.02 million as at 31st March 2016.

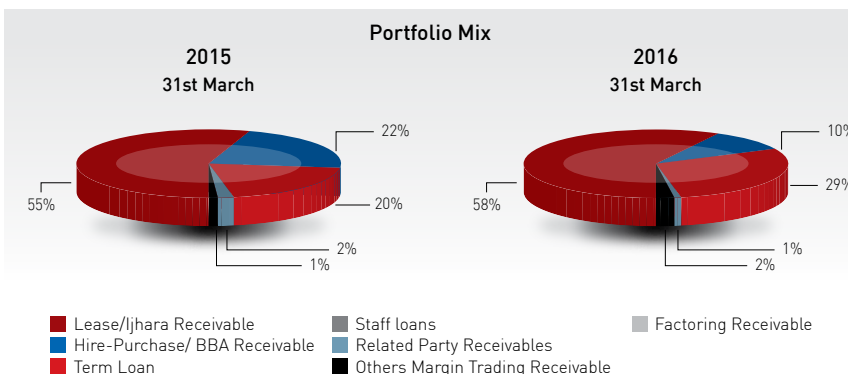
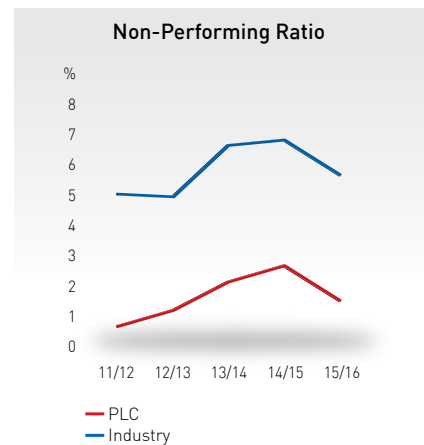
The performance of the new variable rate product, factoring—which was launched in November 2015—was outstanding, with the portfolio reaching to Rs. 177.48 million as at 31st March 2016.

Credit Quality

Refer: Relationship Capital – Customer, Page,54-68

Whilst focusing on increasing our business volumes, we seek to uphold the quality of our portfolio through continuous and improved efforts in recoveries. During the year under review, we concentrated and stepped up

on improving our recoveries by setting targets as well as setting up a new division—'Disposal Loss Recovery'. This unit was given authority to negotiate with clients to recover the loss which was earlier transferred to the legal recoveries unit after the tendering process. Given these focused measures, our collection ratio improved to 95.36 percent at the year-end with non-performing advances ratio declining to 1.55 percent from the previous year's ratio of 2.72 percent.



Legal Recoveries

Strategic Priorities

1. Encourage settlements (consent motions) rather than taking legal action.
2. Review and advise management on legal implications on internal policies and procedures.
3. Draft contracts, agreements, review regulations, internal policies and ensure that they are in compliance with all legal and statutory requirements.
4. Liaise with Compliance Officer and internal audit and identify possible non-compliance issues and assist them to find solutions for better internal management.

Our well-established legal recoveries unit plays an important role by supervising all litigation issues, cases filed by and against the Company. The unit supports to maintain the credit quality by adopting stringent measures to minimise the propensity of defaults as well as curtailing the non-performing ratio. Priority is given for consent motions over legal action, increasing the number to 439 from the 285 recorded in the previous year.

Key Highlights - Legal Recoveries

For the F.Y	2015/16	2014/15	% Change
Legal recoveries (Rs. Mn)	329.86	313.62	5.18
Legal recoveries (% of non-performing portfolio)	16.73	9.45	7.28
Consent motion (Number)	439	285	54.04
Write-offs recovered (Rs. Mn)	23.94	16.90	41.66
Notary fees (Rs. Mn)	8.69	5.25	65.52

FC Table - 1

During the financial year, the legal recoveries improved to Rs. 329.86 million accounting to 16.73 percent of the non-performing portfolio. The legal recoveries unit also concentrated on recovering any possible amount from the facilities written-off. This process enabled to recover Rs. 23.94 million in 2015/16 from the facilities written-off as against Rs. 16.90 million recovered in the previous year. Rather than being a cost center, legal recoveries unit also brought in a revenue contribution from notary fees amounting to Rs. 8.69 million for legal services provided on contracts, mortgage bonds, opinions etc.

Financial Performance - Actual Vs. Budgeted

Indicator	2015/16 Actual	2015/16 Budgeted	2014/15 Actual	Change* (%)
Profit before tax (Rs. Mn)	6,143.09	6,090.15	5,375.11	14.29
Profit after tax (Rs. Mn)	4,347.35	4,324.00	3,752.96	15.84
Return on assets (%)	5.19	4.64	4.75	0.44
Return on equity (%)	19.80	20.46	18.61	1.19
As at 31st March	2016	2016 Budgeted	2015	
Net assets per share (Rs.)	14.41	14.12	13.38	7.70
Core capital ratio (%)	19.56	16.51	20.22	(0.66)
Total risk weighted capital ratio (%)	18.14	15.59	19.04	(0.90)

*% change between current year & previous year

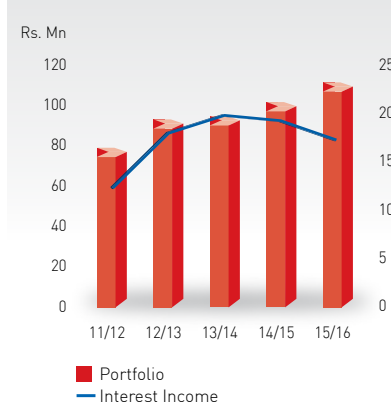
FC Table - 2

NET INTEREST INCOME

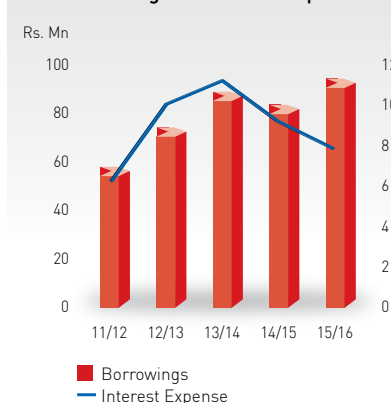
Given the challenges posed by a low interest rate regime, interest income reflected a marginal decline of 7.13 percent during the year ended 31st March 2016 against the interest income of 2014/15. By effectively sourcing funds from low cost modes, we were able to curtail our interest expenses by 14.13 percent over the last year. In consequence of such reductions in interest expenses, we managed to limit the reduction in net interest income to 0.65 percent.

With the marginal drop in net interest income, the net interest margin (NIM) contracted in 2015/16 to 8.92 percent from the 9.37 percent recorded in 2014/15.

Portfolio Vs Interest Income



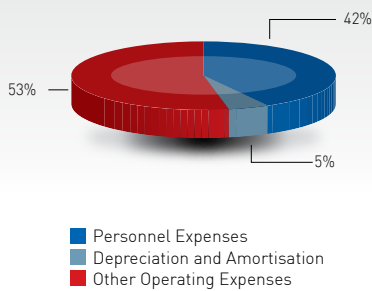
Borrowings Vs Interest Expense



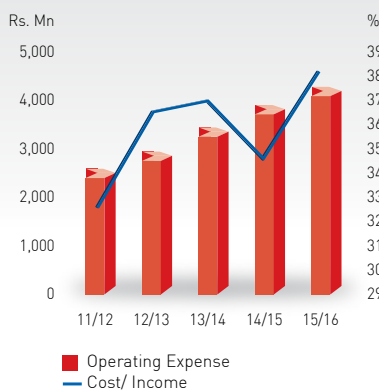
CAPITAL MANAGEMENT

FINANCIAL CAPITAL

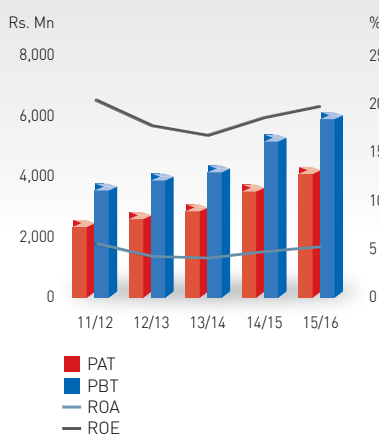
Composition of Operating Expenses



Movement of Operating Expense



Profitability



OTHER INCOME

Other income comprising fees and commission income, net trading and other operating income increased marginally to Rs. 1,310.14 million in 2015/16 compared to Rs. 1,294.01 million in the preceding year. The increase in fees and commission income and other operating income was offset by the decline in net trading income, given the reduction in market prices of the equity investments in a sluggish capital market context.

OPERATING EXPENSES

Operating expenses grew to Rs. 4,297.69 million in the year under review as against Rs. 3,911.47 million in the previous financial year; reflecting the expansionary trends within the business. The personnel and operating expenses collectively contributed over 95 percent of the operating expenses, which posted a growth of 15.45 percent and 7.70 percent respectively driven largely by the increase in head counts and office administration and establishment expenses.

However, we succeeded in curtailing the growth of operating expenses to 9.87 percent whilst expanding the network and remunerating the employees beyond the market standard. The cost to income ratio has increased to 38.22 percent from the previous year's 34.63 percent due to the decline in operating income.

PROFITABILITY

Amidst a challenging economic and regulatory environment, we recorded the sturdiest financial year in terms of profits in its history, posting a pre-tax and post-tax profit of Rs. 6,143.09 million and Rs. 4,347.35 million respectively. This represents an increase in profit before tax of 14.29 percent and profit after tax of 15.84 percent as against the previous year. The year's overall profitability was supported by the stringent management decisions and improved recovery efforts which lead to 84.29 percent decline in the impairment charges compared to the previous year.

Even on the consolidated basis we achieved the highest ever pre-tax and post-tax profits of Rs. 6,706.91 million and Rs. 4,741.55 million respectively.

TAXATION

The income tax expense for the year under review amounted to Rs. 1,795.73 million up by 10.70 percent compared to the previous year, resulting in an effective tax rate of 29.23 percent. The 15 percent increase in profits is reflected through the increase in the income tax of the Company.

Due to the changes mandated by the Budget 2015, leases became liable for value-added tax (VAT) on FS and exempted from normal VAT. Following the changes, VAT on FS increased to Rs. 546.04 million from Rs. 362.57 million indicating 50.60 percent increment over the previous year. The nation building tax (NBT) expenses for the year recorded at Rs. 116.77 million whereas disallowed input VAT for the year reached to Rs. 70.09 million as against Rs.72.26 million in 2014/2015.

As per the Interim Budget presented in the January 2015, 25 percent one-off super gain tax was levied on any company which records a profit exceeding Rs. 2,000 million for the financial year 2013/14. Duly meeting this statutory requirement, we paid Rs. 741.08 million as super gain tax during the year.

CAPITAL ADEQUACY

Whilst focusing on improving profitability, we ensure that we adhere to the regulations on the capital adequacy ratios prescribed by the Central Bank of Sri Lanka through the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006. Tier I core capital as at 31st March 2016 amounted to Rs. 22,222.89 million, leading to a core capital ratio of 19.56 percent (minimum ratio 5 percent). With a total capital base of Rs. 20,616.47 million, the total risk weighted capital ratio as at 31st March 2016 stood at 18.14 percent (minimum ratio 10 percent). (FC Table - 3)

Composition of Core Capital & Capital Base (Rs. Mn)

Ordinary shares	11,886.07
Statutory reserve fund	1,421.48
Published retained profits	7,673.88
General and other reserves	1,550.00
Goodwill (-)	(308.54)
Total Tier i Core Capital	22,222.89
Deductions	(1,606.42)
Tier ii - Total Capital Base	20,616.47

FC Table - 3

PLC GROUP

PLC's five subsidiaries came in to contribute positively, showcasing well-built synergies within the group; the Group declared Rs. 4,741.55 million as profit after tax being the highest recorded up to date, surpassing its budget by 3.38 percent despite of the challenges faced due to negative macroeconomic factors and regulatory settings. (FC Table - 4)

The Group's financial performance mirrored a noteworthy progress compared to the previous year by a growth of 15.60 percent. Net interest income saw a marginal increase of 0.49 percent with the support of microfinance, although the company witnessed a marginal drop.

Net earned premium generated by our flagship subsidiary, People's Insurance PLC, representing an 11.30 percent growth reached to Rs. 3,283.17 million. People's Leasing Fleet Management also saw an improvement in profitability to Rs. 26.43 million compared to Rs. 24.45 million in the previous year. Growth in profitability of the property development arm; People's Leasing Property Development Ltd also supported the Group profitability. People's Merchant Finance PLC, the newly added associate

to the PLC Group, witnessed a significant decline in the net loss to Rs. 86.87 million during the year under review from its previous year's loss of Rs. 337.40 million.

Group also witnessed a significant decline of 82.60 percent in impairment charges for loans and other losses which positively contributed to the record breaking bottom line growth.

Snapshot of Group Financial Results

Indicator	2015/16	2014/15	Change (%)
Profit after tax (Rs. Mn)	4,741.55	4,101.54	15.60
Net interest income (Rs. Mn)	10,295.12	10,244.82	0.49
Earnings per share (Rs.)	2.98	2.60	14.79
Return on equity (%)	20.60	19.61	0.99
Return on assets (%)	5.40	5.00	0.40
Dividends Paid (Gross) (Rs. Mn)			
PI	120.00	210.00	(42.86)
PLPDL	22.00	11.00	100.00
PML	5.00	8.00	(37.50)
PLFML	7.50	0.75	900.00

FC Table - 4

Distribution of Financial Value

Financial value generated through the effective use of financial capital is distributed or shared with the key stakeholders of the Company, after retaining the required portion for its future growth. Improved financial value positively contributes to the other key capitals of the Company and thereby, financial capital is linked with all the other capitals. Ensuing sections of the capital management section of this report and the contribution to economy section will present how financial value is shared and distributed amongst them.

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL > CUSTOMER

OVERVIEW

In a rapidly changing marketplace following demographic changes, consumer perceptions and attitudes, managing customer relationships is a critical aspect that underscores the success of a service organisation. This is more intense for an organisation such as PLC where our customer base is fast expanding, becoming more diverse and demanding. The intense competition in the industry further sets out the case for relationship based strategy with close and consistent engagement with customers. The section herein will report on the management approach, key actions and performance indicators in relation to product, service and delivery.

G4-21, 26, 27

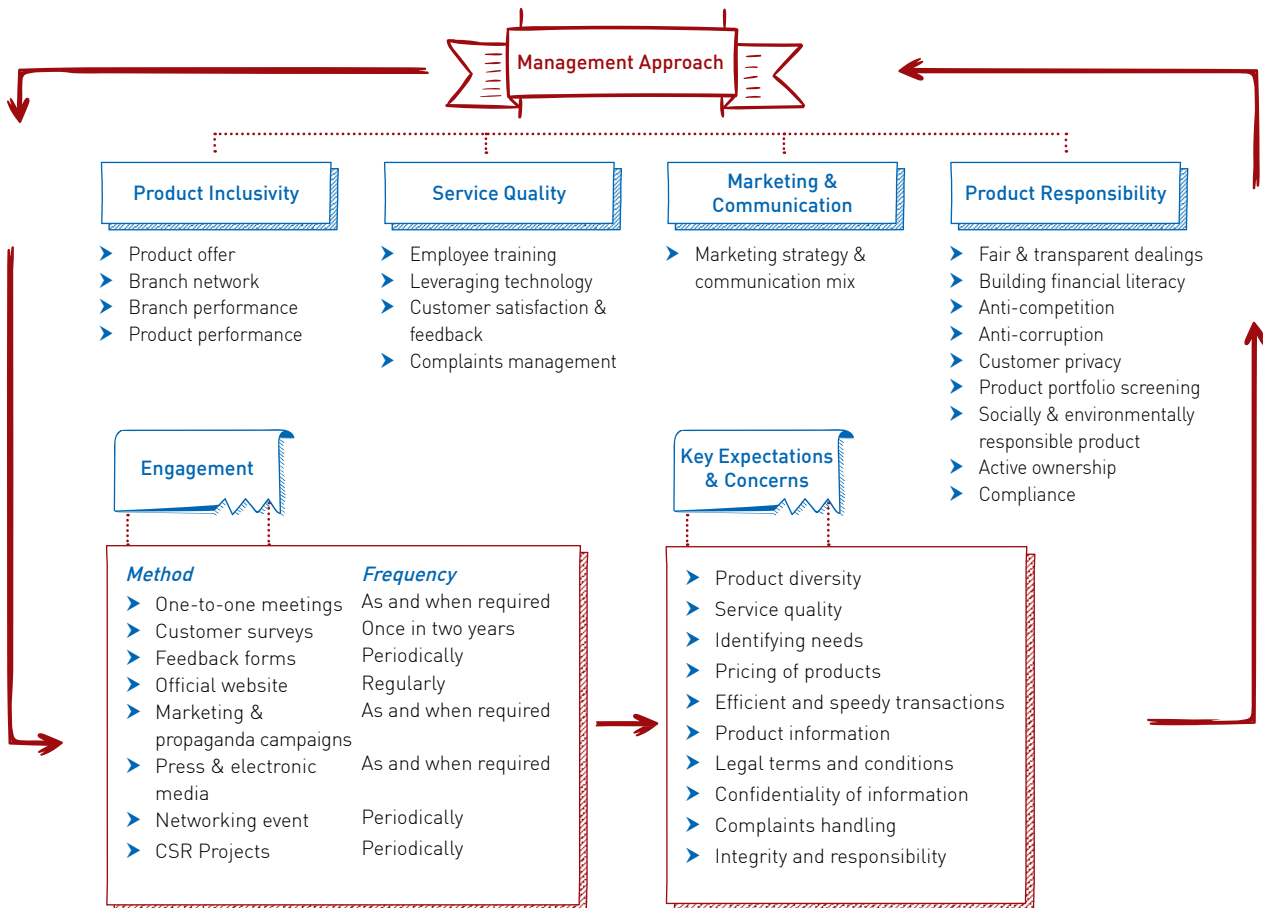
MANAGEMENT APPROACH

As a non-bank financial entity, we aim at creating and sustaining strong relationships with customers beyond mere financial transactions. The key precept is to be customer centric—proactive, flexible and responsive to diverse and varying customer needs and expectations. To this end, we follow a four-pronged approach underscoring product inclusivity, service quality, marketing and communication and product responsibility.

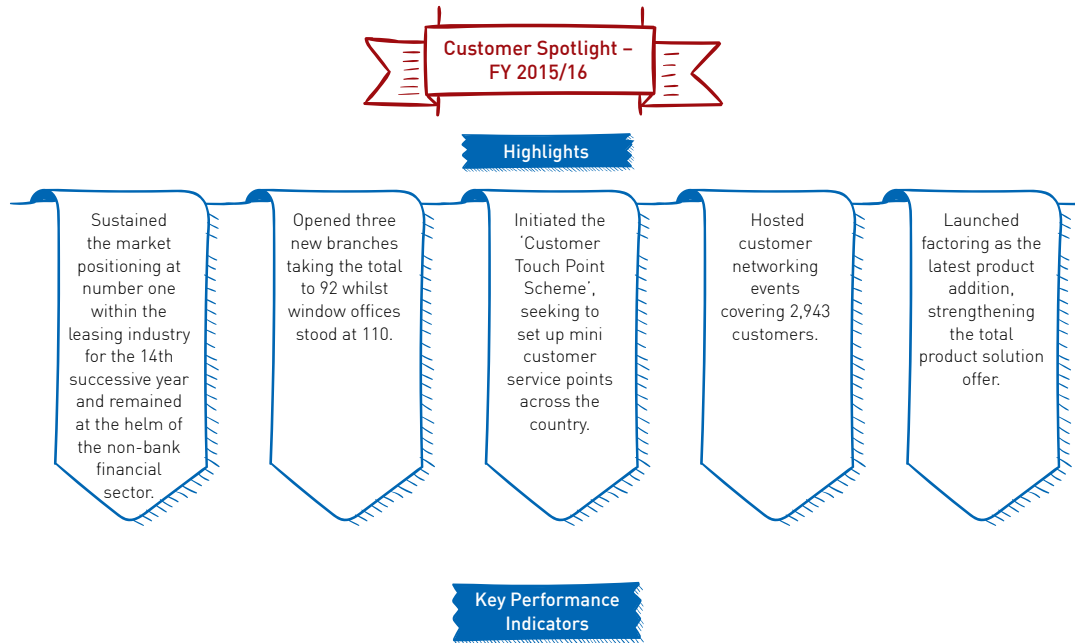


High

- > Product & service labeling
- > Marketing and communications
- > Customer privacy
- > Compliance (P & S)
- > Anti corruption
- > Anti competition



Our approach stands as our anchor to build the customer engagement process, enabling us to identify and understand their expectations and concerns, if any. This feedback in turn, supports us to revisit and refine our approach to customer management—so that we could deliver the best in service and ensure customer satisfaction.



For the F.Y	2015/16	2014/15	% Change
Product Inclusivity			
Gross portfolio - loans & leases (Rs. Mn)	129,060.62	118,828.95	8.61
Disbursements - loans & leases (Rs. Mn)	70,867.33	60,918.58	16.33
Portfolio - deposits (Rs. Mn)	33,836.43	34,093.76	(0.75)
Portfolio - margin trading (Rs. Mn)	3,574.74	3,357.06	6.48
New customers (Number)	66,300	58,824	12.71
Customer base (Number)	292,481	260,054	12.47
Service Quality			
Customer networking events (Number)	116	84	38.10
Investment in customer networking events (Rs. Mn)	15.43	10.22	50.98
Collections (Rs. Mn)	87,800.43	88,366.25	(0.64)
Non performing ratio (%)	1.55	2.72	(1.17)
Marketing & Communication			
Brand value (Rs. Mn)	9,317	4,918	89.45
Business promotion expenditure (Rs. Mn)	204.02	197.60	3.25
Product Responsibility			
Number of complaints received (Number)	40	25	60.00

RC Table - 1

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL > CUSTOMER

PRODUCT INCLUSIVITY

G4-4

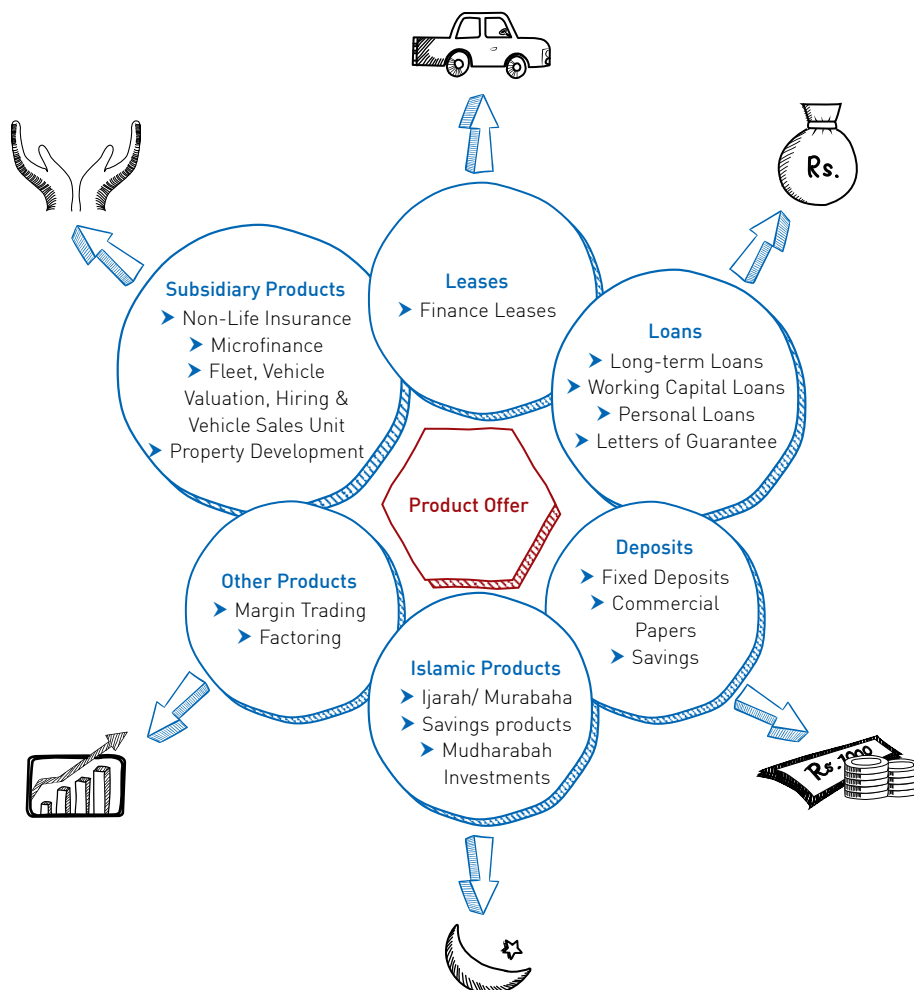
Product inclusivity is sought through our versatile product offer that could broadly match varied customer segments and their profiles. The aim is to be a 'one-stop' where we could facilitate customers' tailored needs at their convenience. To this end, our Company strategically invests in value addition and developing new products, pricing effectively to match risk-returns and giving easy access through its vast delivery channel across the country. Apart from this, we also rely on synergistic collaborations with the subsidiaries within the network, seeking to cross-sell and product-bundle for greater inclusivity. Due investments in technology also supports and facilitates a seamless operation across the Group.

Product Offer

As a financial services organisation, PLC has developed a comprehensive product range—leasing as its core product complemented by the non-core range including short and long term loans, fixed deposits and savings and Islamic financial products. The Company also offers margin trading facilities as a capital market service. Product portfolio of PLC is also included short term loan facility viz. Fast Track which does not have fixed instalments. The new product offer initiated in the year is factoring, seeking to address short term credit needs of our customers. The subsidiary specialities in non-life insurance microfinance, fleet services and vehicle valuations further add value and facilitate the total offer.

Our Product Policy

PLC is committed to a spirit of empowerment, inclusivity and a partnership approach while expanding our reach, constantly improving our service standards, innovating products, building customer confidence, trust and safeguarding customer rights.



Branch Network

Upholding an inclusive approach, the customer touch-points including branches and window operations are well spread in key strategic locations island-wide. The outreach is vast, with access to the city as well as to the periphery; enabling us to reach out to a spectrum of customer segments—from corporates, small and medium sector, micro entrepreneurs to retail sector and high-net-worth customers. As at the reporting year-end, the branches totalled up to 92 whilst window operations mainly based across the parent, People's Bank reached to 109 with one window office in People's Insurance Negombo Regional Office. Total branches include three new branches established in Pelmadulla, Medawachchiya and Kalawana.

Supporting the growing branch network to be more efficient and more customer oriented, PLC pursued its consolidation plans on a zonal basis. Decentralisation made headway in the year, with the revision of the delegation of authority to give greater autonomy to zonal heads who have been appointed to manage the branches on a four-zonal basis. Due systems and processes are in place to support this model.

In the reporting year, we also initiated a 'Customer Touch Point Scheme', envisaging to establish mini customer service points in potential locations including the vehicle sales centers, fuel filling stations, vehicle service stations, large scale hardware, shops, super markets and untapped People's Bank branches. The aim under this scheme is to establish 1,000 customer touch points.

Branch Performance			
	2015/16	2014/15	% Change
Interest income (Rs. Mn)	17,876.08	19,247.62	(7.13)
Non performing portfolio (Rs. Mn)	1,997.44	3,237.25	(38.30)
Collections (Rs. Mn)	87,800.43	88,366.25	(0.64)

RC Table - 2

Reaping benefits from greater decentralisation in operations, perceptive strategy and working in concert, the branch performance in the year under review posted sound results in growing the market share, and profits whilst effectively managing the quality of the portfolio. The performance dash-boards strengthened the monitoring process, giving heads-up to take necessary and mitigatory action on any issues and bottlenecks. This supported us to keep our overall top-line results in-tact without deviating too far from the targets set for the year.

Our branches across the board were focused in their efforts to uphold the portfolio credit quality. The Branch Risk Credit Committees in consultation with the Integrated Risk Management Committee at the group level further supported operations in this regard, particularly significant amidst the drive to gain share and top-line growth. This reflected well on our non-performing portfolio, recording a noteworthy decline as compared to the previous year and thereby, reversing the impairment charges. This in turn bolstered our profitability.

Best Branch Competition

Giving further impetus for the branches to reach out to their potential performance, the 'Best Branch' competition continued to take centre-stage in the Company's annual calendar. The awards were adjudged under three branch categories - A, B and C; based primarily on the size of the portfolio, quality and staff strength. This year, the award ceremony celebrated the feats of 31 top-performing branches along with their teams and recognised 76 individual employees for their contribution to the collective effort. The best performing employees were once again rewarded with exciting gifts and three-day all-inclusive overseas holiday packages.

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL > CUSTOMER

PRODUCT PERFORMANCE

Lease, Hire Purchase & Loan Performance Snapshot - 2015/16

Strategic Priorities

- > Offer value addition to the core products, particularly using the latest digital solutions to bring flexibility and speed.
- > Product diversification through new product development.

Key Actions

- > Focused marketing initiatives carried out to promote the recently re-launched short-term loan product, 'Fast Track' targeting both businesses and individuals.

Portfolio	<p>Gross Portfolio Growth</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Growth (%)</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>~5.00</td> </tr> <tr> <td>15/16</td> <td>8.61</td> </tr> </tbody> </table>	Year	Growth (%)	14/15	~5.00	15/16	8.61	<ul style="list-style-type: none"> > The gross portfolio inclusive of Islamic finance products stood at Rs 129.06 billion as at 31st March 2016, with a growth of 8.61 percent vis-à-vis 2014/15. > Out of the portfolio, leasing products - finance leases accounted for a share of 61.09 percent. > Loan portfolio also saw an impressive growth of 56.69 percent compared to previous year.
Year	Growth (%)							
14/15	~5.00							
15/16	8.61							

Disbursements	<ul style="list-style-type: none"> > Disbursements surpassed the Rs. 70 billion mark however slightly short of the target > Disbursements grew by 16.33 percent to Rs. 70.87 billion vis-à-vis 2014/15. > For the first time in the history of the Company and NBFIs sector monthly disbursements topped Rs. 8 billion in March 2016. > Highest disbursements were recorded by Matara branch followed by the Kandy branch. 	<p>Target Vs Achievement</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Target (Rs.Mn)</th> <th>Achievement (Rs.Mn)</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>~70,000</td> <td>~60,000</td> </tr> <tr> <td>15/16</td> <td>~75,000</td> <td>70.87</td> </tr> </tbody> </table>	Year	Target (Rs.Mn)	Achievement (Rs.Mn)	14/15	~70,000	~60,000	15/16	~75,000	70.87
Year	Target (Rs.Mn)	Achievement (Rs.Mn)									
14/15	~70,000	~60,000									
15/16	~75,000	70.87									

Sectoral Mix	<p>Sector Wise</p> <table border="1"> <thead> <tr> <th>Sector</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Services</td> <td>47%</td> </tr> <tr> <td>Agriculture</td> <td>31%</td> </tr> <tr> <td>Transport</td> <td>10%</td> </tr> <tr> <td>Industry</td> <td>8%</td> </tr> <tr> <td>Trading</td> <td>2%</td> </tr> <tr> <td>Others</td> <td>1%</td> </tr> </tbody> </table>	Sector	Percentage	Services	47%	Agriculture	31%	Transport	10%	Industry	8%	Trading	2%	Others	1%	<ul style="list-style-type: none"> > Other sector including loans accounted to 46.87 percent whereas service sector continued to take up a share of 31.11 percent utilising the potential in the growing sector. > Disbursements to trading and transport sectors accounted to Rs. 6,707.67 million and Rs. 5,846.89 million respectively.
Sector	Percentage															
Services	47%															
Agriculture	31%															
Transport	10%															
Industry	8%															
Trading	2%															
Others	1%															

Lease, Hire Purchase & Loan Performance Snapshot - 2015/16	
Product Mix	<p>Product Wise</p> <ul style="list-style-type: none"> Lease/ Ijarah Murabaha Loans <ul style="list-style-type: none"> ➤ Leasing disbursements remained dominant, accounting for 57.70 percent of the total and posted 20.64 percent increase to reach Rs. 40,893.38 million. ➤ Term loans disbursement posted 72.21 percent growth to Rs. 28,064.88 million with a share of 39.60 percent. ➤ There were no disbursements under hire purchase, however three percent of disbursements related to Murabaha.
Provincial Mix	<p>Province Wise</p> <ul style="list-style-type: none"> Central Eastern North Central North Western Northern Sabaragamuwa Southern Uva Western <ul style="list-style-type: none"> ➤ Western province took up the largest share of disbursements and grew by 12.78 percent to Rs. 32,372.58 million. ➤ Southern, Central and Uva provinces also continued to be dominant with a 13.79 percent, 10.26 percent and 6.43 percent share of the total disbursements respectively.
Asset Quality	<p>NP Ratio</p> <ul style="list-style-type: none"> ➤ The collections totalled to Rs. 87,800.43 million for the 2015/16, representing a ratio of 95.36 percent. ➤ Due to the focused efforts in recovery function of the Company non-performing ratio improved to 1.55 percent in 2015/16 from 2.72 percent in the preceding year. ➤ Notably, this was below the targeted ratio of 3.48 percent and well below the industry average ratio of 5.7 percent.
Interest Income	<p>Interest Income</p> <ul style="list-style-type: none"> ➤ Total interest income earned amounted to Rs. 17,876.08 million in 2015/16, as against Rs. 19,247.62 million in 2014/15. ➤ Out of the total interest income in 2015/16, finance leases & hire purchases accounted for the largest share of 62.46 percent to record Rs. 11,165.78 million. ➤ Interest income from loans & other advances registered a growth of 22.33 percent to reach Rs. 3,698.89 million over the preceding year.

RC Table - 3

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► CUSTOMER

Islamic Finance Performance Snapshot - 2015/16

Strategic Priorities

- Expand operations by setting up dedicated branches in strategic areas and build awareness on Islamic finance.
- Develop a specialised team with proficiency in extending Islamic finance services.
- Ensure compliance to Shari'ah framework and with the regulations applicable to finance companies.

Key Actions

- Consolidated operations within the seven dedicated branches including the relocation of Puttalam and Kandy.
- Built team's capacity with intense in-house training and extended specialised training for managers with certification from First Global Academy.
- Recruited 21 qualified professionals to the Islamic finance team.
- Operations were duly audited and compliance certification in place under Shari'ah guidelines.

Portfolio and Disbursements	<p>Portfolio Vs Disbursements</p> <p>Rs. Mn</p> <p>8,000 7,000 6,000 5,000 4,000 3,000 2,000 1,000 0</p> <p>14/15 15/16</p> <p>■ Portfolio ■ Disbursements</p>	<ul style="list-style-type: none"> ► The lending portfolio stood at Rs. 7,664.59 million as at 31st March 2016. ► Portfolio grew by 31.30 percent over the previous year-end, whereas disbursements grew by 35.62 percent to Rs. 5,175.33 million over 2014/15. ► Best performing branch was Union Place taking up 34.90 percent share of disbursements followed by Kandy Al-safa. ► With a recovery ratio of 97 percent, non-performing ratio declined to 0.97 percent compared to 1.63 percent in the previous year.
Lending Product Mix	<ul style="list-style-type: none"> ► Ijarah continued to lead the lending portfolio with the highest share, 47.18 percent of the total disbursements. ► Ijarah posted a growth of 114.12 percent vis-à-vis 2014/15. ► Murabaha instruments accounted for 36.89 percent of the total. 	<p>Product Wise Disbursements</p> <p>16% 47% 37%</p> <p>■ Ijarah ■ Murabaha ■ Trading Murabaha</p>
Deposits	<p>Deposit Mix</p> <p>90% 10%</p> <p>■ Mudharabah FDs ■ Mudharabah Savings</p>	<ul style="list-style-type: none"> ► Deposits marginally increased to Rs. 1,966.20 million. ► The Mudharabah fixed deposit base remained dominant taking up 89.73 percent share of the total funds generated.
Income & Profitability	<ul style="list-style-type: none"> ► Income from Islamic finance increased to Rs. 838.62 million in 2015/16 compared to Rs. 769.62 million in 2014/15. ► Ijarah posting a significant growth of 23.31 percent reach Rs. 342.07 million. ► BBA the highest contributor to income amounted to Rs. 395.55 million in 2015/16. ► The asset base increased by 26.11 percent and maintained a healthy financial position as at 31st March 2016. 	<p>Income from Islamic Finance</p> <p>Rs. Mn</p> <p>900 800 700 600 500 400 300 200 100 0</p> <p>14/15 15/16</p> <p>■ Profit Margin - Ijarah ■ Profit Margin - BBA ■ Profit Margin - Murabaha</p>

RC Table - 4

Deposits Performance Snapshot - 2015/16

Strategic Priorities

- Inculcate the habit of savings amongst the public particularly targeting the rural masses.
- Aggressively promote savings products especially within the periphery and target minor savings to grow the low cost and long term funding base.
- Drive to gain a greater share in fixed deposits, subject to the monetary policy, liquidity levels and the sensitivity towards the maturity mismatches between assets and liabilities.

Key Actions

- Carried out four awareness building and savings product promotions targeting 2,500 customers in 24 districts.
- The total investment on palmtops to facilitate mobile savings operations was Rs. 3.71 million.

Portfolio Vs Depositors	<p style="text-align: center;">Deposit Portfolio Vs Depositors</p> <table border="1"> <caption>Deposit Portfolio Vs Depositors Data</caption> <thead> <tr> <th>Year</th> <th>Total Depositors (Number)</th> <th>Deposit Portfolio (Rs. Mn)</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>~140,000</td> <td>~35,000</td> </tr> <tr> <td>15/16</td> <td>~150,000</td> <td>~38,000</td> </tr> </tbody> </table>	Year	Total Depositors (Number)	Deposit Portfolio (Rs. Mn)	14/15	~140,000	~35,000	15/16	~150,000	~38,000	<ul style="list-style-type: none"> ➤ 20,699 new deposit relationships were established out of which 18,942 are saving deposit holders. ➤ Total deposit base reflects a slight decline of 0.75 percent compared to previous year. The Company did not promote deposits as a funding source due to the availability to of other low cost funding sources. 			
Year	Total Depositors (Number)	Deposit Portfolio (Rs. Mn)												
14/15	~140,000	~35,000												
15/16	~150,000	~38,000												
Deposit Mix	<ul style="list-style-type: none"> ➤ Funds mobilised by savings which represent over 14 percent of the portfolio reached to Rs. 4,425.74 million. ➤ Funds mobilised by fixed deposits represented a 85.53 percent of deposit portfolio with a value of Rs. 29,410.69 million. 	<p style="text-align: center;">Deposit Mix</p> <table border="1"> <caption>Deposit Mix Data</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>FD</td> <td>86%</td> </tr> <tr> <td>Savings</td> <td>14%</td> </tr> </tbody> </table>	Category	Percentage	FD	86%	Savings	14%						
Category	Percentage													
FD	86%													
Savings	14%													
Savings	<p style="text-align: center;">Savings Portfolio Mix</p> <table border="1"> <caption>Savings Portfolio Mix Data</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Senior</td> <td>51%</td> </tr> <tr> <td>Super Savings</td> <td>41%</td> </tr> <tr> <td>Islamic</td> <td>5%</td> </tr> <tr> <td>Senehas</td> <td>2%</td> </tr> <tr> <td>Micro</td> <td>1%</td> </tr> </tbody> </table>	Category	Percentage	Senior	51%	Super Savings	41%	Islamic	5%	Senehas	2%	Micro	1%	<ul style="list-style-type: none"> ➤ During the year, contribution of Senior Citizens to the total savings portfolio increased to 51.25 percent due to the high interest rates offered to senior citizens as per the new regulation of the country. ➤ 'Super Savings' targeting age above 18 years customers accounted for 41.65 percent share of the savings portfolio. ➤ Funds mobilised through mobile savings posted an increase of 14.05 percent over 2014/15 to Rs. 1,019.03 million, offering easy accessibility to the customers.
Category	Percentage													
Senior	51%													
Super Savings	41%													
Islamic	5%													
Senehas	2%													
Micro	1%													
Fixed Deposits	<ul style="list-style-type: none"> ➤ One to two years fixed deposits contributed to almost 85 percent of the fixed deposit portfolio mainly due to the customer preference towards short term deposits. ➤ Above two years fixed deposits accounted for 15 percent share of the fixed deposit portfolio. 	<p style="text-align: center;">Fixed Deposits</p> <table border="1"> <caption>Fixed Deposits Data</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1-2 Years</td> <td>85%</td> </tr> <tr> <td>Above 2 years</td> <td>15%</td> </tr> </tbody> </table>	Category	Percentage	1-2 Years	85%	Above 2 years	15%						
Category	Percentage													
1-2 Years	85%													
Above 2 years	15%													

RC Table - 5

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► CUSTOMER

Margin Trading Performance Snapshot - 2015/16

Strategic Priorities

- Reinforce margin trading operations to avail the capital market opportunities.
- Target the wide customer base of PLC across the distribution channel with awareness building campaigns and strategic marketing.
- Recruit the necessary expertise to build a professional team.
- Train staff on margin trading operations including system and processes.

Key Actions

- Strengthened the team with due training on margin trading operations and on the capital market.
- Encouraged staff to take up capital market professional courses under the reimbursement scheme.
- Completed an internal audit in compliance with the guidelines issued on margin trading by the Securities and Exchange Commission of Sri Lanka.

Portfolio and Customer Base	<p>Portfolio Vs Customer Base</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Portfolio Value (Mn)</th> <th>Customer Base</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>~2,500</td> <td>~70</td> </tr> <tr> <td>15/16</td> <td>~3,574.74</td> <td>~109</td> </tr> </tbody> </table>	Year	Portfolio Value (Mn)	Customer Base	14/15	~2,500	~70	15/16	~3,574.74	~109	<ul style="list-style-type: none"> ► The customer base increased by 60.29 percent to reach 109 as at the year-end, becoming the largest within margin trading segment. ► The portfolio value as at the year-end reached to Rs. 3,574.74 million, posting an increase of 6.48 percent as against 2014/15.
Year	Portfolio Value (Mn)	Customer Base									
14/15	~2,500	~70									
15/16	~3,574.74	~109									
Disbursements	<ul style="list-style-type: none"> ► Disbursements reached Rs. 1,596.46 million, corresponded to 14.73 percent increase vis-à-vis 2014/15. ► The number of facilities processed did not meet the expectations and disbursements were below target given the slump in the capital market activity. 	<p>Disbursements</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Disbursements (Rs. Mn)</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>~1,400</td> </tr> <tr> <td>15/16</td> <td>1,596.46</td> </tr> </tbody> </table>	Year	Disbursements (Rs. Mn)	14/15	~1,400	15/16	1,596.46			
Year	Disbursements (Rs. Mn)										
14/15	~1,400										
15/16	1,596.46										
Customer Mix	<p>Customer Mix</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>7%</td> </tr> <tr> <td>High Net Worth & Institutional</td> <td>93%</td> </tr> </tbody> </table>	Category	Percentage	Retail	7%	High Net Worth & Institutional	93%	<ul style="list-style-type: none"> ► High-net-worth and institutional clients accounted for the largest share of disbursements. ► However, small to mid-range investors within the retail sector are high in numbers compared to high-net-worth and institutional clients. 			
Category	Percentage										
Retail	7%										
High Net Worth & Institutional	93%										
Interest Income	<ul style="list-style-type: none"> ► Interest income earned from margin trading activities increased by 37.43 percent over 2014/15 and represent approximately one percent of the overall income of PLC. 	<p>Interest Income</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Interest Income (Rs. Mn)</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>~120</td> </tr> <tr> <td>15/16</td> <td>~170</td> </tr> </tbody> </table>	Year	Interest Income (Rs. Mn)	14/15	~120	15/16	~170			
Year	Interest Income (Rs. Mn)										
14/15	~120										
15/16	~170										

RC Table - 6

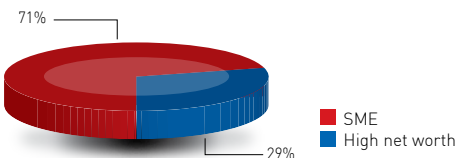
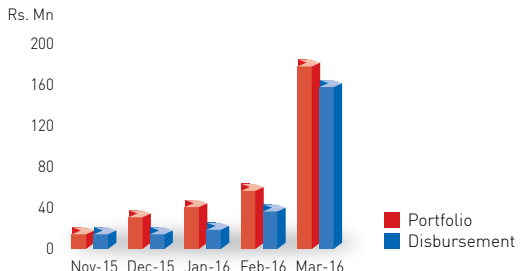
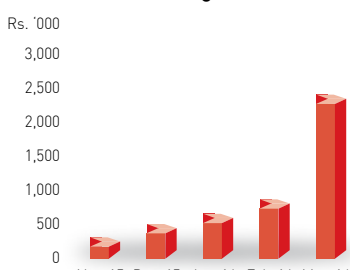
Factoring Performance Snapshot - 2015/16

Strategic Priorities

- Promote factoring, a variable rate asset to bring in diversification and to match the short term financing requirements.
- Invest strategically to strengthen the know-how and build capacity through training and tactical recruitments.
- Focus on risk management with effective dialogue and consultations with the risk department and Integrated Risk Management Committee.

Key Actions

- Factoring was launched as a new product on 12th November, 2015.
- New department was established dedicated to carryout factoring services.
- Initiated a new system and processes to accommodate and streamline the factoring operations.
- Recruited specialised personnel to strengthen the team.
- Specialised training given to the departmental staff on product and risk assessment.

Customer Base	<p style="text-align: center;">Customer Composition</p>  <p style="text-align: center;">71% 29%</p> <p style="text-align: center;">■ SME ■ High net worth</p>	<ul style="list-style-type: none"> ➤ The customer base stood at 14 as at the year-end including small and medium enterprises and corporates. ➤ New product was more attractive to small and medium enterprises as a short term financing means.
Portfolio and Disbursements	<ul style="list-style-type: none"> ➤ The portfolio value for the five months ended 31st March 2016 stood at Rs. 177.48 million. ➤ Disbursements for the five months in operation touched Rs. 261.70 million, covering facilities of invoice discounting, cheques discounting, invoice factoring, bill discounting, and instrument discounting. 	<p style="text-align: center;">Portfolio Vs Disbursements</p>  <p style="text-align: center;">Rs. Mn</p> <p style="text-align: center;">■ Portfolio ■ Disbursement</p>
Interest Income	<p style="text-align: center;">Factoring Income</p>  <p style="text-align: center;">Rs. '000</p>	<ul style="list-style-type: none"> ➤ Total income earned from factoring for the five months ended 31st March 2016 reached to Rs. 4.77 million. ➤ This total income mainly comprises of discounting charges. In addition it comprises of administration charges, legal fees and other charges.

RC Table - 7

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► CUSTOMER

SERVICE QUALITY

Positioning the organisation at the helm in an overcrowded industry, we are consistent and focused in our efforts to ensure quality service and thereby, build long standing relationships with our customers. Our strategy seeks to address this from a multi-dimensional perspective: harnessing employee 'empathy' in their approach to customers through focused training and empowerment; extending an enabling platform for transactions with latest systems, processes and value-added IT solutions; engaging and responding to customers on their feedback to better the service quality; and positively address and manage complaints to regain goodwill and retain their relationships.

Employee Training

Refer: Human Capital, Pages:82-94

Our employees hold the key to good customer service. They have the power of nurturing relationships and defining the strength of our customer base. Due investments are therefore made to ensure that our employees across the board are well attuned to our customer-centric strategy. They are intensely trained and empowered to extend the best in service for a positive customer experience. In the year under review, 1,381 of our employees including the new recruits were given 39,802 hours of formal training including customer service training.

Leveraging on Technology

Refer: Intellectual Capital, Pages 116-121

Responding to the rapidly changing customer perceptions and business and lifestyle trends, we have given strategic precedence to bring in the most appropriate technology to meet diverse customer requirements with speed and flexibility. We invest well on our systems and processes and add value to our products and services using the latest mobile apps, e-transactions and online interactions through our official website and our 24x7 call centre.

Customer Satisfaction & Feedback

G4-PR5

In line with our customer-focused approach, we give top priority to engage and closely monitor customer feedback and their satisfaction levels. We seek to ascertain both the formal feedback from structured surveys carried out periodically and informal feedback from day-to-day customer interactions. The findings from such engagements are taken up for deliberations at the monthly staff meetings, management meetings and if the necessity arises, at the Board level.

In the reporting year, we did not commission a formal customer satisfaction survey. However, the findings ascertained from the surveys carried out in the preceding two years which together with the findings from three-phased 'Stakeholder Engagement Process'—carried out and completed in the year by M/s Sting Consultants—supported the management in their decision making process. The findings were of particular significance in our efforts to formulate the three-year Strategic Plan 2015-2018.

Complementing, the branches continued to organise customer networking events which gave an ideal forum for officers and the management to appreciate and reward loyal customers whilst fortifying relationship ties and obtaining critical feedback on the product, quality and standards. In the reporting year, 55 branches organised such events with the participation of a total of 2,943 customers.

Complaints Management

We have a structured customer complaint management process which comes under the purview of our Deputy General Manager - Operations. The complaints can be lodged through formal correspondence or at one-to-one meetings with the staff and management. The dedicated 24-hour hot line call service along with well-trained customer service representatives complements this process.

Once a complaint is lodged, relevant officers, managers and even the Chief Executive Officer are engaged for mediation and corrective action to restore the goodwill and customer loyalty. If the internal mechanism is unsuccessful at grievance redressal, the complaint is formally forwarded to the Financial Ombudsman or to our regulator, the Central Bank of Sri Lanka for their mediation.

In the reporting year, a total of 40 customer complaints were reported through Financial Ombudsman and CBSL for which the Company has duly responded .

Customer Complaints – 2015/16	
Channel	Complaints Handled (Number)
Financial Ombudsman	24
Central Bank of Sri Lanka	16

RC Table - 8

MARKETING & COMMUNICATION

G4-PR6, PR7

In a competitive landscape, marketing and communication take up an essential role in building and sustaining a strong customer base, in turn, determining the market positioning. This sets the rationale to formulate a well-thought out marketing strategy, carefully plan and invest tactically to launch and carry out effective branding and product promotional campaigns and initiatives.

The approach to marketing and communication is pragmatic, cost-effective and relationship based. The strategic focus is on the most appropriate marketing tools that will enable to optimise on brand presence and the 'top-of-the-mind' recall. We look at and follow through with 'best-fit' marketing campaigns and initiatives which have a wider outreach and greater power of influence on both the existing and prospective customers. This strategy is underlined by best

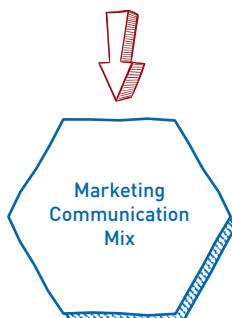
practices, emulating responsibility, integrity and impartiality—representing true and unambiguous information in all our communication materials and campaigns.

Our operations at the head office take on the responsibility of conceptualising and implementing promotional and branding campaigns. This is generally carried out in collaboration with the operations at the branch level. The Internal Audit and the Compliance office ensure that the marketing and communication initiatives meet product-specific disclosures and compliance to contractual obligations, legal and regulatory requirements. All marketing campaigns are endorsed by the Board of Directors which are subsequently forwarded to the Central Bank of Sri Lanka for concurrence prior to implementation.

As at the reporting year, our Company did not engage in unwarranted business or promote banned or disputed products. Incidents of non-compliance with regulations with regard to marketing and communication were not reported.

Marketing Strategy & Communication Mix

- Positive Word-of-Mouth
- Public Relations
- Print & Electronic Media Advertising
- Events, Trade Fairs & Exhibitions
- Billboard
- E-Marketing
- Direct Marketing
- Roadshows
- Street Promotions
- Sponsorships



Our marketing strategy is formulated with an in-depth understanding of our customer segments and the industry dynamics including the level of competition, propensity for new entrants and industry performance trends. This leads to determining the marketing communication mix along with due budgets for delivery. Our strategy is more skewed towards the use of below-the-line measures mainly in the form of direct marketing, road shows, street promotions and events. The reliance on above-the-line measures are limited to advertisements and press releases on print media, sponsorships on electronic media and billboards. Apart from these structured initiatives, we also heavily rely on creating a 'positive-word-of-mouth' which is widely accepted to be the most cost effective and efficient form of brand communication. This in effect stands as our foremost marketing communication strategy.

Marketing Initiatives - 2015/16

Print Media - Advertisements & Advertorials

- Advertising on leading business magazines, targeting professionals, high-net-worth individuals and corporates - 'LMD' and 'Business Today'.
- Advertising on lifestyle magazines targeting mid to high-net-worth and international customer segments - 'Serendib' and 'Living'.
- Press releases on national newspapers with a wide readership.

Electronic Media - Sponsorships

- 'Jana Jaya Mawatha' - Sri Lanka Broadcasting Corporation carried out with representatives from PLC.
- 'World News' - Sri Lanka Broadcasting Corporation.
- 'Rupees & Cents' - Independent Television Network.
- 'Suratha' - Independent Television Network.

Showcasing the Logo and Product

- Placed light board signage with logo and products in branches.

Product Promotions

- Re-launched campaign for "Fast Track" for short-term financial solutions, with below-the-line promotional material - leaflets, banners, pennants and short video documentaries.

Events & Exhibitions

- Official leasing partner at the 'Build Sri Lanka (Construction and Regenerating Expo 2015) - organised by the Chamber of Construction Industry Sri Lanka, BMICH, 29-31 May 2015.
- Official sponsor and special promotions held at the 36th National Conference of Chartered Accountants, BMICH, 4-6 November 2015.

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► CUSTOMER

PRODUCT RESPONSIBILITY

Our product delivery is responsible and ethical. We are conscious, consistent and focused in our efforts to adopt and follow through best practices in business, which stand critical in our approach towards ensuring customer centricity. Our strategy, therefore, gives high priority to the engagement process with proactive and well-planned measures to prevent and protect customers from unfair trading practices and exposure to inappropriate products and transactions—supporting us to maintain customer confidence and trust.

Fair and Transparent Dealings

G4-PR3, PR4

As a responsible finance company, we stand committed in our efforts to be transparent and accountable in our product offer. We consider it our responsibility to ensure that our customers are aware, understand and make informed decisions on product choices that 'best-fit' their needs and the risk-return profiles.

To this end, our 'hands-on' relationships enable us to engage customers and support them with right information, due guidance and direction in their decision making process. All facilities are granted after a detailed evaluation of the appropriateness of the facility granted in terms of customers' needs, their financial capacity and the risks entailed in the transaction and the products. Even after granting, we support them to manage their debt and their obligations, ensuring that our customers will not fall in to over-indebtedness and a state of distress. The recoveries are also approached from a humane perspective. Due considerations are given for genuine defaults—interest waivers and even re-schedule the capital component of facilities.

Our staff from the officer level to the manager is well informed and trained, with necessary expertise to support customers from an advisory perspective. They are guided by the Code of Conduct to ensure that they take this responsibility with utmost respect and seriousness.

We have in place comprehensive communication material in the form of leaflets and brochures which together with our other marketing initiatives on the print and electronic media facilitate dissemination of product information effectively and responsibly. The information therein is clear, concise and objective. All advertisements relating to the rates on public funds are validated by our regulator, the Central Bank of Sri Lanka. The legal contracts and other binding documentation clearly indicate the facility terms, risks, covenants and other legal implications if and when a facility is signed-off and made effective. In the reporting year, all facilities granted were formalised legally and we briefed our customers on the documentation content and the binding nature of the clauses therein.

Reinforcing our inclusive approach, product information is published in all three languages. This facilitates the communication process with diverse customers across the island. Multi-lingual skills of some of our employees and also community based recruitments have enabled us to be interactive and responsive to the needs of our customers.

In the year under review, the Company did not record any incidents of non-compliance with regulations and applicable codes with respect to product and service information and labelling.

Building Financial Literacy

As a leading financial institution, we are committed to advocate financial literacy amongst the general public, especially targeting the disadvantaged communities with less access to education and financial knowledge. During the reporting year, our Company organised several awareness building programmes covering five districts and reaching out to around 558 people. We also extended sponsorship for financial literacy building programmes on the radio and television as mentioned under 'Marketing Initiatives' including the 'Jana Jaya Mawatha' broadcast weekly on Sri Lanka Broadcasting Corporation and 'Rupees and Cents' televised on the Independent Television Network.

Anti-Competition

G4-S07

Our ethical standpoint clearly shuns any form of anti-competitive behaviour. We do not advocate compromising practices for mere short-term gains; and in effect, supporting the regulator's efforts to establish a 'level-playing-field' in the industry. Our pricing is objectively set in line with the country's monetary policy and the market trends. We do not drive pricing as our point of differentiation in promoting products and gain unfair advantage in the industry. Instead, we rely and leverage on our reputation, branding, product and service strength to support our marketing and promotional initiatives.

In the reporting year, the Company was not charged for and not subject to legal action regarding anti-competitive behaviour.

Anti-Corruption

G4-S04

Refer: *Compliance Management*, Pages:212-213

Underscored by our Business Code of Ethics, we have a well-established mechanism to protect customers from unethical business practices. Our operating procedures are in place along with sound internal controls to prevent corrupt, unlawful and improper activities and transactions. There is a formal mechanism to investigate, redress and take due disciplinary action for any complaints or allegations related to corruption. Internal auditors, Integrated Risk Management Committee and the Compliance officer are responsible to engage all operational and back-office departments across the organisation to ensure that best practices prevail.

The staff is guided by the Code of Conduct which is a blue-print for all their day-to-day activities and dealings with customers as well as other stakeholders. The Code is well internalised with periodic training, employee meetings, staff circulars, emails and the intranet. The induction programme for new recruits entails a

session on the Code of Conduct. The formal whistle-blower mechanism which is in place further supports this process. This mechanism has established the guidelines and procedure to report on any alleged improper/illegal activities and unethical practices; with confidentiality and protection for whistleblowers from harassment or victimisation.

The Board also monitors this process with periodic progress reports and mediates in decision making, as the case may require. Our regulators, the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka also review and monitor good governance and sound operational practices on a periodic basis.

G4-S05

In the reporting year, no risks and incidents related to corrupt practices were reported from head office and branch network.

Customer Privacy

G4-PR8

Recognising our custodian role, we are conscientious in our efforts to ensure customer privacy, subject to the applicable laws, rules and regulations. We have a well-structured mechanism with physical, electronic and procedural safeguards to ensure that customer data and information are protected, upholding confidentiality.

We do not share customer information with external parties, except with our affiliated companies within the group, intending to offer a total product solution; this too is done with prior notification and due permission from customers. In turn, our sister institutions are bound legally to maintain confidentiality. Our Code of Business Conduct and Ethics clearly sets out our commitment to ensure customer confidentiality. However, as a listed finance company, we are subject to the directives from the relevant statutory and regulatory bodies including the Central Bank of Sri Lanka, Securities

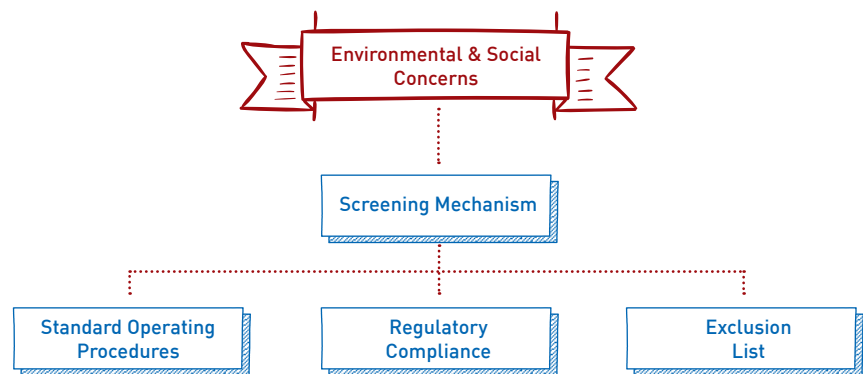
and Exchange Commission of Sri Lanka, Colombo Stock Exchange, Inland Revenue Department and the Credit Information Bureau.

We also have in place a 'Business Continuity Plan' along with a 'Disaster Recovery System' to secure data and information. The 'Document Management System' supports disaster recovery with back-up and off-site storage facilities whilst preventing modification of data through precautionary measures including authority limits and audit trails. The system is duly audited for vulnerability by independent auditors. Currently, we have the certification from Det Norske Veritas (DNV) for information security management including customer privacy and data protection.

In the year under review, the Company did not report any complaints on breaches of customer privacy or loss of customer data and information.

Product Portfolio Screening

G4-14



Environment Criteria

- Greenhouse gas emissions
- Irresponsible disposal of waste & effluents
- Destruction of biodiversity

Social Criteria

- Money laundering
- Terrorism related activities
- Illicit activities
- Child & forced labour

As a principled organisation, we fully recognise our responsibility to extend a sustainable product offer, complying with applicable rules and regulations and in line with our Standard Operating Procedure, underlined by our policies, practices and procedures.

We have adopted a comprehensive precautionary mechanism to address environmental and social impacts in both structuring products and delivery. We follow through a systematic screening process where we identify and factor in key environment and social issues in our engagement with customers. Clear guidelines are set out to be taken in to consideration in carrying out technical evaluations of credit facilities and monitoring until the settlement; carrying out due diligence assessments, if and when required.

The exclusion list is made available to all staff to avoid relationships and transactions with customers who are involved in illicit, unethical, and environmentally damaging activities and businesses. Our staff is well trained to be attentive and monitor customer profiles closely, whilst the contracts we enter with our customers have clauses to address such risks. Our commitment to follow-up on 'Know your Customer' policy and report on any transactions related to money laundering and terrorism financing under the relevant laws further sets our case in this regard. In

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► CUSTOMER

the reporting year, new recruits for marketing were given training on the screening process of customers as part of their technical evaluation training.

Socially and Environmentally Responsible Products

Refer: *Natural Capital, Pages 105 to 115*
Social Capital, Pages 97 to 104
Subsidiary Review, Pages 128 to 132

Green Friends Facility - 2015/16		
Type of Energy Efficient Vehicle	Number of Facilities	Value (Rs. Mn)
Hybrid Vehicles	689	2,021.13
Electrical Vehicles	54	132.49
Total	743	2,153.62

RC Table - 9

As a finance company, we are primarily engaged in extending leases and loans to acquire motor vehicles for commercial purposes as well as for personal use. This takes up almost 87 percent of the total portfolio. This line of business has an indirect contribution to green-house-gas emissions and thus, impact climate change and global warming. However, we have taken due precautions to ensure that all necessary tests and documents such as the vehicle emission certification are in order prior to formalising and extending facilities. Furthermore, as will be discussed under the Environment Section, we have taken firm measures to manage the carbon footprint of our operations. The 'Green Friends' product, promoting facilities with preferential terms for vehicles that are more energy efficient, with lesser green-house gas emissions supports our efforts to be environmentally responsible.

Aside, this product segment also has an indirect bearing on traffic congestion and road accidents—considered to be a growing social issue in the country. Our efforts in carrying out community based campaigns to educate the public on road safety and discipline are positive steps in supporting our commitment to product responsibility.

Our social responsibility is also demonstrated from our investment exposure to microfinance, through our fully owned subsidiary, People's Microfinance Ltd. Over a short span of 6 years, our microfinance arm has developed a considerable customer base of 41,308 amongst the un-bankable communities—supporting them in their micro enterprises and raising their quality of life. The portfolio as at the reporting year-end stood at Rs. 1,570 million with disbursements posting a growth of 42.43 percent.

Active Ownership

Upholding responsibility, we take an active ownership role in the management of our five subsidiaries within our group network. Our primary aim is to ensure that our subsidiaries create value whilst adopting and following up on sustainable practices with due consideration to social and environmental impacts along with good governance. Apart from giving good returns on our investment, this supports us to sustain our reputation within the industry and to offer a total product solution to our customers in line with our corporate responsibility standpoint.

We have a fair representation in the subsidiary Boards, enabling us to be proactive in our operating engagement and effectively influence and direct the decision-making process. Our Standard Procedure sets out the voting guidelines. In the reporting year, we were active in the decision making process and voted responsibly to bring in best solutions to projects and activities. This included decisions on environmental and social concerns, particularly, with regard to the construction projects undertaken by the People's Leasing Property Development Ltd and People's Leasing Havelock Properties Ltd.

Apart from the subsidiaries, we are the managing company of the distress, People's Merchant, duly appointed by our regulator, the Central Bank of Sri Lanka. We have been given 5 Board seats for our stake of 37 percent which we acquired in the reporting year along with our parent, People's Bank which

took up 50.16 percent share. However, in the reporting year, we were not called to use our voting rights covering decisions concerning environmental and social issues.

Compliance

G4-PR9, S08

Refer: *Compliance Management, Pages 212 to 213*

PLC in the reporting year was not subject to fines for non-compliance with laws and regulation with regard to products and services and its delivery. The Company was also not subject to fines or non-monetary sanctions for non-compliance with laws and regulations.

RELATIONSHIP CAPITAL ► SUPPLIERS

OVERVIEW

With the industry moving on to a more challenging platform, supply relationship management is increasingly becoming more significant in determining a corporate’s competitive advantage and its strategic positioning. Recognising this, our Company has taken concrete steps to be more proactive in its supplier engagement, seeking to build value-adding partnerships and opening up mutually beneficial opportunities. The section herein will report on our approach to nurture responsible supplier relationships along with our procurement practices and performance.

G4-21, 26, 27

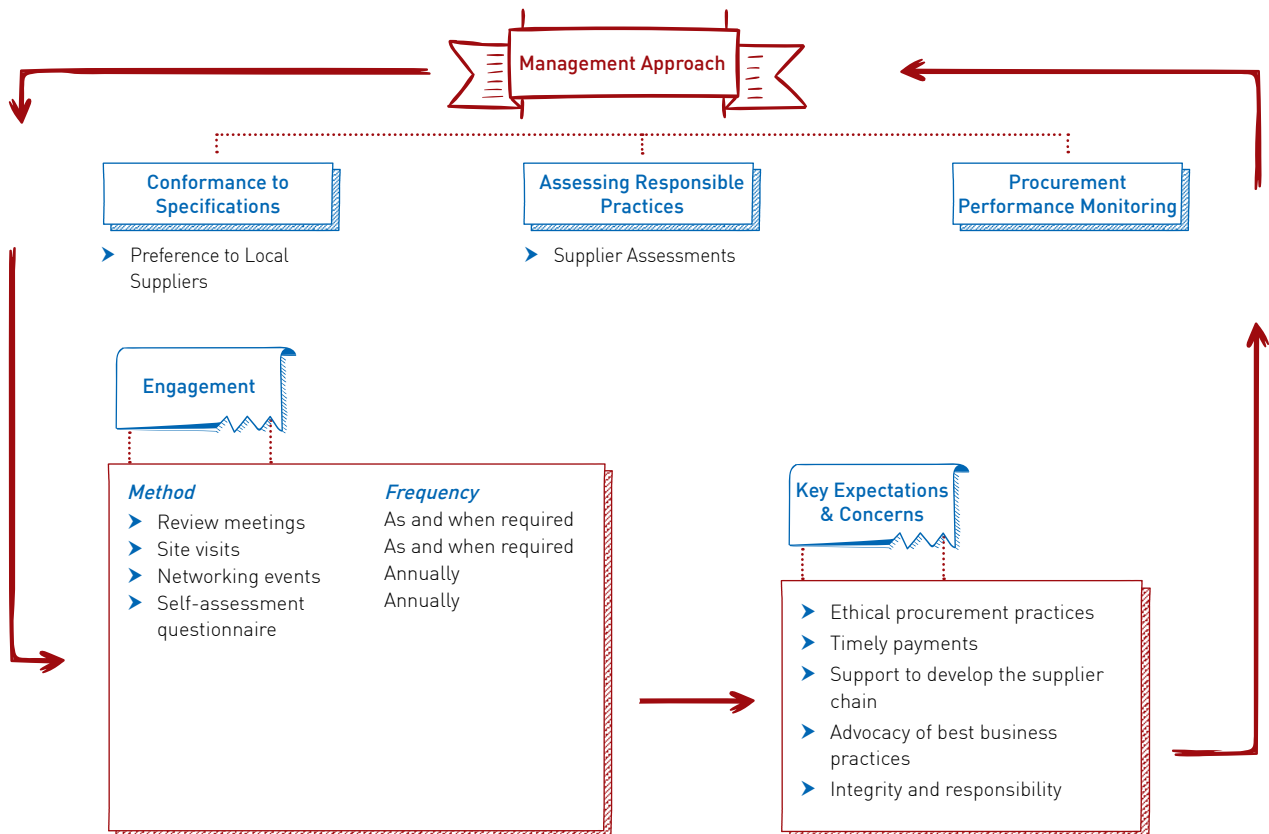
MANAGEMENT APPROACH

Taking on a focal role in our efforts to deliver a quality product, we expect all our suppliers and partners to be well aligned to our mission and our strategic operational imperatives. Our supplier selections and subsequently, maintaining relationships, are subject to a stringent evaluation process with precedence given to specifications including quality and cost. Our approach seeks to optimise on our negotiation power to obtain the best in procurement; sometimes, availing scale advantages especially in terms of cost-benefits through group-wide procurement. Most often, our procurement with regard to administration and IT infrastructure and software are carried out at a collective level.



Moderate

- Procurement practices
- Supplier assessment for labour practices
- Supplier human rights assessment

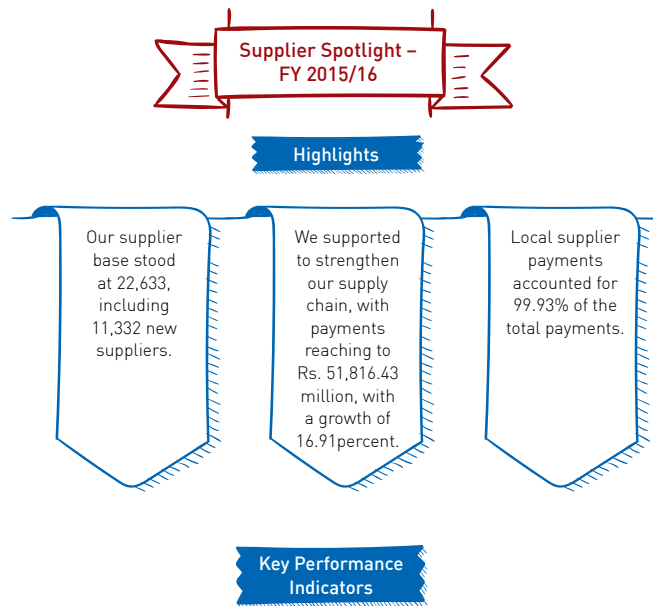


CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► SUPPLIERS

Our aim is to do business with responsible and like-minded suppliers who are willing to emulate our corporate values. We take a collaborative approach, working closely with our selected suppliers, consider their key concerns in deciding our approach on them and advocating best business practices and ethics in their operations. We are conscientious in our engagement and stable in our monitoring process—seeking to ensure better contract performance, long term ties with suppliers and explore and build on future opportunities.

Our efforts in effect have supported us to gain a strong supplier base to optimise on our value creation process, underlined by sustainability. The ripple impact on the entire supplier chain is significant, reflecting well on the overall business community of the country.

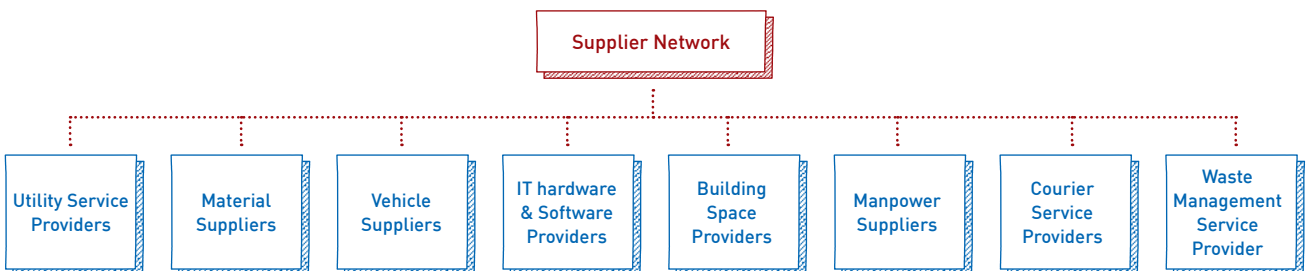


For the F.Y	2015/16	2014/15	% Change
Suppliers/Procurement			
Supplier base (Number)	22,633	20,315	11.41
Procurement expenditure (Rs. Mn)	51,816.43	44,323.35	16.91
Local procurement expenditure (Rs. Mn)	51,778.57	44,318.67	16.83
Foreign procurement expenditure (Rs. Mn)	37.86	4.68	708.97

RC^s Table - 1

Supply Chain

G4-12



Our suppliers include general suppliers and service providers. Our dealings are diverse, covering a range of suppliers across micro industries, small and medium enterprises to multinational corporates. As at the reporting year-end, we have built relationships with a supplier base of around 22,633. Our payments to suppliers stood at Rs. 51,816.43 million, corresponding to 16.19 percent increase over the previous year. Out of the total network, vehicle suppliers of 22,004 accounted for 97.22 percent whilst taking up almost 97.74 of the total payments.

CONFORMANCE TO SPECIFICATIONS

Procurement at PLC is well structured and follows best practices. Major procurement involving vehicles, equipment and IT hardware and software, is the responsibility of the logistics department at the head office. Minor procurement is decentralised—handled directly at the branch level. Selections are done, in most instances, by a technical evaluation committee based on the quality-cost method; whilst the Tender Panel represented by five to six members of the management committee and chaired by the Deputy General Manager - Operations, validates the selection.

We are conscious and firm in ensuring that all procurement conforms to the required specifications—quality standards, cost competitiveness, on-time delivery, reliability and flexibility to adopt current developments in their respective market sectors. We also look for conformance in terms of environmental and social specifications in our selection process.

General procurement is carried out following the three-quotation method, where quotations are called from the long-list of recommended suppliers for such procurement. We also call for competitive proposals following well accepted tender procedures, particularly involving large scale and specialised procurement.

Preference to Local Suppliers

G4-EC9

Subject to basic evaluation criteria, we also give preference as a policy, to national suppliers over foreign suppliers. Foreign suppliers are sourced only if the local suppliers are unable to meet the given procurement specifications. In the reporting year, almost 99 percent of our procurement expenses were accounted for by the local suppliers. Foreign suppliers were sourced primarily to procure computer hardware and software, which was less than one percent of the total procurement expenses.

ASSESSING RESPONSIBLE PRACTICES

G4-LA14, LA15, HR10, HR11

Supplier Assessment Criteria

- Compliance to applicable laws and regulations
- Compliance to relevant licenses, certifications and standards
- Sustainable practices of sourcing raw materials
- Social and environmental impacts and mitigatory action
- Fair labour management practices

We have over the years nurtured a strong business reputation and standing, enabling us to influence and command best practices amongst our suppliers in their value creation process. We are careful and organised in our supplier selection process and subsequently, moving on towards cementing long term relationships. We ensure due diligence to screen their values, practices and operations, with a best-fit' with our own corporate ethos. We ensure our suppliers to respond to our self-assessment questionnaire on their sustainability practices. Our procurement contracts also include covenants on sustainability and ethical facets including best labour practices and human rights clauses on child

labour, forced labour and discrimination on prejudice.

In the reporting year, we continued to pursue closer engagement and muster their support to adopt sound business, environmental and social management practices. We collaborated well with prioritised and significant suppliers within the chain. We continued to assess our suppliers through self-assessment questionnaire covering the sustainability criteria.

In the reporting year, we did not record transactions or dealings with unwarranted suppliers with a track record on labour mismanagement and human rights violations. Our suppliers were not found to be discriminative on social bias and against employees' freedom of association and collective bargaining.

PROCUREMENT MONITORING

Monitoring Indicators

- Cost benefits
- Quality
- Delivery
- Certification and standards

At PLC, we are consistent in monitoring the procurement process to be effective and efficient. Supplier performance indicators—pre-agreed in most cases, and also included in procurement contracts—are measured and evaluated through regular review meetings. We also carry out periodic site visits and do desk reviews on supplier annual reports including their financial statements to be aware of any bottlenecks that may hamper their delivery.

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL > INVESTORS

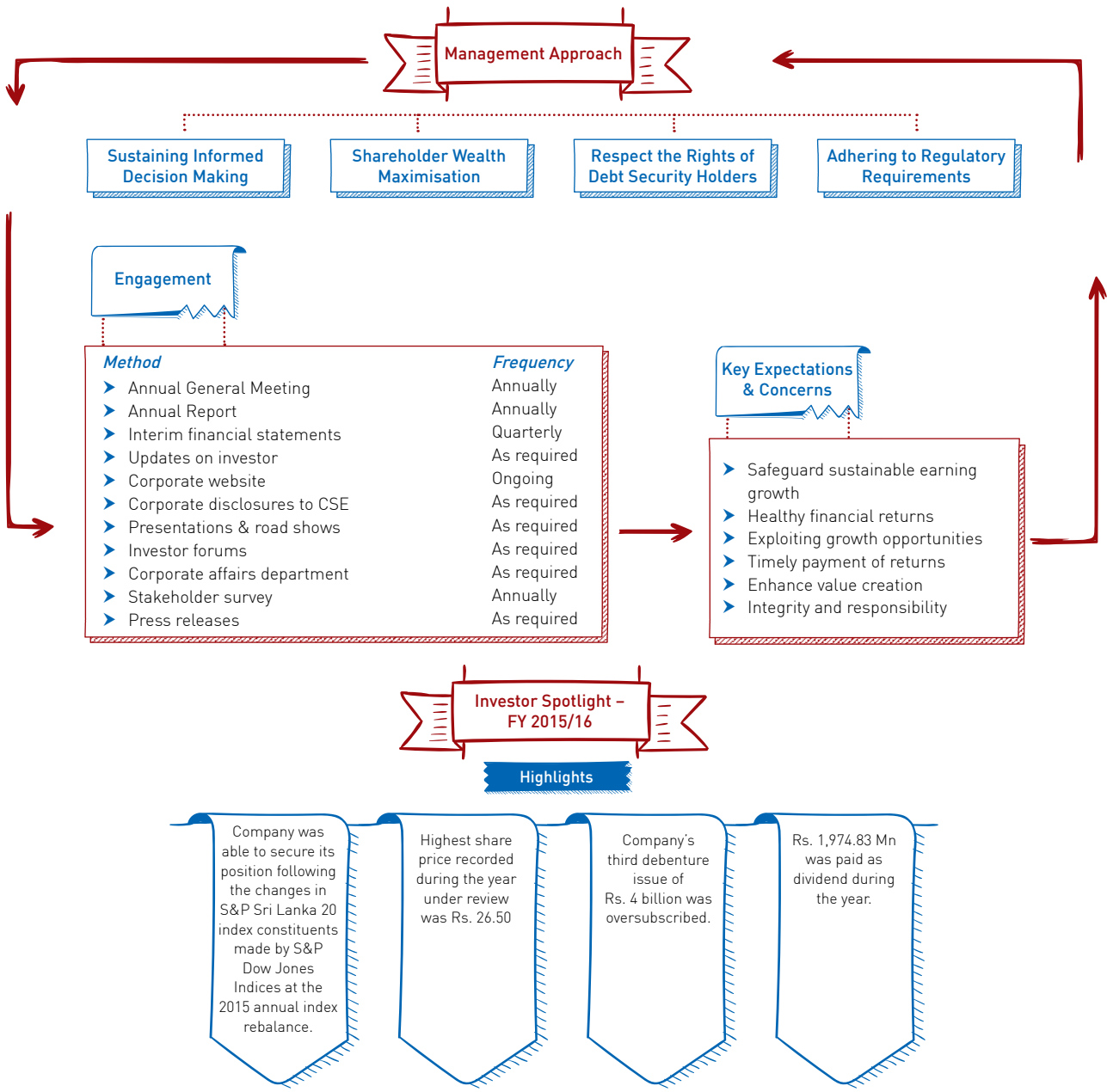
OVERVIEW

Investors take up a primary role as a key stakeholder, paving the way for the organisation to progress and create value. They are a key source of financial capital: equity capital and debt. This section seeks to address shareholder concerns and extends additional information to support investors in their decision making process. This section also deals with the mandatory disclosures that the Company has to comply as required by the relevant regulatory authorities.

G4-26, 27

MANAGEMENT APPROACH

In our approach to investor relations, we seek to be open and transparent in all our interactions with our shareholders and potential shareholders; ensuring that their concerns are addressed appropriately, and in a timely manner. We have adopted a 'four-pronged approach' which underscores investors' key expectations and concerns, in turn, identified within the investor engagement process. This process is continuous and consistent, enabling us to refine and shape our response to investors effectively and meet their expectations.



Key Performance Indicators

For the F.Y	2015/16	2014/15	% Change
Equity holders			
Earnings per share - Company (Rs.)	2.75	2.38	15.55
Dividend per share (Rs.)	1.25	1.25	-
Dividend pay-out (DP) (%)	45.43	52.62	(7.19)
Dividend yield (DY) (%)	7.81	5.66	2.15
Dividend cover (Times)	2.20	1.90	15.79
Net asset value per share (NAVPS) (Rs.)	14.41	13.38	7.70
Price earning (PE) (Times)	5.82	9.30	(37.42)
Price to book value (PBV) (Times)	1.11	1.65	(32.73)
Return on equity (%)	19.80	18.61	1.19
Earnings growth (%)	15.84	20.14	(4.3)
Debt holders			
Debt to equity ratio (Times)	2.67	2.36	13.14
Interest cover (Times)	1.77	1.58	12.03
Current/quick ratio (Times)	0.85	0.93	(0.09)

RC Table - 1

Credit Ratings

AA⁺

'AA-' (lka) stable by Fitch Ratings Lanka Limited
 'B+/B' outlook negative by Standard & Poor's Rating Services
 'B' outlook negative by Fitch Ratings International

Equity Holders



- No. of shares - 1,579.86 Mn
- No. of shareholders- 9,407
- Non resident shareholders- 0.73%
- Public shareholding- 25%
- Dividend payout- 45.43%
- Share price decreased by 27.60%
- PLC market capitalisation ranking- 24th position (NBF)

Debt Holders



- Raised Rs. 6 Bn through debentures
- No: of debenture holders - 416
- Rated AA- by Fitch Ratings
- Total listed debentures issued - 3

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► INVESTORS

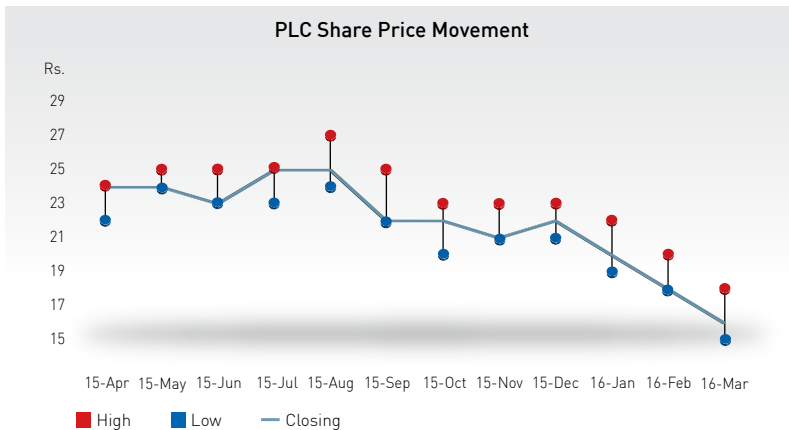
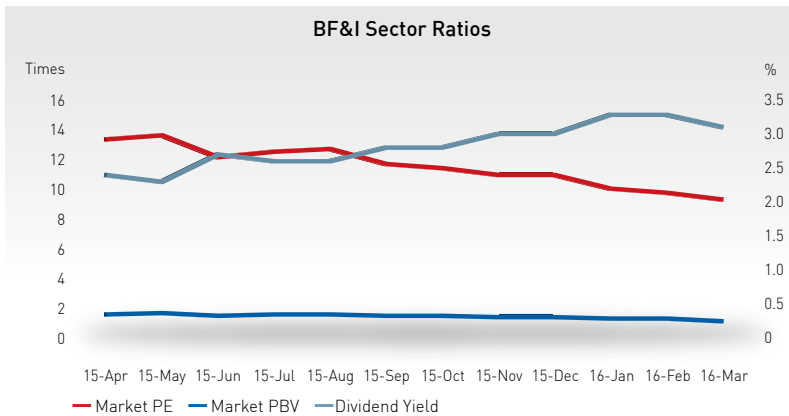
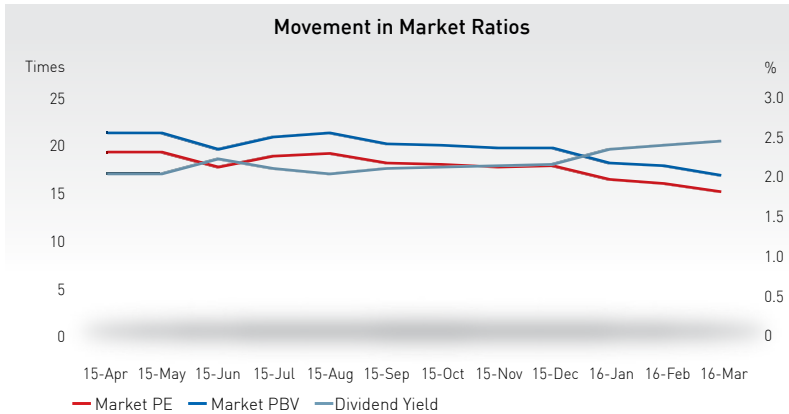
SUSTAINING INFORMED DECISION MAKING

We have always been committed to uphold sound investor relations. We value our existing and potential investors and we recognise the significance of being timely in extending our disclosures of market sensitive information. This is vital to build investor confidence. The macroeconomic factors relevant to investors for effective decision making are set out in the table below:

Macroeconomic Factors		
Factor/variable	Movement	Remarks
All Share Price Index	Decreased by 12.33% and closed at 6,071.88	During the year under review, the country's overall share market performance remained sluggish due to changes in tariffs and taxes (super gain tax) and proposed changes (capital gain tax, VAT), country's credit rating downgraded and followed a depreciating trend of the Sri Lankan rupee against the US dollar. Investors expressed mixed sentiments as they waited for clear policy directives and political stability.
S&P SL 20	Decreased by 20.22% and closed at 3,204.44	
Market capitalisation & BFIS capitalisation	Market capitalisation decreased by 10.55% and reached to Rs. 2,586.15 billion while the BFIS capitalisation increased / decreased to Rs. 618.25 billion.	
	<p style="text-align: center;">Total Market Cap Vs Sector Market Cap</p> <p style="text-align: center;">Rs. Bn</p> <p style="text-align: center;">■ Movement in Total Market Cap ■ Sector Capitalisation</p>	
Foreign inflows	<p style="text-align: center;">Total Equity Turnover Vs foreign Equity Turnover</p> <p style="text-align: center;">Rs. Mn</p> <p style="text-align: center;">■ Total Equity turnover ■ Foreign equity turnover</p>	During the year, foreign outflows increased as foreign investors exited risk assets amid concerns over the country's economic growth and rising bond yields. The anticipated hike in the US interest rates instigated foreign investors to move out of the domestic market.
Interest movement	AWPLR ▲ 3.04% 8.87% as at 31st March 2016 SLIBOR ▲ 2.18% 10.12% as at 31st March 2016	The Central Bank of Sri Lanka shifted towards higher interest rates during the third quarter; paving the way for investors to reach out to conventional investments and thus, causing the indices to move downwards.
Investor Forums	London, Zürich	Several foreign investor forums were held: London and Zürich with the view to attract foreign investors to the country as well as to promote the Colombo Stock Exchange internationally.
No. of listed companies	Listed – 2 De-listed - 1	The Colombo Stock Exchange has 294 companies representing 20 business sectors as at 29th March 2016.

RC Table - 2

Source: Information extracted from the CSE data library and CBSL website



Comparison of Key Ratios

As at March 2016, the market price earnings ratio (PE) and the market price to book value (PBV) declined to 9.30 times and 1.24 times respectively compared to the previous year. This was due to the lack of investor confidence in the market. The frequent changes in government policies set the backdrop for retail investors to withdraw whilst inciting greater foreign outflows. Market dividend yield increased by 14.81 percent to reach 3.10 percent. Sector ratios trailed due to negative market conditions that prevailed during the year.

However, market sentiments are tipped to steadily improve, particularly, given the proposed mega projects that have been lined up by the government in the near future.

SHAREHOLDER WEALTH MAXIMISATION

We are focused in our efforts to create wealth for our shareholders, which we strive to do without compromising the needs of our other stakeholders. We follow a consistent dividend policy, enabling investors a sound return on their investment; investors can also gain a return through capitals gains.

The PLC Share

The issued ordinary shares of People's Leasing & Finance PLC are listed on the Colombo Stock Exchange. Stock Exchange code for People's Leasing & Finance PLC shares is 'PLC'. The audited statement of profit or loss for the year ended 31st March 2016 and the audited statement of financial position as at date will be submitted to the Colombo Stock Exchange within three months from the reporting date.

As at 31st March 2016, PLC share closed at Rs. 16.00 indicating a drop of 38.13 percent in contrast to the corresponding year, with a high of Rs. 26.50 (05th January 2016) and a low of Rs. 15.40 (09th March 2016). The decline was in line with the global and local share market plunge.

Trading 3,964 million shares, the Company shares contributed Rs. 610.15 million towards CSE's total equity. Daily average turnover increased by 69.29 percent to record at Rs. 57 million for the year ended 31st March 2016. PLC's market capitalisation stood at Rs. 25.28 billion in the same period; standing at the 24th position.

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► INVESTORS

Market Share Information						
	2015/16	Q4	Q3	Q2	Q1	2014/15
Share price (Rs.)						
Highest	26.50	18.30	23.00	26.50	24.90	28.00
Lowest	15.40	15.40	20.40	21.90	22.30	14.20
Closing	16.00	16.00	22.00	21.90	23.30	22.10
No. of transactions	13,624	1,928	4,431	3,799	3,466	24,952
No. of shares traded (Mn)	124.38	17.20	41.73	41.50	23.95	366.11
Shares traded to total shares (%)	7.88	1.09	2.64	2.63	1.52	23.17
Turnover (Rs. Mn)	2,732.45	280.11	896.81	991.86	563.67	8,046.83
PLC turnover to total market turnover (%)	15.71	1.56	4.38	6.26	3.51	2.27
No. of days traded	203.00	20	61	63	59	239.00
Average daily turnover (Rs. Mn)	57.00	14.01	17.70	15.74	9.55	33.67
Market capitalisation - CSE (MC)(Rs. Bn)	2,586.15	2,586.15	2,937.10	2,990.81	2,983.02	2,891.17
Market capitalisation - PLC(MC)(Rs. Bn)	25.28	25.28	34.79	34.60	36.81	34.91
PLC MC to CSE MC (%)	0.98	0.98	1.18	1.16	1.23	1.21
PLC market capitalisation ranking	24	24	21	22	20	19

RC Table - 3

Financial Analysis

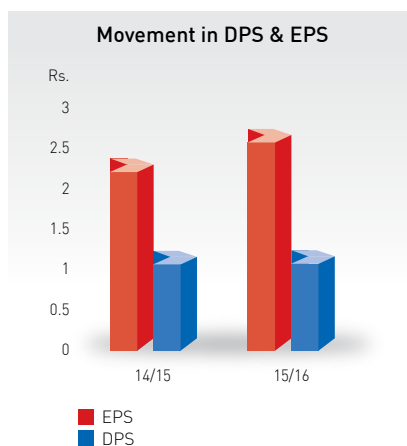
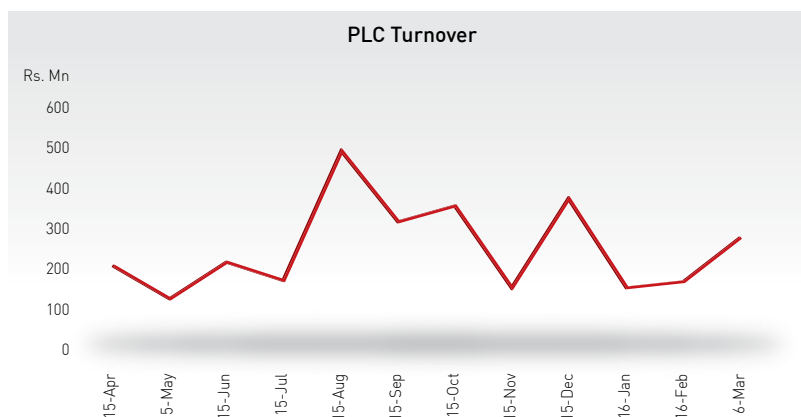
The Company and Group posted an outstanding year, with sound results amidst the challenges that prevailed in the macro economy. Accordingly, our key performance indicators trended upwards.

Earnings

PLC posted a PAT of Rs. 4,347.35 million during the year ended 31st March 2016, reflecting an impressive increase of 15.84 percent. Earnings per share (EPS) saw a 15.55 percent increase, reaching to Rs. 2.75 compared to the previous financial year whilst the price earnings (PE) ratio stood at 5.82 times during the financial year, compared to 9.30 times recorded in the previous year.

Dividends

The Company paid a sum of Rs. 789.93 million and Rs. 1,184.90 as the final dividend for the financial year 2015/16 and interim dividend for the current year respectively. Dividend yield picked up by 2.15 percent compared to the previous year due to the decrease in market price. PLC maintained a sound dividend payout ratio.



Share Capital

During the year, PLC's total ordinary shares remained unchanged at 1,579.86 million while total equity capital grew to Rs. 22,771.87 million against Rs. 21,135.79 million in the preceding year due to the increase in reserves in line with the Company's improved profit.

Information on Movement in Number of Shares Represented by Stated Capital							
Year ended	No of Shares at the Beginning of the Financial Year		Addition/(Redeem) of Shares During the Financial Year		Cumulative Shares at the end of the Financial Year		Issued Capital at the end of the Financial Year (Rs.)
	Ordinary Share	Preference Shares	Ordinary Share	Preference Shares	Ordinary Share	Preference Shares	
1995/96	2	-	-	-	2	-	20
1996/97	2	-	-	-	2	-	20
1997/98	2	-	2,500,000	-	2,500,002	-	25,000,020
1998/99	2,500,002	-	-	-	2,500,002	-	25,000,020
1999/00	2,500,002	-	1,500,000	-	4,000,002	-	40,000,020
2000/01	4,000,002	-	2,000,006	-	6,000,008	-	60,000,080
2001/02	6,000,008	-	4,000,000	-	10,000,008	-	1,000,000,080
2002/03	10,000,008	-	-	-	10,000,008	-	1,000,000,080
2003/04	10,000,008	-	10,000,000	50,000,000	20,000,008	50,000,000	700,000,080
2004/05	20,000,008	50,000,000	-	-	20,000,008	50,000,000	700,000,080
2005/06	20,000,008	50,000,000	30,000,000	-	50,000,008	50,000,000	1,000,000,080
2006/07	50,000,008	50,000,000	-	(5,000,000)	50,000,008	45,000,000	950,000,080
2007/08	50,000,008	45,000,000	-	(10,000,000)	50,000,008	35,000,000	850,000,080
2008/09	50,000,008	35,000,000	-	90,000,000	50,000,008	125,000,000	1,850,000,080
2009/10	50,000,008	125,000,000	-	(10,000,000)	50,000,008	115,000,000	1,850,000,080
2010/11	50,000,008	115,000,000	-	(10,000,000)	50,000,008	105,000,000	1,850,000,080
2011/12	50,000,008	105,000,000	1,510,000,152	(15,000,000)	1,560,000,160	90,000,000	12,958,000,800
2012/13	1,560,000,160	90,000,000	-	(20,000,000)	1,560,000,160	70,000,000	12,736,073,308
2013/14	1,560,000,160	70,000,000	19,862,322	(20,000,000)	1,579,862,482	50,000,000	12,736,073,308
2014/15	1,579,862,482	50,000,000	-	(20,000,000)	1,579,862,482	30,000,000	12,936,073,308
2015/16	1,579,862,482	30,000,000	-	(20,000,000)	1,579,862,482	10,000,000	13,136,073,308

RC Table - 4

RESPECT RIGHTS OF DEBT SECURITY HOLDERS

The Company follows a comprehensive continuous disclosure procedure with debt security holders to protect and facilitate their rights. This in turn helps debt security holders to make better decisions. Moreover, PLC ensures all its debt security holders' payments are made timely, thus, building and maintaining increased confidence placed on the Company. This was evident by the recent debenture issue which was oversubscribed on the first day itself. The debentures are also structured with attractive features, seeking to cater to the requirements of debt security holders.

PLC Debenture

The Company issued 40 million listed, rated, senior, unsecured and redeemable debentures of Rs. 100 each, with an option to issue up to a further 20 million debentures in the event of an over subscription; listed on the debt securities main board of the CSE; rated AA- by Fitch Ratings. The issue was oversubscribed on the opening day, thus, proving to be a smart investment plan for most of the investors. The proceeds were raised for working capital purposes; to minimise interest rate risks, the gap exposure in the Company's asset and liability portfolio and facilitate future expansion of operations.

The public issue during the year offered investors two opportunities in the form of Type A and Type B. Type A with an interest rate of 9.60 percent payable semi-annually with a maturity of 48 months whereas Type B was 9.95 percent interest payable annually with a maturity of 60 months.

CAPITAL MANAGEMENT

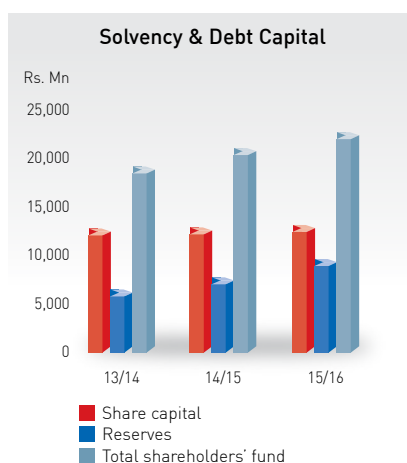
RELATIONSHIP CAPITAL ► INVESTORS

Debenture - Market Information												
Type	2015/16							2014/15				
	Option 1	Option 2	Option 3	Type A	Type B	Type A	Type B	Option 1	Option 2	Option 3	Type A	Type B
Tenure	4 years	5 years	5 years	3 years	4 years	4 years	5 years	4 years	5 years	5 years	3 years	4 years
Issue date	13-Mar	13-Mar	13-Mar	14-Sep	14-Sep	Nov-15	Nov-15	13-Mar	13-Mar	13-Mar	14-Sep	14-Sep
Maturity date	17-Mar	18-Mar	18-Mar	17-Sep	18-Sep	Nov-19	Nov-20	17-Mar	18-Mar	18-Mar	17-Sep	18-Sep
Interest rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate (%)	16.50	16.75	17.00	8.75	9.63	9.60	9.65	16.50	16.75	17.00	8.75	9.63
Effective annual yield (%)	17.18	17.45	17.00	8.75	9.63	9.83	9.95	17.18	17.45	17.00	8.75	9.63
Interest rate comparable government security (%)	10.60	8.00	8.00	8.50	10.60	8.91	9.79	10.60	8.00	8.00	8.50	10.60
Frequency of interest payable	Semi Annual	Semi Annual	Annual	Annual	Annual	Semi Annual	Annual	Semi Annual	Semi Annual	Annual	Annual	Annual
Rating	AA(-) by Fitch Ratings Lanka Limited											
Amount (Rs. Mn)	1,987	1,584	2,430	1,800	1,200			1,987	1,584	2,430	1,800	1,200
ISIN No.	LK0399D19128	LK0399D19136	LK0399D19144	LK0399D22494	LK0399D22510	LKR0399D23229	LKR0399D23237	LK0399D19128	LK0399D19136	LK0399D19144	LK0399D22494	LK0399D22510
Market value (Rs.)	Has not been traded							114.98	124.35	122.81	101.91	104.18
Highest	Has not been traded							113.00	119.49	119.25	101.91	100.00
Lowest	Has not been traded							114.98	124.35	122.81	101.91	103.84
Closing	Has not been traded							14.35	13.46	13.84	8.85	9.26
Current yield (%)	10.34	8.34	8.35	8.00	8.35	9.60	9.65	10.34	8.34	8.35	8.00	8.35
YTM (%)	14.35	13.46	13.84	8.85	9.26	9.60	9.65	14.35	13.46	13.84	8.85	9.26

RC Table - 5

Solvency & Debt Capital

In the year under review, debt to equity ratio stood at 2.67 times, a marginal increase of 13.56 percent. This was due to increased borrowings that took place in order to fund the rapid expansions of the business. The Company's core capital ratio and the total risk weighted capital ratio stood at 19.56 percent and 18.14 percent respectively, maintained well above the regulatory requirements of 5.00 percent and 10.00 percent. This aptly demonstrates PLC's efforts to ensure adequate capital to act as a buffer against future losses and risks.



ADHERING TO REGULATORY REQUIREMENTS

Committed to comply with regulatory requirements, we ensure that our shareholders are well protected. As stipulated, our disclosures are accurate and timely. Apart from the mandatory regulatory requirements, we disclose voluntary information to support our investors to make informed decisions on the Company, whilst reinforcing the transparency of our business.

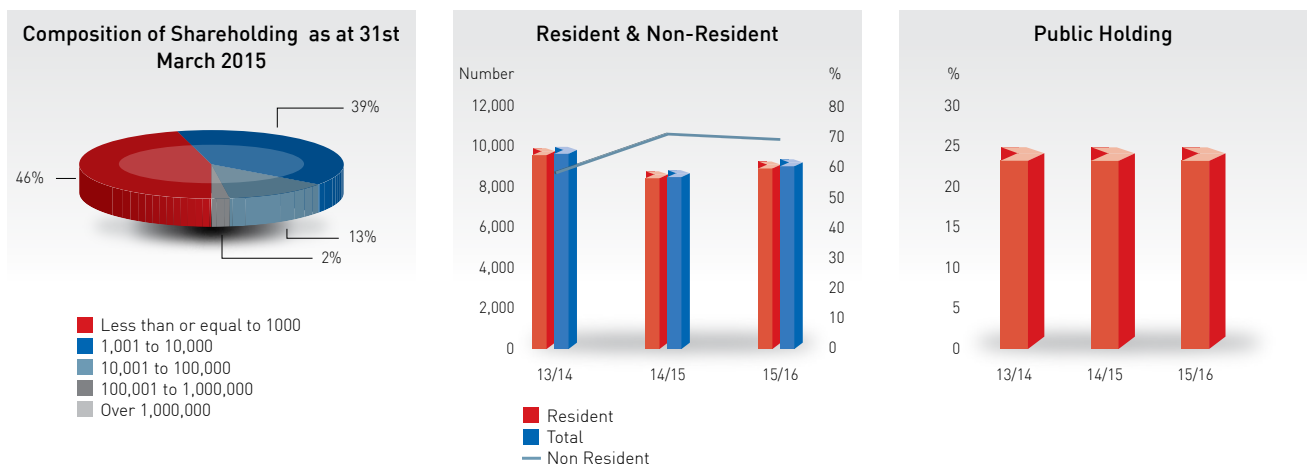
Analysis of Shareholders

Distribution of Ordinary Shareholders								
	31st March 2016				31st March 2015			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Less than or equal to 1000	4,324	45.97	2,742,758	0.17	3,940	44.37	2,570,818	0.16
1,001 to 10,000	3,633	38.62	14,902,462	0.94	3,680	41.44	14,864,696	0.94
10,001 to 100,000	1,211	12.87	37,902,324	2.40	1,034	11.64	30,038,515	1.90
100,001 to 1,000,000	209	2.22	60,169,158	3.81	195	2.20	51,536,900	3.26
Over 1,000,000	30	0.32	1,464,145,780	92.68	31	0.35	1,480,851,553	93.74
Total	9,407	100.00	1,579,862,482	100.00	8,880	100.00	1,579,862,482	100.00

RC Table - 6

Composition of Ordinary Shareholders								
	31st March 2016				31st March 2015			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident – Individuals	9,024	95.93	82,227,729	5.20	8,552	96.31	72,120,308	4.56
Resident – Institution	314	3.34	1,359,568,393	86.06	257	2.89	1,338,515,803	84.72
Non Resident – Individuals	50	0.53	3,382,561	0.21	48	0.54	2,155,077	0.14
Non Resident – Institution	19	0.20	134,683,799	8.53	23	0.26	167,071,294	10.58
Total	9,407	100.00	1,579,862,482	100.00	8,880	100.00	1,579,862,482	100.00

RC Table - 7



Public holdings

The Company's public holding as at 31st March 2016 stood at 9,394 which equaled to 24.82 percent. There were no significant changes in the Company's public holding compared to the previous year.

CAPITAL MANAGEMENT

RELATIONSHIP CAPITAL ► INVESTORS

Twenty largest shareholders

Our majority shareholder, People's Bank, continued to own 75 percent of the shares. As the largest and highest rated non-bank financial institution in the country, with consistent and outstanding financial results, we were able to maintain our foreign shareholding at 8.74 percent, although the country's share market witnessed an influx of foreign outflows. The following table (RC-8) includes the twenty largest shareholders;

Twenty Largest Shareholders							
No.	Name of the Shareholder	31st March 2016				31st March 2015	
		No. of Shares	%	Change	Comments	No. of Shares	%
1	People's Bank	1,184,896,862	75.00	-	-	1,184,896,862	75.00
2	BNYM SA/NV-Neon Liberty Lorikeet Master Fund LP	63,069,853	3.99	1,750,426	-	61,319,427	3.88
3	Employee Provident Fund	59,430,552	3.76	15,786,721	One position ▲	43,643,831	2.76
4	National Savings Bank	43,668,157	2.76	[4,245,843]	One position ▼	47,914,000	3.03
5	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	21,775,303	1.38	21,775,303	New entrant to Top 20	-	-
6	HSBC INTL NOM LTD SSBT-Wasatch Frontier Emerging Small Countries Fund	11,792,986	0.75	[12,960,114]	One position ▼	24,753,100	1.57
7	BANK OF CEYLON NO. 1 ACCOUNT	11,453,600	0.72	-	One position ▼	11,453,600	0.72
8	BNY-CF offer Investment Funds:CF Ruffer Pacific Fund	10,000,000	0.63	-	Two positions ▲	10,000,000	0.63
9	Mellon Bank N.A. Frontier Market Opportunities Master Fund L.P	8,250,000	0.52	[1,900,000]	-	10,150,000	0.64
10	AIA Insurance Lanka PLC A/C No. 07	5,476,721	0.35	[1,605,079]	Two positions ▲	7,081,800	0.45
11	Ceylon Investments PLC A/C #01	4,954,891	0.31	-	Three positions ▲	4,954,891	0.31
12	BNYM SA/NV-NLCF FUND LP	4,916,003	0.31	[1,750,426]	One position ▲	6,666,429	0.42
13	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	4,033,000	0.26	4,033,000	New entrant to Top 20	-	-
14	Union Assurance PLC/NO-01A/C	3,821,672	0.24	-	Three positions	3,821,672	0.24
15	BNYM SA/NV-FRONTIER MARKET SELECT FUND II L.P.	2,546,608	0.16	2,546,608	New entrant to Top 20	-	-
16	DEUTSCHE BANK AG AS TRUSTEE TO CANDOR GROWTH FUND	2,388,804	0.15	2,388,804	New entrant to Top 20	-	-
17	Employees Trust Fund Board	2,356,087	0.15	-	Three positions ▲	2,356,087	0.15
18	DEUTSCHE BANK AG AS TRUSTEE TO CANDOR OPPORTUNITIES FUND	2,000,000	0.13	2,000,000	New entrant to Top 20	-	-
19	CB NY S/A Wasatch Frontier Emerging Small Countries CIT Fund	1,993,679	0.13	[1,739,066]	-	3,732,745	0.24
20	CACEIS BANK LUXEMBOURG-INTEREFFEKT INVESTMENTS FUNDS N.V.	1,887,743	0.12	1,887,743	New entrant to Top 20	-	-
	Sub Total	1,450,712,521	91.82	27,968,077		1,422,744,444	90.05
	Other Shareholders	129,149,961	8.18			157,118,038	9.95
	Total	1,579,862,482	100.00			1,579,862,482	100.00

RC Table - 8

Directors' & CEO's Shareholding			
Name	Position	No: of Shares as at	
		31st March 2016	31st March 2015
Mr. Hemasiri Fernando <i>(Appointed on 8th April 2015)</i>	Chairman	-	N/A
Mr. M. P. Amirthanayagam <i>(Appointed on 8th April 2015)</i>	Deputy Chairman	10,000	N/A
Mr. J. P. Amaratunga <i>(Appointed on 8th April 2015)</i>	Director	-	N/A
Mr. N. V. Kumar	Director	1,000,000	1,000,000
Mr. J. A. Fernando <i>(Appointed on 8th April 2015)</i>	Director	-	N/A
Mr. M. A. M. Rizwan <i>(Appointed on 8th April 2015)</i>	Director	-	N/A
Mr. R. M. Jayasena <i>(Appointed on 7th May 2015)</i>	Director	-	N/A
Dr. A. A. S. Gulamhusein <i>(Appointed on 23rd July 2015)</i>	Director	110,000	N/A
Mr. D. P. Kumarage	CEO	683,258	464,158
Total		1,803,258	1,464,158

RC Table - 9

Subsidiary Impact

Refer Subsidiary Review, pages 128 to 132

During the year under review, the subsidiaries of PLC contributed positively to the consolidated results. People's Insurance PLC was listed on the Colombo Stock Exchange on December 2015 with an IPO of Rs. 750 million. However, People's Leasing Havelock Properties Limited did not commence commercial operations which are scheduled in the ensuing year. Further details are included in the Subsidiary Review.

Related Party Transactions Exceeding 10 Percent of the Equity or Five Percent of the Total Assets of the Company.

There were no individual transactions exceeding 10 percent of the equity or 5.0 percent of the total assets during the year under review with any related party of the Company. All related party transactions at an aggregate level are disclosed under Note 49 on pages 303 to 306 to the financial statements.

Employee Share Option Scheme

PLC has not structured an employee share option scheme.

Material Foreseeable Risk Factor

Refer Risk Management, pages 214 to 233

Information pertaining to the material foreseeable risk factors that require disclosures as per Rule No. 7, 6 (vi) of the Listing Rules of the CSE are discussed in the section on Risk Management.

Material issues – Employees and Industrial Relations

There were no material issues pertaining to employee and industrial relations concerned to the company that occurred during the year under review which require disclosure as per Rule No. 7.6 (vii) of the Listing Rules of the CSE.

Inquires by Shareholders

Shareholders may, at any time, contact the Company Secretary, to direct questions/comments or request for publicly available information. In addition, a separate investor relations function has been established at the senior management level to assist shareholders. A senior independent director is also available to resolve major issues that cannot be resolved through normal channels.

Contact information

Monday to Friday
8.30 am to 4.45 pm
+94 11 2631631
Investor.relations@plc.lk

The Company Secretary

People's Leasing & Finance PLC
1161, Maradana Road, Colombo 08,
Sri Lanka.

Valuable links

PLC share price, announcements, financials, company profile, quotes, charts.

Colombo Stock Exchange

<http://www.cse.lk/>

Fitch Ratings Lanka Ltd

<http://www.fitchratings.lk/>

Fitch Ratings International

<https://www.fitchratings.com/>

S&P Rating

https://www.standardandpoors.com/en_US/web/guest/ratings/ratings-actions

CBSL (Weekly economic indicators)

http://www.cbsl.gov.lk/htm/english/_cei/ei/e_1.asp

People's Leasing & Finance PLC

www.plc.lk

CAPITAL MANAGEMENT

HUMAN CAPITAL

OVERVIEW
 Our employees stand as the anchor of our organisation, underscoring the feats we have reached in our 20-year journey. Their talent, dedication and professionalism continue to be our forte, supporting to drive our corporate strategy and plans. Therefore, we are conscientious in our efforts to extend a dynamic and an empowered work environment for employees to develop their skills and their careers, whilst securing our aspired goals. This section herein will shed light on our approach and on our efforts to nurture and manage our workforce with best and acclaimed practices in human resources.

HUMAN RESOURCES POLICY

Our people will be motivated, respected, ethical and responsible, empowered to be leaders and entrepreneurs, to be individuals who excel and teams that win, positioned as the most sought after human talent team within the corporate milieu journeying towards the unwavering vision of the organisation and committed to achieve results that will position them as the best among the best.

G4-20



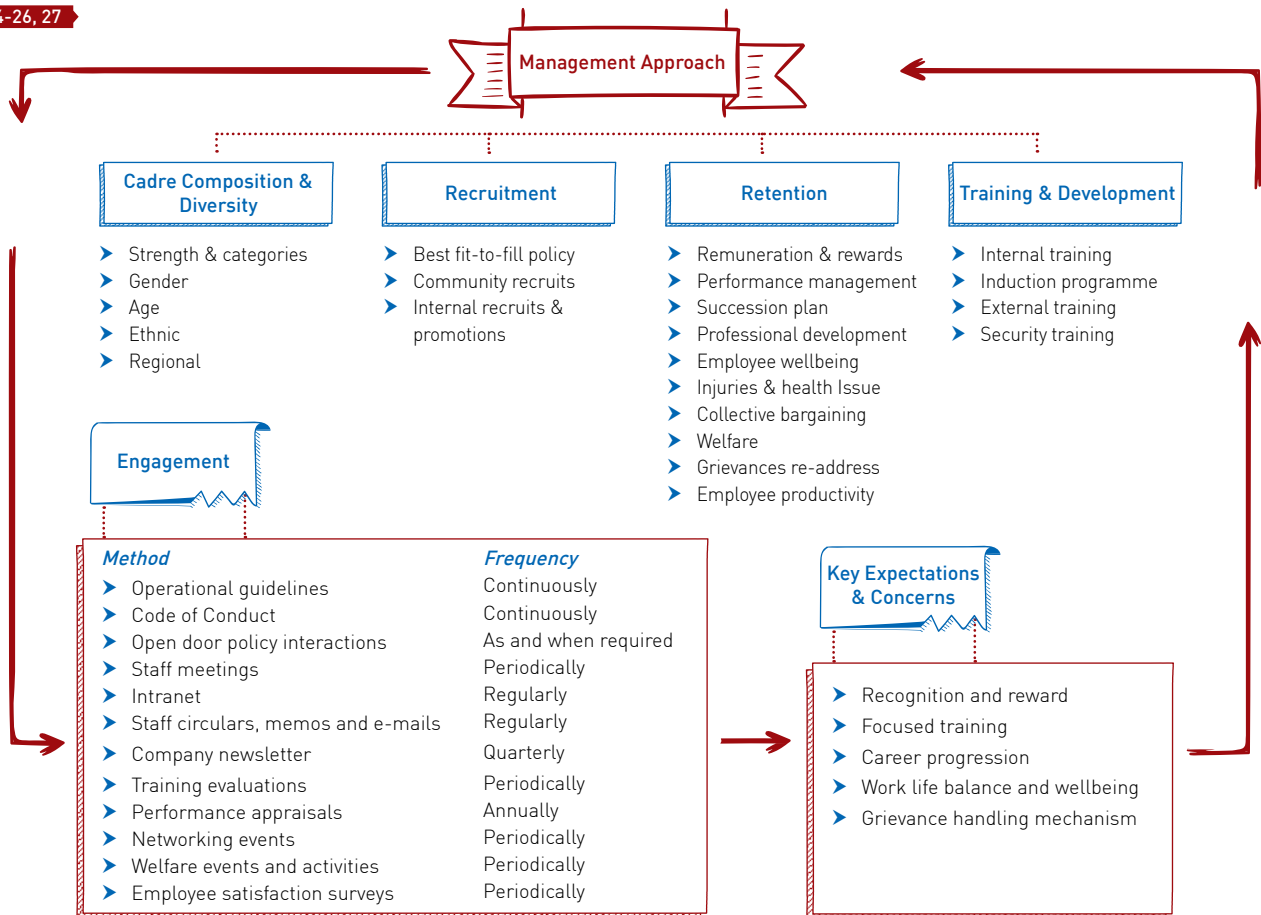
High

- Employment
- Training and education
- Diversity, equal opportunity
- Non-discrimination
- Equal remuneration for women and men
- Labour practices and human resources grievance mechanism

Moderate

- Labour management relations
- Occupational health and safety
- Security practices
- Human rights grievance mechanism

G4-26, 27



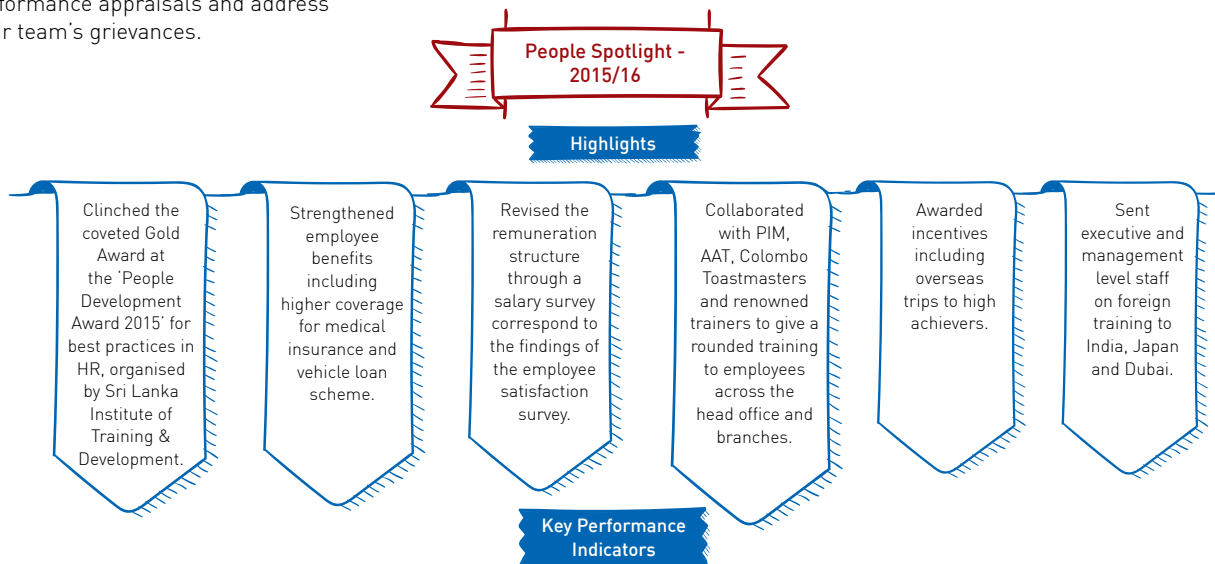
MANAGEMENT APPROACH

Human resources (HR) management is centralised at the head office, encompassing the entirety of the PLC network and thus, reinforcing the synergistic benefits and cost rationalisation. The HR department guides and supports the line managers at the branch level and the subsidiaries to carry out administration and HR functions in their respective business units. Necessary advice, training, systems support and other resources are extended to enable the line managers to be empowered to make strategic decisions on new recruitments, training, performance appraisals and address their team's grievances.

We are committed to uphold best practices in HR management and respect employee's fundamental rights and human rights across the organisation. Our workplace values, policies and practices are fully aligned to the country's labour laws, rules & regulations, whilst complying with the International Labour Standards and the Universal Declaration of Principles of Human Rights.

Our four-pronged approach to HR capital management is guided by the most valued principle, 'equal opportunity'. Along this line, we are engaging with them to understand their key concerns

and expectations which in turn will consider in reviewing our management approach. We are committed to nurture diversity within the workplace—to build a versatile and a well-rounded cadre with right skills, attitude and business ethics. Our recruitment is strategic and pragmatic, seeking to attract the best and the most talented individuals in the market; whilst giving precedence to retain our employees in a highly competitive industry through focused and proactive measures including employee training, recognition and rewards for performance and enhancing their wellbeing.



For the F.Y	2015/16	2014/15	% Change
Workforce			
Employees (Number)	1,834	1,666	10.08
Recruitment & Promotions			
New recruitments (Number)	322	258	24.81
Employee promotions (Number)	846	521	62.38
Attrition			
Employee attrition (Number)	150	166	(9.64)
Retention rate (%)	91.43	89.76	1.67
Training & Development			
Training hours	39,802	37,085	7.33
Training investment (Rs. Mn)	22.80	26.76	(14.80)
Employee Remuneration & Welfare			
Staff remuneration & benefits (Rs. Mn)	1,807.02	1,565.26	15.45
Occupational Health & Safety			
Work related injuries (Number)	6	5	20.00
Employee Productivity			
Value added per employee (Rs. Mn)	1.03	2.08	(50.48)
Profit after tax per employee (Rs. Mn)	2.48	2.32	6.90

HC Table - 1

CAPITAL MANAGEMENT

HUMAN CAPITAL

CADRE COMPOSITION & DIVERSITY

G4-10, LA12, HR3

In the true spirit of equal opportunity, we remain steadfast and strive to extend an inclusive and collaborative workplace for our valued employees, shunning prejudicial and discriminatory practices formed on race, creed, gender, age, political ideology or on any other socio-economic facet. Our HR policy clearly sets out our commitment to foster employee dignity, respect and equality.

Our aim is to build and nurture a well-balanced workforce. To this end,

we are conscious of the necessity and seek to embrace greater diversity, particularly towards achieving a better gender balance and greater ethnic representation. This year under review, 89 female employees joined the cadre which represents 27.64 percent of total recruitments during the year. Currently, we have in our service 14 empowered female employees holding managerial positions at the head office and at the branch level. We also empowered 199 employees representing minority ethnic communities, particularly, to strengthen our Islamic finance operations.

In the year under review, we did not record any incidences of discrimination over socio-political and economic biases. All facets of HR management including recruitment, remuneration, rewards and recognition as will be discussed in detail in the ensuing sections were based on performance merits. Grievance redressal mechanism, among others, is in place to protect employees from such incidents if and when they occur in the future.

Cadre Composition & Diversity Facets - 2015/16

<p>Cadre Strength</p>		<ul style="list-style-type: none"> ▶ Reflecting the rapidly expanding operations, the workforce grew by 10.08 percent to 1,834 as against 1,666 in 2014/15. ▶ Out of the total workforce, 1,575 representing 85.88 percent were employed on a permanent basis whilst the balance was recruited on trainee and probationary basis.
<p>Employee Category</p>	<ul style="list-style-type: none"> ▶ 1,297 employees presenting, over 70 percent of the total cadre falls under the non-executive category, mainly employed as marketing and field officers. ▶ As at the year end, the total cadre comprises of 320 executives whereas 112 belong to the line management category and 30 to the senior management category. ▶ The balance 75 employees represent the minor staff category. 	
<p>Gender Analysis</p>		<ul style="list-style-type: none"> ▶ Dominated by the field staff, the cadre remained skewed towards male employees denoting 1,412 males to 422 females. ▶ Out of the 1,170 total back office staff, 419 were females which represent nearly 36 percent. ▶ 243 females recording 57.58 percent of the total female employees have served the Company for more than three years.

Cadre Composition & Diversity Facets - 2015/16																																			
Age Analysis	<ul style="list-style-type: none"> Fair representation in age was maintained through a good balance in expertise, stability and maturity of the senior staff along-side the dynamism of the 'Gen Y' employees. The majority of the workforce amounting to 1,014 individuals falls below the age of 29. 612 employees & 182 employees fall into the age group of 30-39 & 40-49 respectively. From the balance workforce 21 falling to 50-59 age category whilst five are above the age of 60. 	<p style="text-align: center;">Age Analysis</p> <p>Legend: ■ < 29 years ■ 30-39 years ■ 40-49 years ■ 50-59 years ■ > 60 years</p>																																	
Ethnic Representation	<p style="text-align: center;">Cadre Ethnicity</p> <p>Legend: ■ Sinhalese ■ Tamil ■ Muslim</p>	<ul style="list-style-type: none"> In line with the country's ethnic trends, the cadre was skewed towards the Sinhalese. The total cadre comprises of 1,635 Sinhalese while Tamils & Muslims totalled to 125 & 74 respectively. Tamils and Muslims representation of the total cadre has improved from 9.90 percent in the last year to 10.85 percent. 																																	
Regional Representation	<ul style="list-style-type: none"> Western province with 33 branches and the head office including 32 departments employed the highest, accumulating to 973 employees representing 53.05 percent of the total cadre followed by Southern and Central provinces. The Company has given precedence for local sourcing of employees, however least number of employees are recorded in Northern province. 	<table border="1"> <thead> <tr> <th>Province</th> <th>2015/16</th> <th>2014/15</th> </tr> </thead> <tbody> <tr> <td>Central</td> <td>158</td> <td>148</td> </tr> <tr> <td>Northern</td> <td>62</td> <td>57</td> </tr> <tr> <td>North-Central</td> <td>65</td> <td>60</td> </tr> <tr> <td>North-Western</td> <td>110</td> <td>103</td> </tr> <tr> <td>Sabaragamuwa</td> <td>90</td> <td>76</td> </tr> <tr> <td>Uva</td> <td>104</td> <td>91</td> </tr> <tr> <td>Western</td> <td>973</td> <td>783</td> </tr> <tr> <td>Eastern</td> <td>91</td> <td>87</td> </tr> <tr> <td>Southern</td> <td>181</td> <td>161</td> </tr> <tr> <td>Total</td> <td>1,834</td> <td>1,666</td> </tr> </tbody> </table>	Province	2015/16	2014/15	Central	158	148	Northern	62	57	North-Central	65	60	North-Western	110	103	Sabaragamuwa	90	76	Uva	104	91	Western	973	783	Eastern	91	87	Southern	181	161	Total	1,834	1,666
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HC Table - 2

RECRUITMENT

G4-LA1

Recruitment at PLC is a well-planned, systematic and a competitive process, seeking to hire the right candidates mainly from national universities and professional bodies with a best-fit to fill-in the open positions. The job descriptions for positions are drawn with clear criteria for shortlisting, evaluations and selections based on qualifications, aptitude, experience, if required, and positive personality traits; and thus, supporting to build a multi-disciplinary and a versatile workforce.

Being an inclusive employer, we also support community recruitments—if in line with the selection criteria—in the areas where we operate. This strategy in effect has served us well, enabling our employees to build stronger ties, blend in well with the local culture and be well-informed and responsive to extend a focused service to customers within the communities (HC Table - 3).

Internal Recruitments and Promotions

Limiting external recruitments to entry level and for specialised vacancies, we give priority to internal recruitments including promotions, cross placements and transfers across the PLC group. This is done on a structured basis—carefully planned to balance out the vacant job requirements with employee aspirations. Due training is offered within this process, supporting eligible employees to take up their new job responsibilities with ease and competence. Performance evaluation scheme as will be discussed below plays a key role in bringing transparency and accountability to this process.

In the reporting year, four cross placements and transfers across the Group came in to effect whilst 846 employees were promoted across all employee categories. Out of the promotions, non-executives accounted for almost 75 percent whilst 19.15 percent were female employees.

CAPITAL MANAGEMENT

HUMAN CAPITAL

Recruitment Facets - 2015/16

<p>Recruitments</p>	<p>Recruitment & Promotions</p> <p>Number</p> <p>900 800 700 600 500 400 300 200 100 0</p> <p>14/15 15/16</p> <p>■ New recruitments ■ Promotions</p>	<ul style="list-style-type: none"> ➤ Given the expansionary trends, new recruitments corresponded to 322 employees as against 258 recruitments in 2014/15, indicating almost 25 percent increase over previous year. ➤ 846 promotions were certified recording 62.38 percent increase over 521 promotions in 2014/15. ➤ From the total female employees 38.39 percent were promoted during the year. ➤ The line management cadre has increased to 112 from 84 personnels, mainly due to promotions within the Company. 																																	
<p>Employee Category</p>	<ul style="list-style-type: none"> ➤ Out of the new recruits, 92.86 percent totalling to 299 employees were absorbed in to the non-executive grade majority being marketing and field officers. ➤ Minor staff recruitments have been doubled from five to 11 when compared to the previous year and they represent three percent of the year's new recruitments. ➤ Nine employees were recruited as executives whereas two as line managers and one for the senior management category. 	<p>Recruitment by Employee Category</p> <p>93% 3% 1% 3% <1%</p> <p>■ Senior management ■ Line managers ■ Executives ■ Non executives ■ Minor staff</p>																																	
<p>Gender Analysis</p>	<p>Recruitment by Gender</p> <p>Number</p> <p>250 200 150 100 50 0</p> <p>14/15 15/16</p> <p>■ Male ■ Female</p>	<ul style="list-style-type: none"> ➤ Out of the total recruitments male and female recruits were 233 and 89 respectively. ➤ Female recruitments accounted for 27.64 percent of the total, representing a 11 percentage point increase compared to the previous year. ➤ Female recruitments present a growth of 102 percent whereas male recruitment has grown by 9 percent against the corresponding year. 																																	
<p>Age Analysis</p>	<ul style="list-style-type: none"> ➤ 302 employees denoting over 93 percent of the new recruits fell under the less than 29-year age category. ➤ In general the Company give more priority to recruit young generation. However during the year, the Company hired an individual aging between 50-59 and 19 individuals aging 30-39. 	<p>Recruitment by Age</p> <p>94% 6% <1% <1%</p> <p>■ > 60 years ■ 50-59 years ■ 40-49 years ■ 30-39 years ■ < 29 years</p>																																	
<p>Regional Analysis</p>	<table border="1"> <thead> <tr> <th>Province</th> <th>2015/16</th> <th>2014/15</th> </tr> </thead> <tbody> <tr> <td>Central</td> <td>24</td> <td>25</td> </tr> <tr> <td>Northern</td> <td>10</td> <td>15</td> </tr> <tr> <td>North-Central</td> <td>11</td> <td>7</td> </tr> <tr> <td>North-Western</td> <td>22</td> <td>16</td> </tr> <tr> <td>Sabaragamuwa</td> <td>21</td> <td>9</td> </tr> <tr> <td>Uva</td> <td>24</td> <td>11</td> </tr> <tr> <td>Western</td> <td>161</td> <td>127</td> </tr> <tr> <td>Eastern</td> <td>18</td> <td>13</td> </tr> <tr> <td>Southern</td> <td>31</td> <td>35</td> </tr> <tr> <td>Total</td> <td>322</td> <td>258</td> </tr> </tbody> </table>	Province	2015/16	2014/15	Central	24	25	Northern	10	15	North-Central	11	7	North-Western	22	16	Sabaragamuwa	21	9	Uva	24	11	Western	161	127	Eastern	18	13	Southern	31	35	Total	322	258	<ul style="list-style-type: none"> ➤ Almost half of the new recruits accumulating to 161 personnels were sourced outside the Western province. ➤ We give concern to recruit employees within the areas where we operate, enabling us to better understand the local cultures. ➤ Employees were recruited from all nine provinces, giving reasonable weighting to each province. ➤ When compared with the previous year the recruitments of the Western province has improved recording 26.77 percent growth rate.
Province	2015/16	2014/15																																	
Central	24	25																																	
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Total	322	258																																	

HC Table - 3

RETENTION

G4-LA1



Coping in an overcrowded industry, retaining our employees within the organisation warrants careful planning and focused strategy & actions. Therefore, we remain consistent in our efforts to nurture an enabling workplace where employees could learn and grow their skills, gain experience and build solid careers. In this regard, we closely engage our employees, ensuring employee wellbeing, performance based recognition and rewards; strategic training opportunities; health and safety measures and redressing their grievances.

People Development Award - 2015

Attrition Facets - 2015/16	
<p>Staff Turnover</p>	<ul style="list-style-type: none"> ➤ The average staff turnover ratio of 8.57 percent (150 employees) recorded an improvement as compared to the ratio of 10.24 percent (166 employees) as at the preceding year-end. ➤ Thus retention rate has improved to almost 91.43 percent from 89.76 percent recorded in the previous year.
<p>Employee Category</p> <ul style="list-style-type: none"> ➤ The turnover of executive staff and above categories were lower at 16 while non-executive category totalled to 127 employees. ➤ Seven employees of the minor staff category resigned during the year. 	<p>Attrition by Employee Category</p>
<p>Attrition by Gender</p>	<ul style="list-style-type: none"> ➤ Turnover of female employees was lower at 25 whilst male employee turnover was 125, representing 83.33 percent of the total staff turnover. ➤ The gender analysis of staff turnover exhibits a marginal change when compared with the previous year.

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Attrition Facets - 2015/16

Age Analysis	<ul style="list-style-type: none"> Higher staff turnover was recorded in the 'Gen Y' category of employees, below 29 years of age accounting to 129 employees. The second highest turnover was notified in the age category of 30-39, indicating 18 individuals while two in the age of 50-59 and one in the age of 40-49. 	<p>Attrition by Age Group</p> <p>Legend:</p> <ul style="list-style-type: none"> > 60 years 50-59 years 40-49 years 30-39 years < 29 years 																																	
Regional Analysis	<table border="1"> <thead> <tr> <th>Province</th> <th>2015/16</th> <th>2014/15</th> </tr> </thead> <tbody> <tr> <td>Central</td> <td>11</td> <td>9</td> </tr> <tr> <td>Northern</td> <td>4</td> <td>7</td> </tr> <tr> <td>North-Central</td> <td>7</td> <td>9</td> </tr> <tr> <td>North-Western</td> <td>13</td> <td>8</td> </tr> <tr> <td>Sabaragamuwa</td> <td>9</td> <td>4</td> </tr> <tr> <td>Uva</td> <td>10</td> <td>10</td> </tr> <tr> <td>Western</td> <td>76</td> <td>93</td> </tr> <tr> <td>Eastern</td> <td>11</td> <td>12</td> </tr> <tr> <td>Southern</td> <td>9</td> <td>14</td> </tr> <tr> <td>Total</td> <td>150</td> <td>166</td> </tr> </tbody> </table>	Province	2015/16	2014/15	Central	11	9	Northern	4	7	North-Central	7	9	North-Western	13	8	Sabaragamuwa	9	4	Uva	10	10	Western	76	93	Eastern	11	12	Southern	9	14	Total	150	166	<ul style="list-style-type: none"> The Western province recorded the highest turnover with 76 employee resignations and the lowest was recorded in the Northern province. However the Company has been able to minimise the staff turnover in each province except in Central, North western and Sabaragamuwa provinces.
Province	2015/16	2014/15																																	
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Total	150	166																																	
Service Analysis	<ul style="list-style-type: none"> Reflecting well on the strategies, over 58 percent of the cadre amounting to 1,067 personnels fell under the service category of above three years of service. 41.82 percent of the cadre, 767 employees recorded below three years of service against 719 employees in the previous year. 	<p>Service Analysis</p>																																	

HC Table - 4

Retention after Maternity

G4-LA3

Complying with the Shop and Office Employees Act, our female employees are entitled to take 84 working days and 42 days for the third child. Female employees are also encouraged to take feeding entitlement of one hour after returning from maternity leave. During the year under review, 24 employees went on maternity leave, corresponding to over 5 percent of the total female employees. Out of those employees, 18 employees returned to work whilst six are currently on maternity leave (HC Table - 5).

Retention - After Maternity Leave		
Description	2015/16	2014/15
Entitled for maternity leave	422	354
On maternity leave	24	33
Returned to work after maternity leave	18	26
Employed for the last 12 months after the returning from maternity leave	31	28

HC Table - 5

Remuneration & Rewards

G4-51, 52, LA2, LA13

Remuneration at PLC is formulated impartially based on the employee's level of competence and responsibility as per the given job description. Remuneration is on par with industry standards and cost of living is factored in determining the revisions. All allowances, rewards, incentives and bonuses are linked to performance both at the team level and individually, ascertained during the bi-annual performance evaluations as will be discussed in the ensuing section.

In the reporting year, the total expenditure on salaries and benefits to employees posted an increase of 15.45 percent over the previous year to Rs. 1,807.02 million. For high achievers, we extended bonuses above the market along with salary increments and overseas trips.

We also maintained a balanced remuneration structure in terms of gender—the average basic salary of female employees across categories were 75 percent of the basic salary of male employees.

In the year, we initiated a market salary survey through a panel of external experts. Thus we revised our salary scales for all employees based on their performance with effect from April 2016.

Permanent Employee Benefits		
Key Benefits	2015/16 Rs. Mn	2014/15 Rs. Mn
Salaries, wages & bonus	1,118.99	1,034.05
Overtime	32.93	30.69
Leave encashment	27.96	24.15
Allowances	125.10	120.67
Medical expenditure	105.82	79.34
Incentives	219.59	155.09
Interest support on housing loans	8.34	5.83
Professional development	0.56	0.79
Memberships in professional bodies	0.81	.85
Health insurance	101.81	79.34

HC Table - 6

Basic Salary Ratio - Gender - 2015/16		
Employee Category	Male	Female
Senior Manager	1.63	1.00
Line Manager	1.13	1.00
Executive	0.89	1.00
Non Executive	1.00	1.00
Minor Staff	1.00	1.00
Average Salary Ratio	1.33	1.00

HC Table - 7

Defined Benefits and Contributions

G4-EC3

Upholding our statutory obligations, we continue to be conscientious in meeting the defined benefits including contributions to the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) as per the Act No. 15 of 1958 and Act No. 16 of 1980 along with the subsequent amendments respectively. Our Company contributes 12 percent to EPF and three percent to ETF whilst employees' contribution to EPF is eight percent. In terms of gratuity, as per the Act No. 12 of 1983, our obligation is half a month's basic salary for each completed year of service for those employees who have completed five years or more in service. As at the reporting year, our EPF and ETF expenses totaled to Rs. 118.51 million whilst the gratuity liability stood at Rs. 226.99 million.

Performance Management

G4-LA11

Advocating a performance based culture, we have in place a well-structured, interactive and a transparent mechanism to manage employee performance, enabling and motivating them to work at their best, whilst supporting to meet the goals set for the organisation.

Carried out bi-annually on a 180° platform, our performance management scheme is in line with best and current practices in HR management. Our appraisals seek to give an unbiased evaluation of employee's performance in terms of the pre-agreed targets set for the year, both at an individual level and collectively as a team. The evaluation is based on operational performance, service level, relationship building, team spirit, social responsibility and attitude and professionalism.

This assessment along with the rating is taken as the basis to determine employee rewards and recognition; to ascertain training requirements; and support succession planning and career mapping for high achievers.

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In the reporting year, all employees across the categories were evaluated and necessary actions were taken in terms of recognition, rewards and organising training sessions to further extend employee performance.

Succession Planning & Management Training

An on-going process, succession planning is a critical aspect of our HR strategy. Right caliber employees are mentored carefully and consistently—empowering them with due training to take up leadership roles in the future. The performance management scheme supports the management in this regard.

Our management trainee programme encompassing the best talent in the country is part of our succession planning process. The high-achievers amongst the trainees are identified and given extensive training including strategic management and leadership exposure to mentor and shape their personalities and careers.

At the management level, succession planning is taken up by the Board.

Professional Development Scheme

We also have in place an established higher education reimbursement scheme for employees to further their professional studies at the certificate, diploma, MBA and post graduate diploma; inter alia, in finance, banking, insurance, human resources, legal and business administration. During the reporting year, we also initiated 15 weeks management development programme in collaboration with the Post Graduate Institute of Management (PIM) and with the Association of Accounting Technicians (AAT), seeking to enhance managerial and leadership skills of our executives and management level staff. 76 of our managerial staff participated in this training programme. Our employees are also eligible to reimburse their subscription fees to obtain and maintain their memberships in professional bodies.

As at the reporting date, we have 14 employees pursuing their academic and professional studies under our professional development scheme. The investment for this scheme stood at Rs. 0.56 million while the cost of reimbursing membership fees in professional bodies reached up to Rs. 0.81 million.

Employee Wellbeing

G4-LA5, LA8

Balanced Work-life

▼

Special programmes were conducted for the employees of the Company to nurture a balanced life-style. These programmes entailed religious ceremonies, entertainment events and fitness building sessions to support staff to cultivate mental and physical wellbeing.

Creating a positive, healthy and a safe workplace environment is fundamental to ensure the wellbeing of our employees, in effect, supporting us to curtail job absenteeism, lower staff turnover and secure higher productivity levels in our operations. Our approach in this context, is proactive—enabling employees to strike a balance between work-life; extending comprehensive welfare benefits; advocating a healthy lifestyle; and adopting safety and preventive measures to minimise occupational injuries and illnesses. The Company, however, is not bound by any formal agreements with employees in this regard.

In the year under review, we enhanced our medical insurance scheme including annual health check-ups, spectacle coverage and reimbursement of OPD channeling fees; and the hospitalisation cover was increased by 100 percent.

Welfare Measures	Healthy Lifestyle	Safety Measures
<ul style="list-style-type: none"> ▶ Death donations to employees and immediate family including spouse's family ▶ Concessionary loan scheme to purchase vehicles for executives and above grades ▶ Concessionary loan scheme for housing ▶ Telephone instrument cost reimbursements ▶ Concessionary rates for holiday bungalow in Bandarawela and vehicle hires 	<ul style="list-style-type: none"> ▶ Fully-equipped gymnasium with training support at the head office ▶ Memberships to health clubs for branch staff ▶ Medical, accident and life insurance ▶ Critical illness fund for illnesses not covered by medical insurance ▶ Awareness programmes and training on health and nutrition and preventive care of serious diseases 	<ul style="list-style-type: none"> ▶ Building maintenance system with fire safety options ▶ Fire safety equipment ▶ Fire drills ▶ Extensive training for designated fire wardens ▶ First aid and training for volunteers ▶ Well maintained fleet of vehicles

Occupational Injuries & Health Issues

G4-LA6, LA7

Given an office based operational environment, occupational injuries and health issues within the workplace is relatively insignificant. However, our operational level staff—representing around 36 percent of the workforce—engaged in field marketing and site visits are exposed to road accidents. In the reporting year, six of our employees recorded road accidents during work hours. All medical expenses in this regard were borne by the Company through the Company's insurance and due leave was granted without any material changes to their remuneration. The lost days recorded due to these accidents stood at 126. There was no other work related health issues and fatalities reported in the year.

Collective Bargaining

G4-11, LA4

Our Company is not bound by a trade union and therefore, we do not have collective bargaining agreements with our employees. However, we are proactive and hands-on in ensuring good relations with our employees across the board. We maintain a consistent dialogue with our staff members and ensure that they are well informed and engaged in the decision making process including any material change to the organisation structure and operations. Regular staff meetings, the intranet and bi-annual performance appraisals, inter alia, support our efforts in this regard. If disputes arise with our employees, we have a structured grievance redressal mechanism to iron out their grievances and issues whilst the activities of our Sports and Welfare Society brings a collaborative culture to our workplace. In the year under review, we did not record any incidences of employee disputes at a collective level. Minimum notice period for resignation for the non-executive and executive cadre are four and eight weeks before respectively.

Sports and Welfare Initiatives

Taking on a pivotal role, our Sports and Welfare Society continued to building harmony, fellowship and team spirit across the organisation. In the reporting year, the society initiated several events and programmes for the staff members and their immediate family, including new year celebrations, religious activities and sports events. The society activities continued to be funded by the membership fees whilst the Company supported to fund the welfare expenditure.

Annual Get-Together

Annual get-together was held at Saniro New Green Paradise -Naiwala where PLC employees and their family members got the opportunity to enjoy themselves.



Annual Vesak Lantern Competition

Celebrating the Vesak Festival, lantern competition was held inter-branch and inter-department at the head office. Ampara branch was adjudged the winner.



PLC Gee Padura

Musical show featuring renowned artistes was organised to raise funds for employee welfare activities, CR& FC Grounds, September 2015.



Pirith Ceremony

Marking the 19th corporate anniversary, Pirith was chanted to invoke blessings to the group and staff members.



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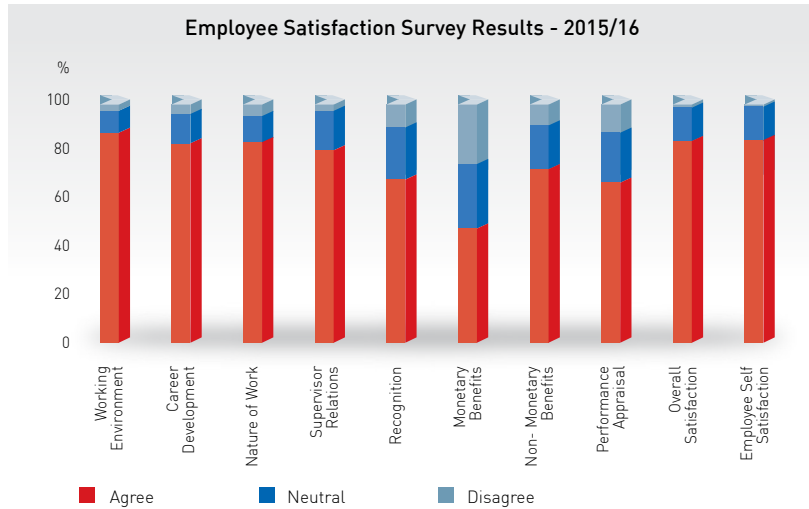
Grievance Redressal

G4-57, 58, LA16, HR12

We follow an open door policy where employees are encouraged to discuss their issues and grievances with their immediate line managers and departmental heads and even give their feedback on workplace practices. However, if the first level interaction does not bear the desired outcomes, employees have recourse to a formal grievance redressal mechanism which is independently managed by the HR department. A log system to record grievances is being developed. The Whistleblower Policy coming under the purview of the Internal Audit is also a structured mechanism which is in place where employees could avail to address their concerns on their rights, violations or misdeeds. In the reporting year, employee grievances were not directed to the HR department for formal redressal. Grievances with respect to employees' human rights and fundamental rights have not been filed through this formal process within the organisation and through litigation.

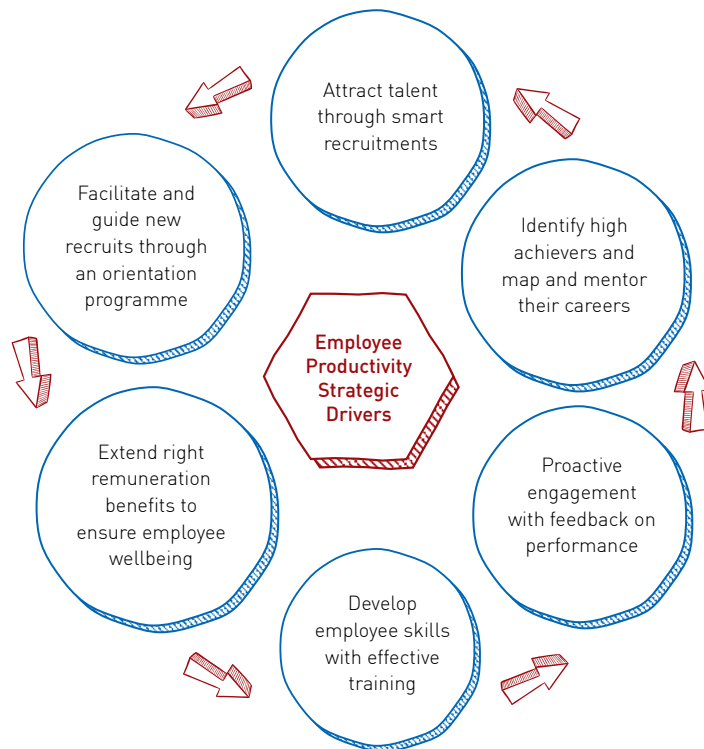
Employee Satisfaction

Employee satisfaction surveys are carried out periodically; effectively supporting us to ascertain their feedback and level of satisfaction on the workplace culture, HR management policies and practices. We conducted an in-house survey during the year covering all employees of the Company. As per the results, over 80 percent of the employees indicated that they strongly agree/agree on ten aspects surveyed. The findings were tabled for management level deliberations and action. As per the findings there was a negative response with regards to monetary benefits. Therefore a salary survey was conducted by a panel of external experts. Thus the Company revised the salary in April 2016. We also plan to continue this survey in the financial year 2016/17 to further strengthen the HR management practices of the Company.



Employee Productivity

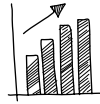
We have over the past 20 years of our journey mustered and secured higher levels of employee motivation, in turn, underscoring our progress as a top-tier financial services provider in the country. We have increasingly sought to adopt the right tools, policies & practices to enable right recruitments & to develop and manage talent and thus, deliver on higher productivity levels.





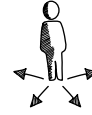
Rs. 10.96 Mn

Gross Income Per Employee



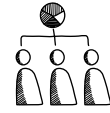
Rs. 2.48 Mn

Profit After Tax Per Employee



Rs. 1.03 Mn

Value Added Per Employee



Rs. 12.42 Mn

Net Assets Per Employee

TRAINING AND DEVELOPMENT

G4-LA9, LA10

Toastmasters Training

In a bid to give our young executives an exposure to public speaking with confidence, we organised a training session with an eminent toastmaster, representing the Colombo Toastmasters Club. Both junior and senior level executives at the head office participated at the sessions where they were extensively trained on the techniques of speech-craft and presentations. Plans are underway to form a PLC Toastmasters Club in collaboration with the Colombo Toastmasters.

Key Indicators:

- Number participated: 20
- Training hours: 500

In a complex business environment, learning and developing employee skills underscore an organisation's success. It plays a pivotal role within our HR strategy—seeking to develop a well-rounded employee base, competent and empowered to meet the challenges of our industry.

Our approach to training is structured and pragmatic; due precedence is given to address skills gap that may compromise our competitive edge. Our annual training plan is comprehensive and focused on extending best-fit training opportunities to enhance technical expertise as well as to nurture soft skills; and thus, meet our strategic goals and objectives whilst addressing employee's career aspirations. Our performance evaluations scheme supports this endeavour, effectively, identifying skills gaps, prioritising

training needs and setting out the desired scope of programmes. Post evaluations of training programmes support us to ascertain the effectiveness of the resource persons, scope and outcomes of the programmes initiated.

Internal Training

As a top-tier corporate in the industry, we have the necessary expertise to offer extensive learning exposure within the network for our employees to grow and gain rounded-skills. Our training strategy effectively uses this option—which is cost-effective and pragmatic—paving the way for employees to gain from on-the-job training, job rotation and cross placements. In the reporting year, four employees were cross-placed in our subsidiaries whilst 117 employees were given transfers inter-departments and branches. Aside from this, internal resource persons are effectively used to carryout structured training in programmes to strengthen operational knowledge, technical expertise and on the corporate's value system.

Induction Programme

G4-56

We continued to brace our induction programme which supports our new recruits to fit-in to our corporate culture and deliver on their new job roles.

The programme which spans two-week covers familiarisation training on operations, systems, processes, procedures and on our corporate's ethos. Further new employees are oriented on the code of conduct and ethics by Head of HR. This also entails on-the-job training at the head office including all departments and, at the branch level, if deemed significant, and at the subsidiaries through temporary cross-placements. Networking opportunities are also extended with peers and the management to get acquainted and build team spirit. The HR portal initiated

in the year along with the 'Employee Induction Handbook' was effectively used to disseminate information and educate the new recruits on our HR policy, the code of conduct and standard operating procedures.

External Training

Aside these internal programmes, we also continue to rely on external training—carefully planned to give employees the maximum exposure to current and best practices in the industry and in the business arena, both locally and internationally. This year, we opened up further opportunities for our employees to participate in well-structured and relevant training programmes conducted by renowned resource persons and institutions in the country. With the aim of improving our employee devotion and trustworthiness, a special training session named; employee loyalty was organised for our employee with less than three years of service, where 87 employees participated covering 827.5 hours. Aside, three foreign training programmes were also extended to carefully selected key employees in India, Japan and Dubai, enabling strategic benefits and exposure from international best practices.

Security Training

G4-HR7

Security at PLC is an outsourced function. Yet, we are conscious and recognise their role as our front-line staff and the first point of contact for employees, customers and all other stakeholders. Hence, it makes strategic sense to educate the security personnel on our corporate ethos and values including human rights aspects relevant to our organisation. We extend due training periodically on best practices, giving emphasis to respect human rights and observe good decorum in discharging their daily duties.

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HUMAN CAPITAL

Training Facets - 2015/16

<p>Training Programmes</p>	<p>Training Programmes</p> <p>Number</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of Programmes</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>95</td> </tr> <tr> <td>15/16</td> <td>109</td> </tr> </tbody> </table>	Year	Number of Programmes	14/15	95	15/16	109	<ul style="list-style-type: none"> Carried out a total of 109 structured training programmes encompassed 1,381 employees including 1,016 non-executives. 36 training programmes were conducted to train employees in-house. 24 induction programmes were organised for 322 new recruits covering 10,720 training hours. 1,622 employees participated in 73 external training programmes whereas 14 employees were sent on foreign training. 												
Year	Number of Programmes																			
14/15	95																			
15/16	109																			
<p>Training Hours</p>	<ul style="list-style-type: none"> Total training hours stood at 39,802, representing an increase of 7.33 percent over 2014/15. Covered 51.44 percent of the training hours through external training. 82.09 percent of the total training hours were spent to develop technical skills whilst 17.91 percent was utilised to develop soft skills. As at the year end, average training hours per employee stood at 21.70 whereas 22.26 hours were recorded in 2014/15. 	<p>Training Hours</p> <p>Hours</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>37,000</td> </tr> <tr> <td>15/16</td> <td>39,802</td> </tr> </tbody> </table>	Year	Hours	14/15	37,000	15/16	39,802												
Year	Hours																			
14/15	37,000																			
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<p>Training Investment</p>	<p>Training Investment</p> <p>Rs. Mn</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Local Training (Rs. Mn)</th> <th>Foreign Training (Rs. Mn)</th> </tr> </thead> <tbody> <tr> <td>14/15</td> <td>18.5</td> <td>7.5</td> </tr> <tr> <td>15/16</td> <td>14.5</td> <td>7.5</td> </tr> </tbody> </table>	Year	Local Training (Rs. Mn)	Foreign Training (Rs. Mn)	14/15	18.5	7.5	15/16	14.5	7.5	<ul style="list-style-type: none"> Total investment on training reached Rs. 22.80 million whereas Rs. 26.76 million vis-à-vis the previous year. Rs. 14.91 million & Rs. 7.89 million was spent on local training & foreign training respectively. 									
Year	Local Training (Rs. Mn)	Foreign Training (Rs. Mn)																		
14/15	18.5	7.5																		
15/16	14.5	7.5																		
<p>Employee Category Analysis</p>	<ul style="list-style-type: none"> Out of the totaled trained, 1016 with 22.19 average training hours falls into the non-executive category whilst 246 falls into the executive category with an average training hours of 24.18. The line management & senior management category with 80 & 17 employees recorded an average training hours of 17.43 & 27.77 respectively. The Company has also extended trainings to minor staff with 6.6 average training hours. 	<p>Employees Trained by Category</p> <p>Number</p> <table border="1"> <thead> <tr> <th>Category</th> <th>2014/15</th> <th>2015/16</th> </tr> </thead> <tbody> <tr> <td>Senior management</td> <td>17</td> <td>80</td> </tr> <tr> <td>Line managers</td> <td>17</td> <td>80</td> </tr> <tr> <td>Executives</td> <td>246</td> <td>1016</td> </tr> <tr> <td>Non-executives</td> <td>600</td> <td>1000</td> </tr> <tr> <td>Minor staff</td> <td>6.6</td> <td>6.6</td> </tr> </tbody> </table>	Category	2014/15	2015/16	Senior management	17	80	Line managers	17	80	Executives	246	1016	Non-executives	600	1000	Minor staff	6.6	6.6
Category	2014/15	2015/16																		
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<p>Gender Analysis</p>	<p>Employees Trained by Gender</p> <table border="1"> <thead> <tr> <th>Gender</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>77%</td> </tr> <tr> <td>Female</td> <td>23%</td> </tr> </tbody> </table>	Gender	Percentage	Male	77%	Female	23%	<ul style="list-style-type: none"> Out of the total trained, 23.24 percent were accounted by female employees, mainly from the non-executive grade. 321 females & 1,060 males were trained posting 32.73 average females training hours whereas male average training hours stood at 27.64. 												
Gender	Percentage																			
Male	77%																			
Female	23%																			

HC Table - 8

SOCIAL CAPITAL ► COMMUNITY

OVERVIEW

In a developing nation landscape, it is highly warranted that companies of the caliber of PLC engage the local communities, support them and open up opportunities to better their socio-economic wellbeing. Guided by our values, being a responsible corporate and advocating an integrated strategy, we consider the impact of our day-to-day decisions on community and are committed to take upon our role in this social context. This section herein will report on our approach to community development and highlight our efforts to create positive long-term outcomes for communities.

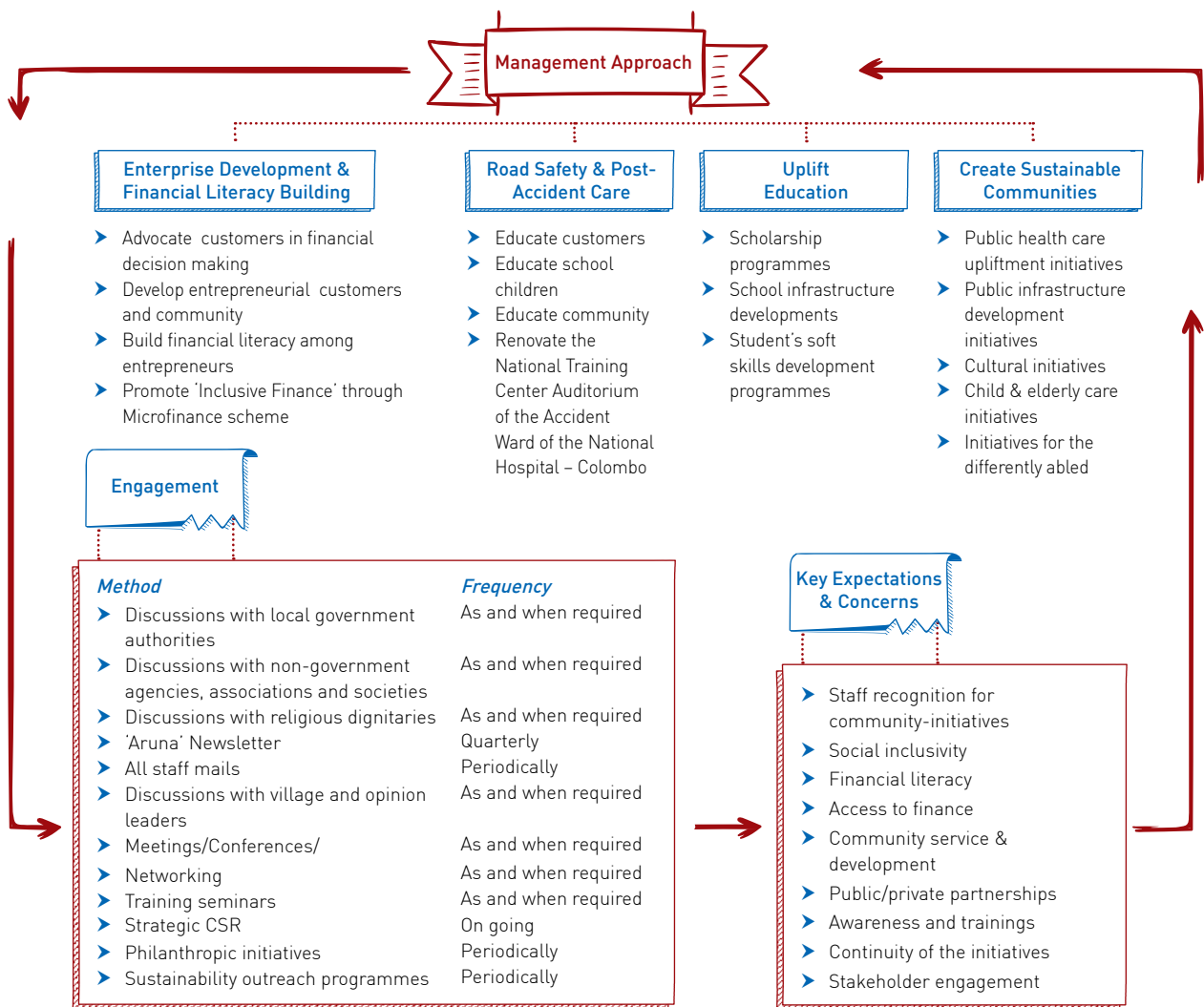
G4-21, 26, 27

MANAGEMENT APPROACH

Reinforcing our commitment towards integrated value creation, we continued to give precedence to corporate social responsibility (CSR). Our focus is on addressing current social issues, support and empower the communities, particularly, in the areas where we operate. Our campaign 'PLC Care' which we launched in the previous year, stood as our means to reach out to our social aspirations. This campaign is built on five-focused areas including four areas that relate to community based development, encompassing enterprise development and financial literacy, road safety and post accident care, education, and serving to create sustainable communities whilst the fifth area relates to environmental sustainability which is addressed under the section, 'Natural Capital'.



- High**
- Local communities
 - Compliance (Refer: Corporate Governance section)



CAPITAL MANAGEMENT

SOCIAL CAPITAL ► COMMUNITY

Community Spotlight - FY 2015/16

Highlights

Launched island wide enterprise development programme series to develop entrepreneurs and build their financial literacy.

Initiated "Road Smart" island wide awareness programmes on road safety for bus owners and operators in partnership with the Traffic Police of Sri Lanka.

Carried out island wide school poster competition on Prevention of Road Accidents where district and island wide winners were identified.

Ongoing renovation of the National Training Center Auditorium of the National Hospital, Colombo at an estimated cost of Rs. 4.1 Mn.

Rs.15.7 Mn balance payment made for the Kodikamam railway station restoration initiative.

Donation of Rs. 24.3 Mn worth surgical equipment for highly referred accident service units of 14 government hospitals

Launched 'Suwa Sathkara' eye and medical camps as a flagship programme benefitting 1,253 senior citizens.

Launched "Transformative CSR" awareness session across branch network to promote strategic corporate responsibility among PLC staff.

Key Performance Indicators

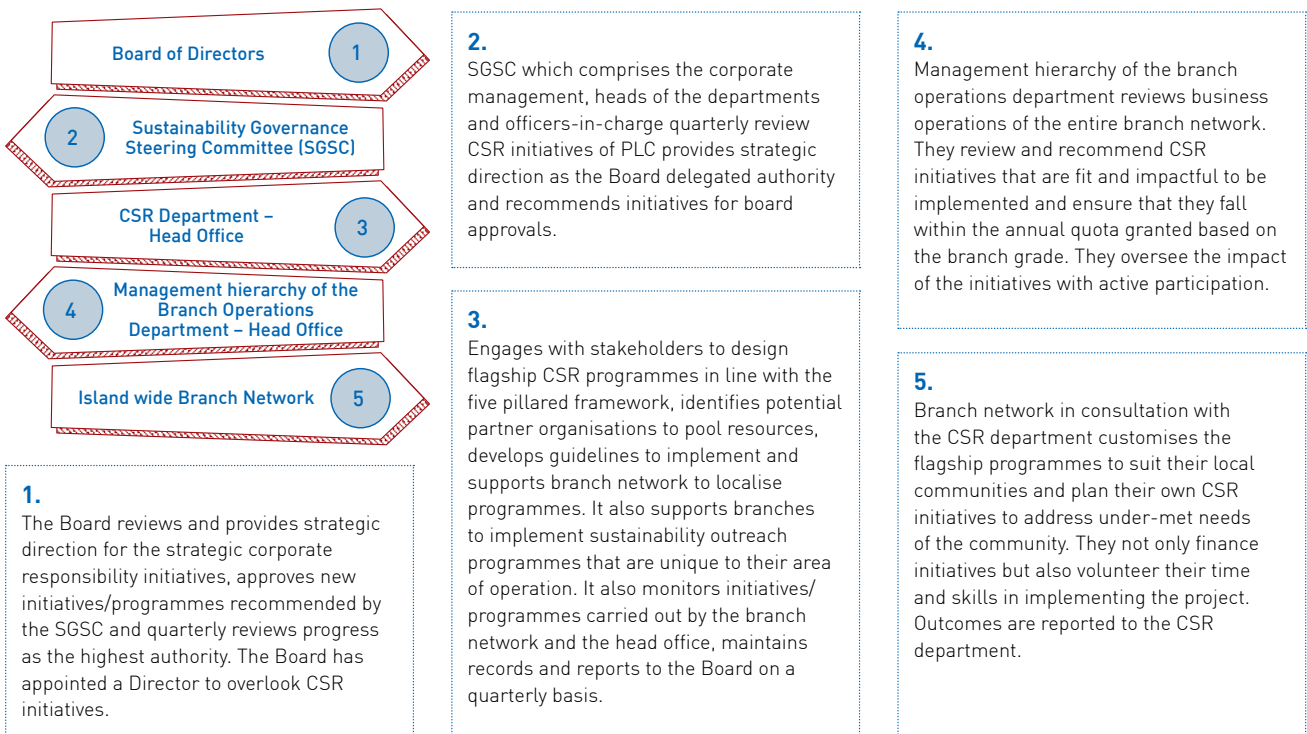
For the F.Y	2015/16	2014/15	% Change
Overall			
Community investment (Rs. Mn)	76.25	71.68	6.38
Community investment as a % of profit after tax (%)	1.75	1.91	(0.16)
Community based initiatives (Number)	158	127	24.41
Beneficiaries (Number)	392,765	237,657	65.27
Employee volunteerism (Hours)	29,659	16,060	84.68
01 Enterprise Development & Financial Literacy			
Enterprise development initiatives (Number)	7	1	600
Entrepreneurs trained/educated (Number)	575	1,300	(55.77)
Investment (Rs. Mn)	1.53	0.18	750
02 Road Safety & Accident Prevention			
Initiatives on road safety (Number)	22	18	22.22
People educated on road safety (Number)	3,666	12,375	(70.38)
Investment (Rs. Mn)	31.60	3.30	857.58
03 Uplift Education			
Initiatives related to education (Number)	26	31	(16.13)
Scholarships continued (Rs. Mn)	0.46	0.33	36.94
School infrastructure development projects (Rs. Mn)	1.50	6.72	(77.68)
Investment (Rs. Mn)	6.45	14.7	(56.12)
04 Create Sustainable Communities			
Initiatives (Number)	103	77	33.77
Healthcare investment (Rs. Mn)	3.92	4.55	(13.85)
Community infrastructure development (Number)	4	5	(60)
Community infrastructure development (Rs. Mn)	18.03	36.25	(50.26)
Other community investment (Rs. Mn)	14.72	12.70	15.91

SC Table - 1

OPERATIONAL STRUCTURE

Guided by the five pillared framework, the CSR department at Head Office and the branch network plan and implement the strategic corporate responsibility initiatives. The progress of the programmes /initiatives are reported to the Sustainability Governance Steering Committee (SGSC) on quarterly basis and Board of Directors to review and provide strategic guidance.

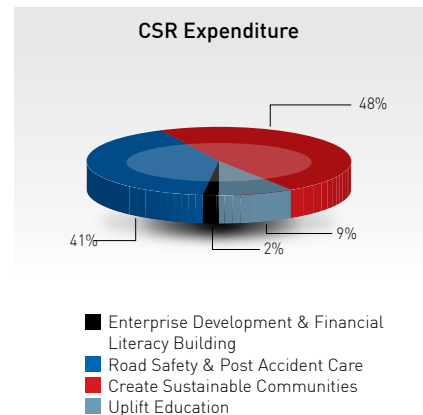
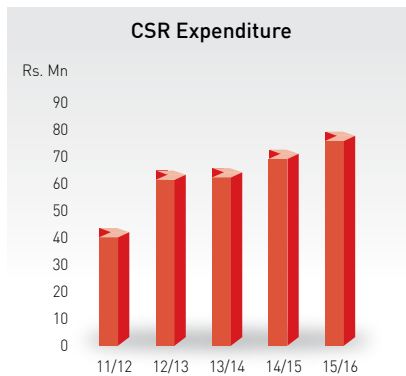
The intranet, staff circulars, e-mails and articles published in our quarterly newsletter, 'Aruna', support our efforts to embed and internalise strategic corporate responsibility across the organisation. As a member of the CSR Sri Lanka, we are also guided by their expertise to select projects that are more relevant to our business whilst having a greater impact on society.



CSR Investment

G4-S01

As a policy, we invest maximum 2.5 percent of our net profits on CSR initiatives, being focused in our goal to continue to be a responsible and most admired corporate. This is complemented by the employee volunteered time and skills to spearhead socially responsible initiatives whilst being accountable in our daily operations to our communities in which we operate.



CAPITAL MANAGEMENT
SOCIAL CAPITAL > COMMUNITY

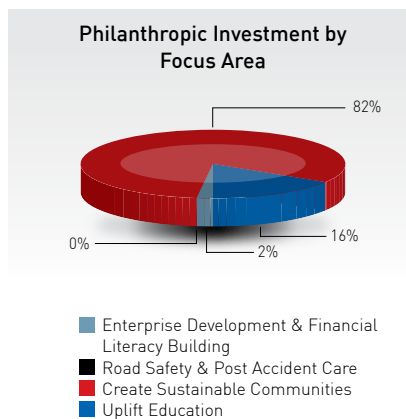


Mr. Sumith Bandara, Chairman/Managing Director of Dikoya Dairy Products Pvt. Ltd. cum active PLC customer
Location : 'Agri', Ice cream processing factory, Ambaraluwa South, Weliveriya.

**SOCIAL POLICY
BY ENCOURAGING,
SUPPORTING, CARING
AND EMPOWERING, WE
REMAIN COMMITTED
TO PURSUING OUR
SUSTAINABILITY AGENDA,
BUILDING SUSTAINABLE
DEVELOPMENT
PLATFORMS THAT WILL
POSITIVELY IMPACT THE
COMMUNITIES AROUND US.**

Philanthropic Investment

In addition to strategic CSR, PLC makes Philanthropic contributions to charities and other good causes to maintain good stakeholder relations. During 2015/16, PLC spent Rs. 18.81 million on projects and initiatives in our five focused areas.



**FOCUS AREA: ENTERPRISE
DEVELOPMENT & FINANCIAL LITERACY
BUILDING**

G4-FS13

Refer: Relationship Capital - Customer, Pages 54 to 68.

Subsidiary Review, Pages 128 to 132

As a finance and leasing company, particularly, with a significant funding

exposure to the small and medium enterprises (SME) sector, building entrepreneurship is pertinent and therefore, stands significant from our social responsibility perspective. The ripple-effect impact that is entailed in promoting entrepreneurship further strengthens our rationale for such an engagement.

Apart from financing the income generation process, branch managers and teams play an advisory role to the poor. The micro finance subsidiary was also established in 2010 with this objective of increasing financial accessibility to the low and medium income households, especially women.

As discussed in detail under the 'Customer' section of this report, we also remained committed to engage and advocate financial literacy amongst the general public; particularly, targeting the rural communities with less exposure to be financially empowered.

In addition, development of entrepreneurship skills and financial literacy through flagship initiatives further supports our efforts to develop the SMEs who lack formal education and sound knowledge to build and sustain businesses.

Flagship Programme to Promote Enterprise Development and Build Financial Literacy

We understand that starting and growing businesses require more than funding and our flagship enterprise development approach is founded on access to finance, markets and to non-financial business support.

In 2015/16, we launched a flagship programme to provide business advice and support to 575 individuals, through a series of seminars across the country.

FLAGSHIP ENTERPRISE DEVELOPMENT & FINANCIAL LITERACY BUILDING PROGRAMME



Menaka Lakmali - A loyal customer of PLC Kegalle

"I am a small scale shoe producer in Kegalle and I participated for this programme with the expectation of gaining more knowledge to develop my business. As I expected, this programme has been very informative and interesting. I gained lot of insights to improve my business and become a successful entrepreneur, thanks to People's Leasing & Finance PLC."

GOAL

Enable economic empowerment of 5,000 entrepreneurs across our value chain by 2020.

NATURE OF PROGRAMME

The programme promotes entrepreneurship and supports business ventures and start-ups by educating participants on entrepreneurial skills of participants and providing financial literacy which are critical to sustain an enterprise through an interactive one day workshop. A guide book is given to complement capacity building.

ON TRACK PROGRESS

Programmes (Number): 5
Beneficiaries (Number): 575
Employee volunteerism (Hours): 1,218
Investment (Rs.): 1.24 Mn

FOCUS AREA: ROAD SAFETY & POST ACCIDENT CARE

Addressing a critical social issue of our times, road accidents—we have given strategic priority to take up an advocacy role to create awareness and promote road safety and accident prevention amongst the general public. Our engagement in this regard is relevant and merited given that our core operational focus is on motor vehicle leasing and finance, which creates an indirect impact and contributes to the growing issue and related consequences of congestion and accidents in the city and in the immediate outskirts.

Going a step beyond, PLC this year conducted a needs assessment in the accident units of government hospitals, via the Orthopedic Unit, General Hospital, Colombo on the requirement of equipment that are critical for surgeries. According to the results of the need assessment PLC has decided to donate the necessary equipment for 14 such accident wards.

Road Accident Prevention

Create awareness on prevention of road accidents amongst customers, general public and school children.

Addressing Gaps in Post-Accident Care

In response to the gaps in post-accident care, we initiated a programme with an initial donation of Rs. 308,000 last year to the Accident Ward of the General Hospital, Colombo.

CAPITAL MANAGEMENT
SOCIAL CAPITAL > COMMUNITY

RENOVATION OF THE NATIONAL TRAINING CENTER AUDITORIUM OF THE ACCIDENT WARD OF THE NATIONAL HOSPITAL - COLOMBO



Pushpa Ramyani Zoysa - National Training Coordinator, National Hospital, Colombo
"The Accident and Orthopaedic Service of the National Hospital of Sri Lanka is the premier designated trauma centre in Sri Lanka.

The National Training Centre of the Accident & Orthopaedic Service was established in 1991 under the FININDA Project (Finland Government). Annually we have been training nearly 25,000 – 30,000 including medical officers, nursing officers, medical students etc. But unfortunately we faced many difficulties to conduct these valuable trainings due to lack of training equipment and the poor training environment.

As we mark our 25th anniversary year of the Accident Ward of the National Hospital, we are delighted to have the partnership of People's Leasing & Finance PLC. We are pleased about their kind corporation on renovating the training center and making such a friendly training environment for the participants across the country."

GOAL

Enable training capacity for 25,000-30,000 healthcare workers annually.

NATURE OF PROGRAMME

The National Training Center of the Accident Service Unit of the National Hospital, Colombo is the apex body that builds capacity of over 300,000 healthcare workers annually in support of the emergency health service. The Auditorium of the National Training Centre was in a poor state although operating at full capacity with minimum resources. Therefore, PLC supported to equip the auditorium with required training infrastructure including audio visual equipment, air conditioning, partitioning, ceiling and floor work and painting to provide a decent and pleasing learning environment for the participants. Work is in progress.

ON TRACK PROGRESS

Participants benefited (Number): 25,000-30,000 annually

Employee volunteered (Hours): 78

Allocation (Rs.): 4.1 Mn

Incurred expenses (Rs.): 1 Mn

ROAD SAFETY AWARENESS PROGRAMME



Programme in Brief

Recently launched "Road Smart" - one-day programme series seek to create awareness amongst vehicle owners and operators to minimise road accidents which occur mainly due to their negligence. With CCTV records and their experiences in dealing with road accidents, the Traffic Police Sri Lanka partnered PLC to carry out an interactive session with vehicle owners and operators.

AREAS COVERED

- > Road rules
- > Illegal overtaking
- > High speed
- > Identifying pedestrian's faults
- > Responsibilities of vehicle operators
- > Awareness on Public Transport License

PROGRESS

"Road Smart" programmes (Number): 4	Benefited (Number): 1,180
Other awareness programmes (Number): 13	Benefited (Number): 2,486
Employee volunteered (Hours): 4,059	Investment (Rs.): 1.09 Mn

FOCUS AREA: UPLIFT EDUCATION

Given the criticality and wider connotations on socio-economic progress, education is prioritised as a key area within our social responsibility framework. Our aim is to support, uplift education facilities and empower underprivileged students and schools—paving the way for the next generations to be prepared to take on the future challenges in an emerging nation. Within this scope, we give funding support to develop school amenities, structure scholarships for needy and talented students, give learning opportunities and advocate responsible habits amongst students as well as teachers.

FLAGSHIP SCHOLARSHIP PROGRAMME – “SENEHASA”**Master Nesara De Silva Wijesinghe - all-island 4th in the Grade 5 Scholarship Exam - 2014**

"I am the youngest of a family of three. We live in a rented house. My father is a security officer attached to the Horana branch. My mother is a housewife. Both my elder siblings got admission to study at leading schools after having succeeded at the Grade Five Scholarship examination and placed within the first ten on an all-island basis. They are now studying in Grade 12 and 10. I also did my studies well and was placed 4th all-island at the Grade Five Scholarship examination - 2014. I am currently studying at a leading school in Colombo.

My father finds it very difficult to bear our educational expenses with his mere salary. I am grateful for the scholarship support extended by People's Leasing & Finance PLC and for their long standing commitment.

One day, I am determined to be a good doctor and serve my motherland."

GOAL

To offer 50 monthly scholarships for talented and deserving students by 2020 until they complete their secondary/ tertiary education.

NATURE OF PROGRAMME

'Senehasa' scholarship programme offers monthly scholarships for the talented and deserving students and undergraduates until they complete their secondary/tertiary education.

ON TRACK PROGRESS

Students benefited (Number) : 6

Investment (Rs.): 456,000

**ISLAND-WIDE SCHOOL POSTER COMPETITION TO CREATE AWARENESS AMONGST SCHOOL CHILDREN ON ACCIDENT PREVENTION**

To mark the 20th anniversary year of PLC and the 25th anniversary year of the Accident Service Unit of the National Hospital, Colombo, an islandwide poster competition was held in partnership with the officials of the National Hospital. Over 2,000 entries were received, out of which national and district level winners were selected to be recognised.

CAPITAL MANAGEMENT

SOCIAL CAPITAL ► COMMUNITY



COMPETITION TO STIMULATE CREATIVITY AMONGST CHILDREN BY CONCEPTUALISATION OF A SAVINGS TILL

In order to stimulate conceptualisation skills of school children, a competition was held to design a 'savings till' in partnership with the Wijeya Newspapers Pvt. Ltd.

Children submitted 176 entries conceptualising innovative and creative designs on paper and as models. Winners were identified to be recognised.

FOCUS AREA: CREATE SUSTAINABLE COMMUNITIES

We remained committed to respond effectively to under-met community needs and thereby create sustainable communities. The areas under this focus include community infrastructure development, healthcare services, child development, support differently-abled people and promote cross cultural harmony.

"SUWA SATHKARA": FLAGSHIP PROGRAMME TO PROMOTE HEALTH & WELLBEING



M.P. Karunawathi - 73 year old mother of one of loyal customers of PLC Negombo since 2013

"I needed to get my eyes tested since a long time, but was unable to do so due to my financial problems. Today, PLC took an extra step towards the wellbeing of its customers going beyond their normal course of business. I am very grateful to PLC."

GOAL

To provide eye and health care solutions for 10,000 senior citizen customers/ their immediate family members island wide by 2020.

NATURE OF PROGRAMME

Mobile eye care and medical camps were held throughout the country under this programme. Free cataract surgery for those identified with symptoms, while bi-focal spectacles were distributed amongst those who required it. A qualified medical officer examined those with ailments and medicine was given away free of charge.

ON TRACK PROGRESS

Programmes (Number): 8

People benefited (Number): 1,233

Bifocal spectacles distributed (Number): 508

Cataract patients detected (Number): 56

Employee volunteerism (Hours): 3,705

Investment (Rs.): 1.1 Mn

In addition, PLC contribution to sustainable communities includes child care development, supporting differently-abled people, and initiatives to promote cross cultural harmony.

CHILD CARE

Awareness programme series on child abuse prevention, children's parks in Mahiyangana with a capacity to reach out to around 50 children promoted mental and physical well-being of children.

KEY INDICATORS

Beneficiaries (Number): 4,590

Employee volunteerism (Hours): 673

Investment (Rs.): 2.16 Mn

DIFFERENTLY-ABLED COMMUNITIES

245 Kgs of braille paper for 140 vision impaired students, 100 white canes for the blind and donation of essential items to 'Preethipura' Special Child Orphanage took place during 2015/16 to promote inclusivity and uplift the quality of life of the differently-abled people.

KEY INDICATORS

Beneficiaries (Estimated number): Over 300 children and adults

Employee volunteerism (Hours): 840

Investment (Rs.): 341,223

PROMOTING CROSS CULTURAL HARMONY AMONGST COMMUNITIES

Dansal initiatives were conducted by the branch network. This promoted the spirit of giving and encouraged food hygiene and environmentally-friendly habits amongst PLC staff who organised such events.

KEY INDICATORS

Beneficiaries (Estimated number): 237,400

Employee volunteerism (Hours): 15,393

Investment: Rs. 3.93 Mn

OPERATIONAL IMPACT ON COMMUNITIES

G4-S02

As a responsible corporate, we continued to give top priority and follow through best business practices. With due engagement with community leaders, local governmental and non-governmental agencies, we are committed to blend in our day-to-day operations to address community aspirations. In the year under review, we did not report on any negative impacts or disputes with the neighboring and host communities where we operate.

Recognitions on CSR

PLC bagged the following recognitions during 2015/16.

- One of the "Top 10" corporate citizens at the Best Corporate Citizens awards for the 2nd consecutive year.
- Gold Classification for corporate accountability in the Corporate Accountability Index
- Merit award for the CSR on '360° success' - Employee wellbeing programme for PLC staff at the JAESTICA awards.

Employee Volunteerism and Partnerships

Employees are encouraged and well recognised for their volunteerism in initiating and spearheading community based projects and programmes. This in turn, improves employee engagement and strengthens the ties between staff members across the organisation and the local communities. In effect, the performance appraisal scheme, both at the collective and at the individual level, accounts for social responsibility as an evaluation criterion. The best initiatives are recognised at Premier Awards: our annual branch and employee awards ceremony. At 2016, "Premier Awards" PLC recognised "Top 3" socially responsible branches for the first time.

PLC also believes that partnerships and collaboration are vital requirements for the effectiveness of our sustainability efforts that maximises our combined sustainability impacts and delivering lasting benefits for communities and the nation.

CAPITAL MANAGEMENT

SOCIAL CAPITAL ► COMMUNITY

Way Forward		
Focused area	Progress in 2015/16	Way forward 2016/17
Enterprise Development & Financial Literacy Building	<ul style="list-style-type: none"> ➤ Educated 575 entrepreneurs on entrepreneurial skills and financial literacy. 	<ul style="list-style-type: none"> ➤ Continue educating entrepreneurs on entrepreneur skills and financial literacy.
Road Safety & Post Accident Care	<ul style="list-style-type: none"> ➤ Educated 3,666 customers, school children and community on road safety and accident prevention. ➤ Renovated National Training Centre auditorium of the National Hospital, Colombo. ➤ Presented surgical instruments for the accidents wards in island wide 14 hospitals. 	<ul style="list-style-type: none"> ➤ Continue educating customers, school children and community on road safety ➤ Continue maintenance of the National Training Centre auditorium of the National Hospital, Colombo as the capacity building partner.
Uplift Education	<ul style="list-style-type: none"> ➤ Continued to offer scholarships and conducted student education/skill development initiatives. 	<ul style="list-style-type: none"> ➤ Provide school amenities, increase scholarship recipients and launch awareness programmes for the children.
Create Sustainable Communities	<ul style="list-style-type: none"> ➤ Invested in public health and infrastructure development initiatives. 	<ul style="list-style-type: none"> ➤ Continue to invest in public health care, infrastructure development and disaster relief that need attention.

SC Table - 2

NATURAL CAPITAL > ENVIRONMENTAL SUSTAINABILITY

OVERVIEW

With urgency mounting on addressing critical environmental issues from fast depleting natural resources, the green-house effect on the ozone layer, climate change and global warming, it is fitting for our organisation to be conscious of our environmental footprint. Although, the impact of operations is indirect within our scope of business in leasing and finance, we are steadfast in championing environmental stewardship at the corporate level, and nationally. The section herein will report on the management approach on a four-pillar basis, our engagement with employees and other key stakeholders to follow through key initiatives in our drive to be environmentally sustainable in operations.

G4-21, 26, 27

MANAGEMENT APPROACH

As a responsible corporate, we have an environmental policy in place that guides our operations to adopt best practices and manage the environmental impacts within our value creation process. Our approach is structured on a four-pillar basis; which is well attuned to our operations. Strategy formulation, action plans and delivery give due precedence to the four-pillar framework.

Under this direction, our environmental initiatives as discussed below cover the best practices adopted within the workplace to plan out campaigns including public-private partnerships.

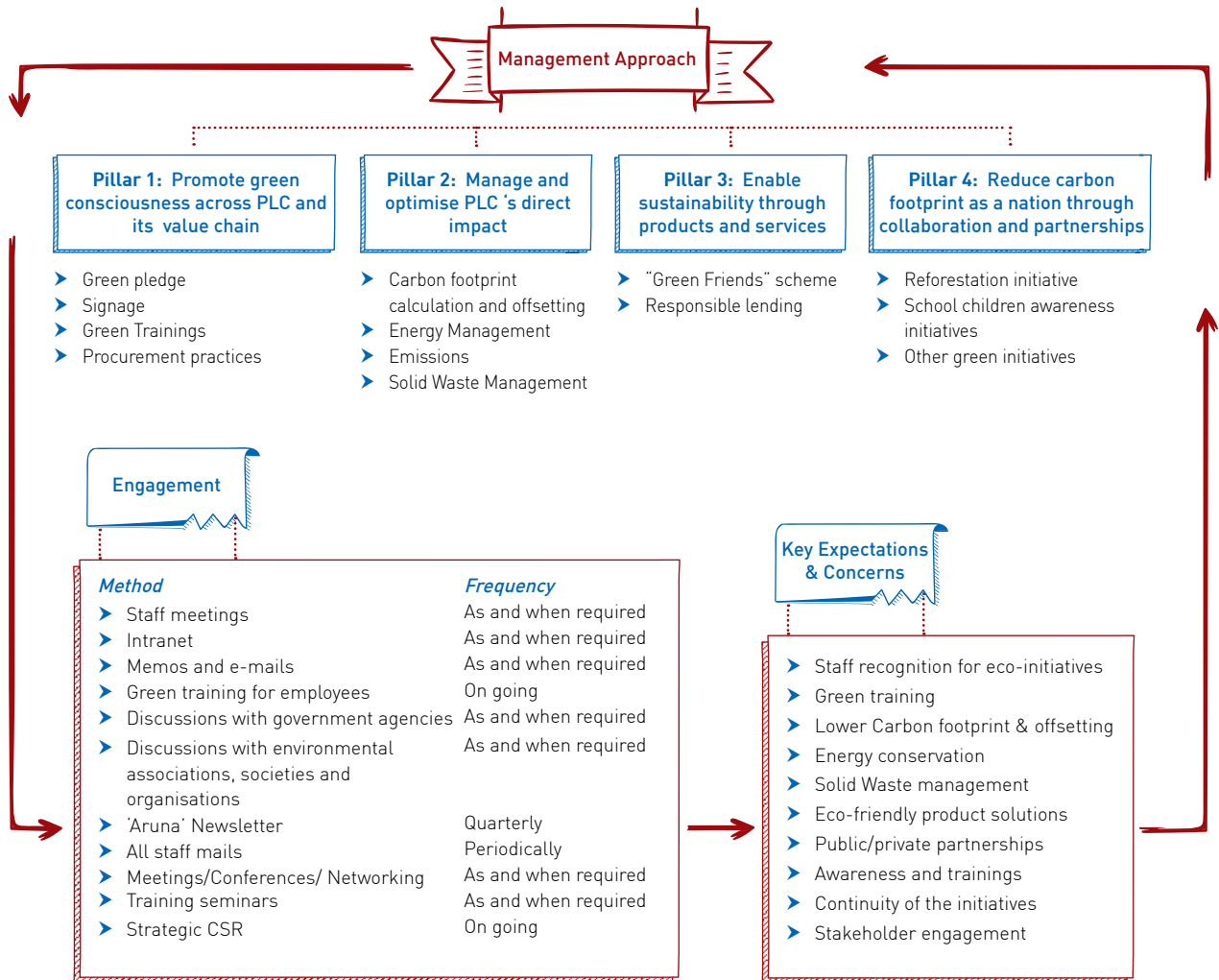


High

- > Emissions

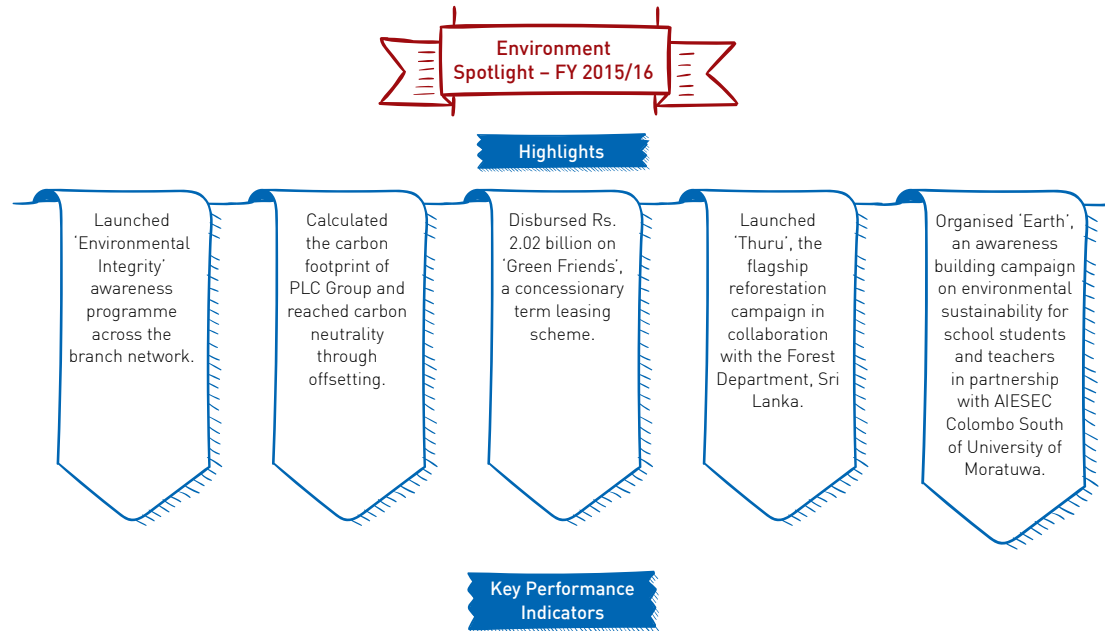
Moderate

- > Energy
- > Effluents and waste
- > Products and services (green)
- > Transport
- > Overall (environmental investment)



CAPITAL MANAGEMENT

NATURAL CAPITAL ► ENVIRONMENTAL SUSTAINABILITY



For the F.Y	2015/16	2014/15	% Change
Overall			
Environment related initiatives (Number)	27	28	(3.57)
Environment related investment (Rs. Mn)	3.36	1.17	187.18
Beneficiaries (Number)	4,447	30,075	(85.21)
Employee volunteerism (Hours)	1,864	3,414	(45.40)
Pillar 1: Promote green consciousness across PLC and its value chain			
Green training programmes (Number)	22	19	(5.26)
Employees trained (Number)	500	94	(63.83)
New recruits trained (Number)	468	258	81.40
Pillar 2: Manage and optimise PLC's direct impact on environment			
Paper recycled (kg)	6,355	6,406	(0.80)
Energy usage (kwh)	4,959,885	4,019,272	23.40
Carbon Footprint (Tonnes of CO ₂ equivalent)	3,059.47	2,769.71	10.46
Pillar 3: Enable sustainability through PLC products and services			
Green financing facilities (Number)	689	Not tracked	-
Green financing disbursements (Rs. Bn)	2.02	Not tracked	-
Pillar 4: Reduce carbon footprint as a nation through collaboration and partnerships			
Trees planted (Number)	10,395	430	2,317.44
School children educated on sustainable living (Number)	1,482	-	-

NC Table - 1

PILLAR 1: PROMOTE GREEN CONSCIOUSNESS ACROSS PLC AND ITS VALUE CHAIN

As the first pillar, inculcating green consciousness across PLC and its value chain is at the core of our environmental responsibility —leading up and reaching out to the goals set within the next three pillars. Employees are well engaged through consistent dialogue carried out by way of staff meetings, quarterly newsletter, intranet and dedicated training; seeking to change their perception, attitude and instil responsibility towards adopting best ‘green’ practices within the workplace. The key initiatives and measures adopted in this regard are set out below:

‘Yes to Green’ - Salient Features

- Save electricity
- Save water
- Save fuel
- Save paper
- Support mission towards paperless office
- Practice responsible lending
- Say ‘NO’ to polythene
- Practice segregated solid management
- Nurture Environment
- Plant trees
- Use resources optimally
- Be aware
- Advocate others
- Take individual responsibility
- Work collectively to live green

During 2015/16, PLC further internalised the voluntary pledge ‘Yes to Green’ and reinforced the commitment of all employees to be responsible to the environment and ensure sustainability in daily operations to become carbon neutral through behaviour change. The pledge was also introduced to the new recruits during their orientation programme.

Signage

Signage placed in common office areas continued to be effectively used to create employee awareness of the necessity to be sensitive towards resource optimisation, be efficient and minimise wastage in daily operations. The signage on energy and water conservation and reduce paper waste, inter alia, consistently conveyed the message and sought to inculcate green consciousness across the organisation.

COMPANY-WIDE STAFF TRAINING ON ‘ENVIRONMENTAL INTEGRITY TOWARDS BUSINESS SUSTAINABILITY’



Ravi de Silva - Resource Person - Global CSR Leadership Awardee/Naturalist & Retired Engineer

“Our planet earth, today, is challenged by our very own actions. We use excessive resources in a destructive manner and generate unprecedented amount of waste. We have only one Earth to provide the resources we need and take back all the waste we create. One day, we will go beyond the limit to the point of destroying the planet. So it is significant and vital to change our lifestyle towards sustainable production and consumption and turn waste into a resource through re-using and recycling.

As a responsible corporate, People’s Leasing & Finance it is interesting to see PLC playing its part in creating awareness on environmental issues amongst the staff and moulding them to be responsible citizens. I’m glad to be a partner in their efforts and promote environmental integrity across the organisation.”

GOAL

Awareness building among all staff on the significance of adopting a ‘green culture’ and being green conscious.

NATURE OF PROGRAMME

As a part of the annual training calendar, a green training programme, ‘environmental integrity towards business sustainability’ was launched targeting all staff. The programme sought to educate the staff across the organisation on the challenges faced and the importance of working towards environmental sustainability.

ON TRACK PROGRESS

Training programmes (Number): 4

Employees trained (Number): 466

Total training (Hours): 1,398

CAPITAL MANAGEMENT

NATURAL CAPITAL > ENVIRONMENTAL SUSTAINABILITY

Green Training – 2015/16		
Indicator	External Training	Internal Training
Programmes (No.)	22	24
Employees trained (No.)	500	468
Training (Hours)	1,565	468

NC Table - 2

We also continued internal awareness through 'Aruna', our quarterly newsletter. A dedicated section, 'Green Thought' presented tips to inculcate awareness on sustainable living in and out of work.

Our new recruits were given a special training on our environmental ethos as part of their orientation programme covering global and local challenges to environmental

sustainability, four pillared approach to environmental sustainability, basics of integrated and environmental reporting.

Procurement practices

We strive to limit the negative impact/s of the environment related actions of our suppliers. Our supplier code of conduct, establishes the standards we expect including environmental risk management through a combination of annual supplier-assessment questionnaire and on-site assessments.

PILLAR 2: MANAGE AND OPTIMISE PLC'S DIRECT IMPACT

G4-EN19

In a bid to reduce and manage our impact on the environment, we have taken steps to be efficient in resource utilisation; track, measure and monitor emissions, energy, paper and hazardous e-waste management. This has enabled the company to calculate its carbon footprint and gradually move towards self-carbon neutral.

CALCULATION OF CARBON FOOTPRINT AND OFFSETTING CARBON CREDITS TO BECOME CARBON NEUTRAL

Carbon footprint calculation

Reinforcing our commitment towards a less-carbon operation, we continued to maintain our collaboration with the Sri Lanka Climate Fund, a reputed carbon consultancy company, to track and monitor green-house gas emissions across our organisation, inclusive of the head office, branches as well as our subsidiaries.

In the reporting year, PLC's carbon footprint stood at 3,059.47 tonnes CO₂ equivalent compared to the footprint of 2769.71 tonnes of CO₂ equivalent in 2014/15. However, on account of our green initiatives which are discussed under the fourth pillar, we were able to offset our carbon emissions and became carbon neutral Company.



Carbon Conscious Certification

Carbon neutrality to deliver environmental returns

This is our first year of carbon neutrality.

We have also continued to extend the scope and positive impact of our carbon neutral position through our established approach of reducing our own impact to the extent possible; by means of internal initiatives and behavioural change, before offsetting any remaining emissions through carbon credits.

In line with our understanding of the need for strong social and environmental sustainability interconnectivity, we acquired carbon credits from a mini hydropower project located in Adavikanda area of the Kuruwita Division.



PLC Group Carbon cancellation certificate

ENVIRONMENTAL POLICY
WE COMMIT TO SPEARHEADING AND INITIATING BEST PRACTICES THAT WILL EMPOWER US TO GO GREEN, BUILDING AN ORGANISATION THAT IS A CATALYST IN ENVIRONMENTAL CHANGE, TAKING RESPONSIBILITY FOR CONSERVING THE EARTH'S RESOURCES, WHILE REDUCING OUR CARBON FOOTPRINT AND STRIVING TO ETCH AN ECOLOGICAL BALANCE BETWEEN HUMAN SURVIVAL AND THE EARTH'S FUTURE.

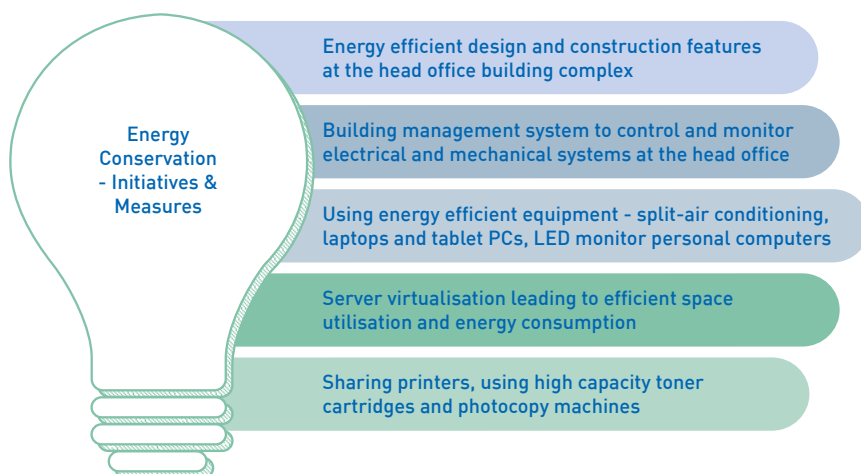
Energy Management

G4-EN3, EN4, EN5, EN6, EN7, EN30

Energy Consumption & Intensity		
Energy Source	Consumption Level	
	2015/16	2014/15
Internal		
Energy – electricity (kwh)	4,959,885	4,019,272
Energy intensity – electricity usage per employee (kwh)	2,704	2,412
External		
Energy used – fuel (litres)	87,683	86,148

Note: Standards and methodology used for calculations: Approximately Template to record was communicated to the Heads of branch network through e-mail and the received response verified and recorded in the MIS.

NC Table - 3



Transport

G4-EN30

Given the nature of our business, the bulk of energy consumed within the organisation is accounted for by electricity, mainly used to power the premises, air conditioning and lighting. Outside the organisation, energy consumption relates to fuel usage for transport purposes, covering logistics between branches and the head office, foreign travel and employee travel for field visits, business meetings, training and mobile marketing promotions. The total level of fuel usage is not significant as compared to the energy consumption levels within the organisation.

With a significant impact from both an operational perspective and the sustainability of the environment, energy management warrants to be carefully looked into and monitored consistently. We are conscientious in this regard and have adopted measures within the workplace to conserve, monitor and manage energy in terms of building maintenance and transport. We have in place at the head office a Building Management System to ensure that air conditioning, lighting and ventilation, inter alia, are well maintained and efficient in energy usage. We also deploy technology and muster the support of our staff across the board to be conscious and take firm steps to be energy efficient in their daily work processes. In terms of transport, the fleet we use has a substantial number of energy efficient vehicles—hybrids—which are managed by our fully owned subsidiary, People' Leasing Fleet Management Ltd.

CAPITAL MANAGEMENT

NATURAL CAPITAL ► ENVIRONMENTAL SUSTAINABILITY

Emissions

G4-EN15, EN16, EN17, EN18, EN20, EN21

Carbon Footprint & Intensity - 2015/16		
Scope	Emission Category	Tonnes of CO ₂ equivalent
Scope 1	Standby Generator	48.92
	Vehicles for business purpose(Diesel)	160.5
	Vehicles for business purpose (Petrol)	30.91
	Refrigerant usage	24.62
Scope 2	Grid electricity supply	1,546.85
Scope 3	Emissions from water consumption	21.65
	Business purpose air travels	23.45
	Staff commuting from common transport modes	1,001.48
	Electricity transmission loss	201.09
	Total	3,059.47
Carbon footprint intensity per employee (Tonnes of CO ₂ equivalent)		1.67
<i>Note: standard and methodology of calculation: Greenhouse gas accounting protocol of the World Business Council for Sustainable Development (WBCS) and IPCC.</i>		

NC Table - 4

Our green campaigns encompassing forest conservation and reforestation, is an attempt to produce climate benefits in the long run while supporting efforts to offset our company carbon footprint.

During the year under review PLC has not emitted any ozone depleting substances and NO_x, SO_x and other significant air emission.

Solid Waste Management

G4-EN23

We continued in the reporting year to further our solid waste management programme, particularly at the head office level. This programme looks into the segregation, storage and responsible disposal of solid waste—mainly that of paper, polythene based products and food waste. Apart from the head office, we have also issued guidelines for our branches to be conscious and follow responsible practices in solid waste management.

Type of Waste & Disposal Method			
	2015/16	2014/15	Disposal Method
Food waste (kg)	4,125	3,211	Re-use for piggery
Paper waste (kg)	6,355	6,406	Recycle
Polythene based products (kg)*	220	122	Recycle

NC Table - 5

*Approximately

Paper Waste Management

Committed to move towards a 'less-paper' office, we remained proactive in our efforts to reduce our paper consumption. We continued to rely and invest in electronic solutions inclusive of office automation of systems and processes, document management system, online transactions and communication in our quest to be less dependent on paper within our operations. Aside these initiatives, we also believe in educating our staff to be conscious of paper usage by being frugal in printing and resorting to re-using paper, wherever possible. We also use high quality 'Double A Paper' which is manufactured using eco-sustainable practices and certified under the ISO environment management and quality management standards.

We have in place an efficient and structured paper recycling process covering the entirety of operations, including the branches and the subsidiaries. PLC head office champions this initiative along with 10 of our branches—Battaramulla, Grandpass, Havelock Town, Metropolitan, Ward Place, Pettah, City, Colpetty, Moratuwa and Union Place. This initiative is carried out in collaboration with an established recycling company with which we have had a longstanding relationship since 2012. In the reporting year, we sent 6,355 kilograms of waste paper for recycling in comparison to 6,406 kilograms recycled in the prior year.

Our paper recycling initiative has approximately saved;

- 108 fully grown trees
- 11,144 litres of oil
- 25,400 kwh of electricity
- 201,803 litres of water
- 19 cubic meters of land fill
- Reduce green house gas emission by 6,355 kg's carbon equivalent

Hazardous E-Waste Management

G4-EN25

Underpinned by our commitment, we continued with our efforts to dispose hazardous e-waste responsibly for the fifth successive year. This initiative covers the disposal of computers and accessories, mobile phones, batteries and other electrical and electronic appliances. We even encourage our staff members to avail this opportunity to dispose their personal e-waste; and in some instances, our customers and the neighbouring communities are included in this initiative.

E-waste management at head office ensures that e-waste is collected at the head office and in five of our Colombo suburb branches. We have established a collaboration with a reputed e-waste exporting organisation with due certification from the Central Environmental Authority to manage e-waste in an eco-friendly manner where recycling is done in line with the standards validated by Basel Annex VII Document. Due endorsements are in place confirming that the disposal process is pollution free. However, due

to low quantities of e-waste collected at the PLC Collection points, the quantity of e-waste was not reported. Plans are underway to streamline e-waste collection.

Effluents & Water Disposal

G4-EN22, EN24, EN26

PLC does not have any significant effluents, and thus impacts. All effluents and water are discharged as per the rules and regulations specified under the National Water Supply & Drainage Board and do not affect any biodiversity rich areas. The operations are not exposed to spills.

PILLAR 3: ENABLE SUSTAINABILITY THROUGH PRODUCTS AND SERVICES

G4-EN27, EN28

Given prominence as our third pillar, we stand focused in our efforts to manage environmental impacts distinct to our product offer. We are steadfast in our assessments of impacts on the product suite and proactive in taking mitigatory measures, wherever and to the extent possible, to counter these impacts.

As a leasing and finance company, our direct impact on the environment is not substantial and no packaging material is required in business operations. However, as a responsible organisation, we recognise the significance of giving due consideration to minimise the environmental impact, albeit indirect, of our core product offer—leasing of motor vehicles. Importance of environmental credit risk management was also covered in the 'environmental integrity' training programme carried out. In addition, orientation programme also enhances employee awareness of environmental and social risks and illustrates how these relate to sustainable finance.

Our green lending scheme—'Green Friends' is intended to address our concerns in this regard. The scheme promotes concessionary-term facilities to promote energy efficient motor vehicle with lesser impact on the green-house gas effect. This facility is open to three-wheelers with four-stroke engines and vehicles operating on hybrid, electrical and NANO powered technology.

HIGH DENSITY BRIQUETTE FUEL FIRE WOOD PRODUCTION – MENIKHINNA



Mr. M.K.M.G. Ariyaratna

Loyal customer of PLC since 2004

PLC has granted six lease facilities totalling to Rs 10.45 million as at 31/03/2016.

NATURE OF BUSINESS

The client owns a production factory of high density wood briquettes in Menikhinna. This is a unique valued added product, manufactured primarily to cater to the biomass energy requirement of tea factories. He has been operating this factory since the year 2010.

This is an eco-friendly, non-polluting and economical product. Due to its high density energy and steady combustion nature, the tea factories prefer this product over firewood logs. In the processing factory, dry sawdust is compressed into high pressure and extrude without any chemical binder. Due to its high biomass density and it produces less smoke and high heat. There is a growing demand for these briquettes in tea factories as an alternative for firewood.

CURRENT STATE

At present, this client supplies this wood briquette to a number of reputed tea factory chains. This includes,

- 12 tea factories of Bogawanthalawa plantation
- 10 tea factories of Thalawakelle plantation
- Kotagala factory
- Watawala factory

The factory which is located at Menikhinna currently operates with a workforce of 20 and records a production of 10,000 kgs per month.

CAPITAL MANAGEMENT

NATURAL CAPITAL ► ENVIRONMENTAL SUSTAINABILITY

PILLAR 4: REDUCE CARBON FOOTPRINT AS A NATION THROUGH COLLABORATION AND PARTNERSHIPS

Within the scope of this pillar, our aim is to support the broader goal of protecting the nation's biodiversity and preventing the build-up of green-house gases in the atmosphere and mitigating the consequential impacts on climate change.

For us, partnership and collaboration are vital requirements for the effectiveness of our sustainability efforts. We develop strong relationships with our stakeholders and like-minded individuals or organisations—seeking to maximise our combined sustainability impact and delivering lasting benefits for communities, our country and the planet as a whole.

We collaborate with environmental agencies—both at the government and the non-governmental level and with other corporates within the business arena of this country. We are a patron member of the Sri Lanka Business & Biodiversity (SL B&B) Platform under

the aegis of Ceylon Chamber of Commerce in association with the International Union for Conservation of Nature (IUCN) which promotes dialogue, initiates a concerted effort and technically support companies within the private sector to aspire and work towards carbon neutrality.

Active Participation as a Stakeholder with AirMac for Clean Air 2025 Action Plan PLC, as a responsible corporate citizen volunteered representation as a stakeholder in the formulation of Clean Air 2025 Action Plan. The Action Plan was developed via a national multi-stakeholder platform and comprised of organisations which had a direct or indirect impact on air quality and emissions. Representing non-bank financial sector PLC participated at the event and provided inputs in formulation of the Clean Air 2025 Action Plan.

Air pollution is a rapidly growing problem faced by Sri Lanka. Rapid motorisation, industrialisation and expanding living standards of the population are considered as main causes for air pollution. Currently, Air Quality Management (AQM) in Sri Lanka is not adequate.

The overall vision of Clean Air 2025 action plan is to reduce urban, industrial and indoor air pollution and maintaining air quality at desirable levels minimising emissions of harmful air pollutants. AirMAC as the main coordinating institution of AQM activities in Sri Lanka, plays an important role in implementing the Clean Air 2025 Action Plan.

Our 'green' campaigns and programmes are planned with due funding to ensure their sustainability. This is at the core of our quest to offset our footprint and achieve carbon neutrality.

In the reporting year, we organised and led quality green campaigns as set out below.

'THURU' – REFORESTATION INITIATIVE TO REMOVE THE GROWTH OF INVASIVE SPECIES AND RESTORE THE NATURAL FOREST COVER



Ms. Satheema Aluwihare - District Forest Officer, Kandy

"Invasive species like 'Maana' grass is a huge threat to the bio-diversity of a natural forest cover. Therefore, we have to clear all the 'Maana' (*Cymbopogon nardus*) grass in the view point of Udawatta forest and establish a forest cover with native plants species suitable for that eco system. We appreciate People's Leasing & Finance PLC for their support in this forest restoration programme, not only through financial means, but also through their active participation."

GOAL

Plant 12,500 trees by 2020 to offset PLC carbon footprint.

NATURE OF PROGRAMME

In partnership with the Forest Department, Sri Lanka and led by three of our branches in Galle, Kandy and Kantale, we launched our flagship re-forestation programme—'THURU', in July 2015. This campaign seeks to address the de-forestation due to demographic changes which in effect is rapidly developing into a serious environmental issue in the country. The scope of the campaign encompasses the restoration and planting of new trees to protect the forest cover and biodiversity in Kanneliya rainforest, Udawatta forest and along the route from Trincomalee to Habarana.

Our reforestation campaigns encompassing forest conservation and reforestation is expected to produce measurable climate benefits supporting our efforts to offset our carbon footprint and work towards carbon neutrality in the long run.

ON TRACK PROGRESS

Trees planted (Number): 10,325

Extent covered:
Kanneliya - 1.22 hectares,
Udawatta view point - 2.0 hectares,
Along Trincomalee - Habarana
Road side - 5.0 kilometres

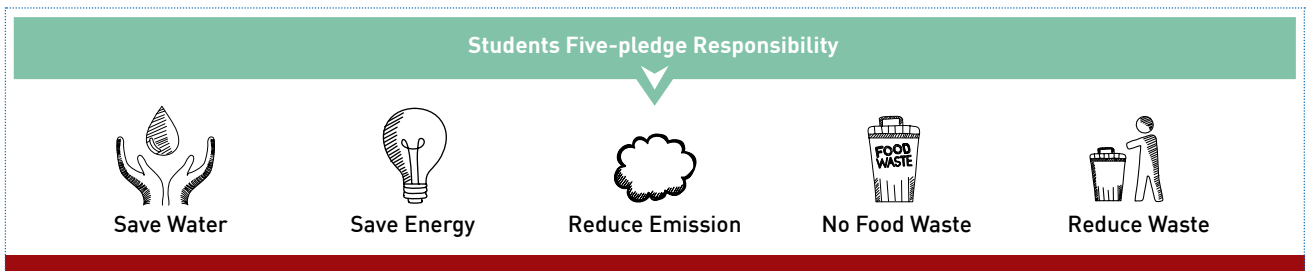
Investment (Rs.): 591,426

Employee volunteerism (Hours): 354



Location : PLC reforestation site - Udawatta Forest Reserve, Kandy.

'Earth' – School Awareness Programme on Sustainable Living



'EARTH' – SCHOOL AWARENESS PROGRAMME ON SUSTAINABLE LIVING



Yenuli Yethmini – Grade 8 student of Ananda Central College, Elpitiya
 "I gained more knowledge about our planet and sustainable consumption. It is necessary to take immediate actions to protect our planet through environmental conservation.

I am grateful for this opportunity to participate in this programme—thanks to PLC. I wish them well in their future endeavours, reaching out more students like me across the country."

GOAL
 Educating school children on environmental issues and ensure their responsibility as citizens of tomorrow.

NATURE OF PROGRAMME
 In collaboration with AIESEC Colombo South, University of Moratuwa and 12 of our branches, we launched an awareness building campaign on sustainable living for school children and teachers. This project covered 12 schools in Western, Southern & Central provinces. The campaign carried out 12 seminars on the importance of saving natural resources and the impact of green-house gas emissions.

ON TRACK PROGRESS
Students educated (Number):
 1,482
Teachers educated (Number): 73
Employee volunteerism (Hours):
 370
Investment (Rs.): 647,304

CAPITAL MANAGEMENT

NATURAL CAPITAL ► ENVIRONMENTAL SUSTAINABILITY

WORLD ENVIRONMENT DAY

Marking the World Environment Day on 5th June 2015, our Kandy branch collaborated with the Kandy Forest Office to organise an educational walk with the participation of school children, representing several schools in the district. The campaign paved the way to create awareness amongst the children and the general public on key environmental issues and the significance of conservation.

KEY INDICATORS

Participated (Number): 350 school children

Employee volunteerism (Hours): 32

Investment (Rs.): 8,000

OBJECTIVE

To educate the future generation to be conscious of protecting the environment.

BEACH CLEANING

Led by our Trincomalee branch, we carried out a beach cleaning project along the coastal stretch in Trincomalee, covering one kilometre. This was organised in collaboration with the Divisional Secretariat in Trincomalee and aimed at creating awareness and educating the general public on marine pollution and the importance of keeping the coastal belt in pristine condition.

Provided 10 waste bins to support the segregation of solid waste and established 10 benches at the Arugambay beach. Our Ampara branch coordinated this project in consultation with the Coast Conservation Department.

KEY INDICATORS

Beneficiaries: Communities and visitors

Staff participation (Number): 26

Employee volunteerism (Hours): 144

Investment (Rs.): 137,548

OBJECTIVE

To advocate coastal belt clean-up and conservation

ADAMS PEAK – ENVIRONMENTAL CAMPAIGNS

As their signature projects, Nuwara Eliya and Ratnapura branches organised the annual environmental campaigns at Adams Peak for the 10th and 11th consecutive year respectively. Under this initiative, the branch employees volunteered to collect non-biodegradable litter, distributed over 1,000 environmental-friendly-bags to the pilgrims and visitors.

KEY INDICATORS

Staff participation (Number): 34

Employee volunteerism (Hours): 730

Non-bio-degradable litter collected (Kg): 460

Investment (Rs.): 211,285

OBJECTIVE

Protect the ecosystem of Adams Peak and advocate responsible pilgrimages.

ENVIRONMENTAL INVESTMENT

G4-EN31

In the reporting year, our Company invested a sum of Rs. 3.36 million for environmental initiatives carried out on a structured basis on a four-pillar strategy. This corresponded to 187.18 % increase over the previous year.

Environmental Investment	Investment			
	Description	2015/16	2014/2015	% Change
Green initiatives (Rs. Mn)		3.36	1.17	187.18
Green training (Rs. Mn)		0.26	0.27	(3.70)
Opportunity cost of employee volunteerism (Rs. Mn)		0.08	0.14	(42.86)
<i>Note: standards & methodology of calculations: employee volunteer hours have been accounted by converting the basic hourly salary multiplied by volunteer hours.</i>				

NC Table - 6

Way Forward		
Pillar	Progress in 2015/16	Way forward 2016/17
Promote green consciousness across PLC and its value chain	<ul style="list-style-type: none"> Launched an all staff awareness programme to create green conscious across PLC. 	<ul style="list-style-type: none"> Continue programmes to promote behavioural change towards sustainable / green living and lending among employees, customers and stakeholders.
Manage and optimise PLC 's direct impact	<ul style="list-style-type: none"> Continued Carbon footprint calculation and became carbon neutral for the first time. 	<ul style="list-style-type: none"> Take tangible steps to further minimise and track impacts of operations in a mission to become self-carbon neutral.
Enable sustainability through products and services	<ul style="list-style-type: none"> Developed a mechanism to track green finance disbursements. 	<ul style="list-style-type: none"> Continue to promote green financing.
Reduce carbon footprint as a nation through collaboration and partnerships	<ul style="list-style-type: none"> Launched reforestation initiative and school children awareness on sustainable living. Identified a requirement of an Environmental Indicators Reporting mechanism. 	<ul style="list-style-type: none"> Continue to provide a long term solution towards Sri Lanka's growing emissions problem through reforestation. Environmental indicators will be closely monitored and reported.

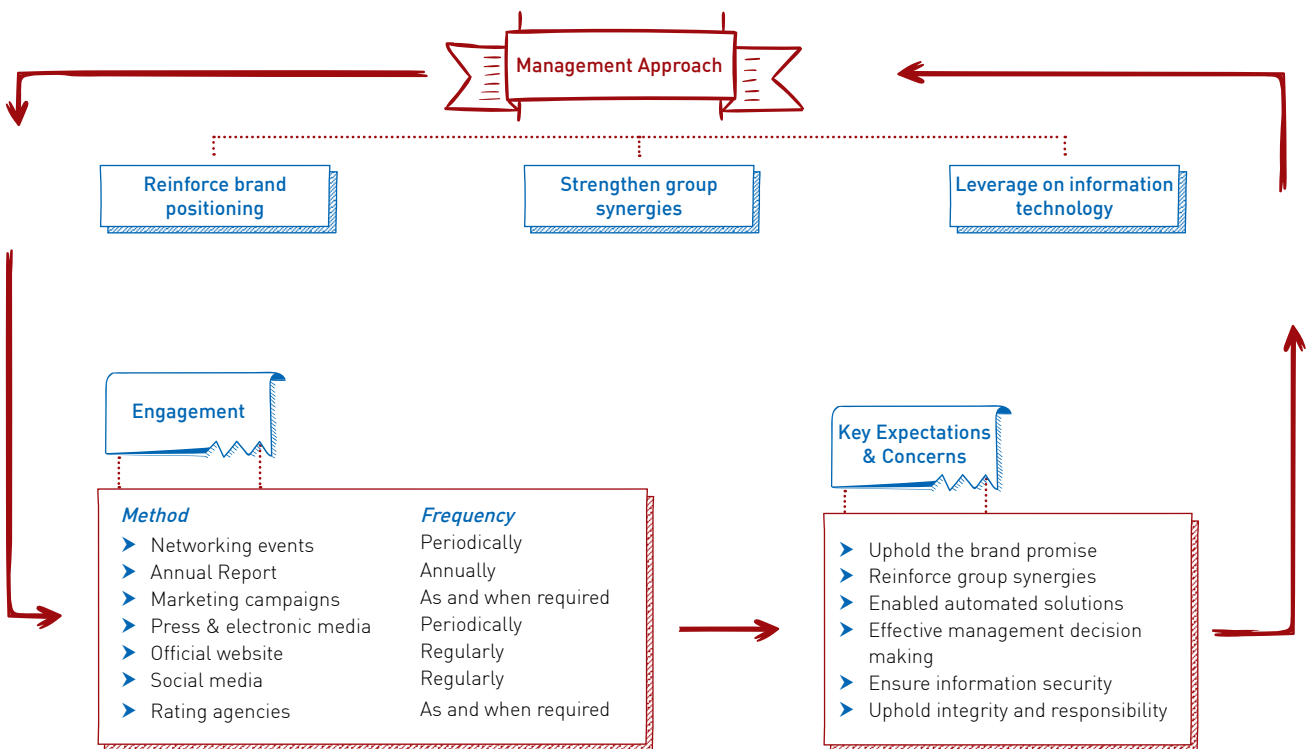
NC Table - 7

CAPITAL MANAGEMENT

INTELLECTUAL CAPITAL

OVERVIEW

Positioned as a top-tier corporate within the financial services sector of this country, we have over the years cultivated a strong intellectual capital base encompassing intangible assets that culminates as our point of differentiation—which we strive to muster and boost to further our value creation process. We fully recognise the significance of strategically managing our intellectual assets, underscoring our efforts to differentiate our organisation and gain a competitive advantage, particularly assuming greater significance in an overcrowded marketplace such as ours. The section herein will report on what we consider as our intellectual assets, our approach to optimise and manage these assets and reflect on the performance indicators in this regard.



MANAGEMENT APPROACH

In a complex business landscape, we are fully conscious of the significance of maximising the potential of intangible assets to support our value creation process. We strive to proactively manage and leverage on these assets to give us a more efficient platform to support our business strategy and action plans, including sourcing of low cost funds, reducing our operational costs and securing further business opportunities. In this regard, we have set out a three-pronged approach based on the most significant intangible assets owned by our organisation, enabling us to unleash our strategic advantages, differentiate the business and secure our positioning amongst the intense competition. Under this approach, our focus is on our brand—seeking to drive in a consistent message of quality and trust in all our stakeholder interactions. We also give priority to avail our synergistic ties with our parent, People’s Bank, and our sister companies; effectively collaborating on mutually beneficial business endeavours and supporting one another to reap the strategic benefits of being a part of an emerging conglomerate within the corporate arena of this country. Aside, we seek to leverage on the immense potential of technology—we are proactive, closely plan and monitor the use of technology within the organisation to bring in better systems and processes to streamline operations for greater efficiency, innovation and flexibility.

Intellectual Capital Spotlight - FY 2015/16

Highlights

Clinched several coveted corporate awards demonstrating the organisation's financial prowess, commitment towards environmental and social responsibility, good governance and accountability in reporting, encircling the strength of all capitals of the Company.

Continued to be rated by two international rating agencies, Fitch International and Standard and Poor's along with the rating from Fitch Lanka.

Moving on par with the Sovereign rating and reflecting the country's risk aspects, our ratings were downgraded one notch by the international rating agencies in March 2016.

Collaborated effectively and organised networking events to reinforce synergies with the parent, People's Bank and sister network.

Expanded the core business system to cover our treasury operations and factoring, our latest venture.

Initiated a comprehensive web portal, enabling customers to interact and carry out transactions online.

Updated the ISO certification standard on information systems management to ISO/IEC 27001:2013 from the 2005 standard.

Key Performance Indicators

For the F.Y	2015/16	2014/15	% Change
Brand positioning			
Brand value (Rs. Mn)	9,317.00	4,918.00	89.45
Market share (%)*	12.48	13.78	(1.30)
Parent & group synergies			
Window operations within parent network (Number)	110	109	0.92
Subsidiary operations within PLC network (Number)	164	146	12.33
PLC's transactions with the group (Rs.Mn)	4,291.78	3,505.06	22.45
Information technology			
ICT investment (Rs. Mn)	213.79	180.96	0.18
Automation & system revamps (Number of branches)	16	19	(0.16)
ICT training programme conducted (Number)	35	14	1.50
ISMS Reviews/certification audits (Number)	1	1	-
*Based on the CBSL Annual Report 2015 LFC/SLC Sector Assets			

IC Table - 1

CAPITAL MANAGEMENT

INTELLECTUAL CAPITAL

BRAND POSITIONING

Refer: Relationship Capital - Customer - Marketing & Communications, pages 64 to 65

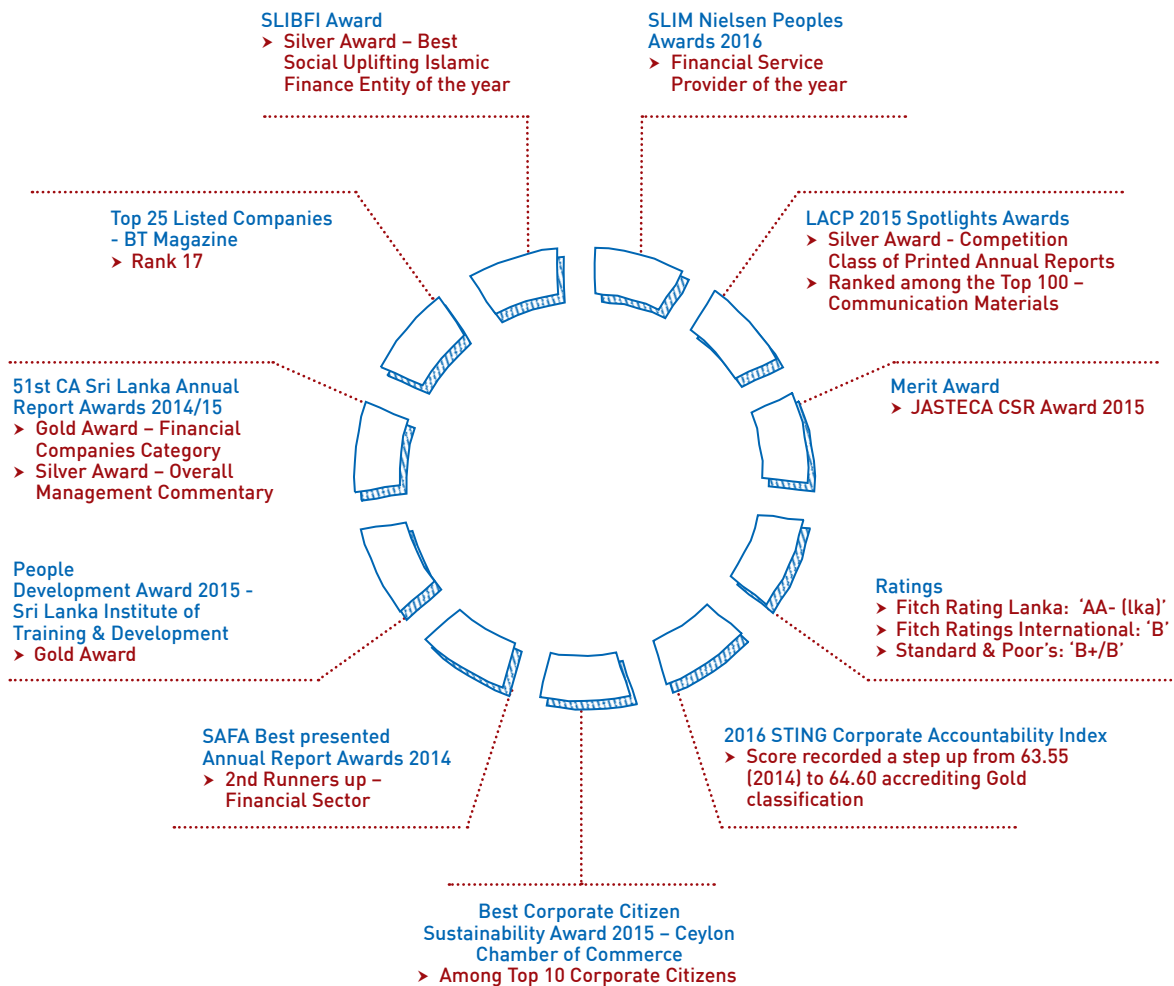


Brand Value
Rs. 9,317 Mn
2015/16

Growth, Prosperity
Reliability, Accountability, Trust

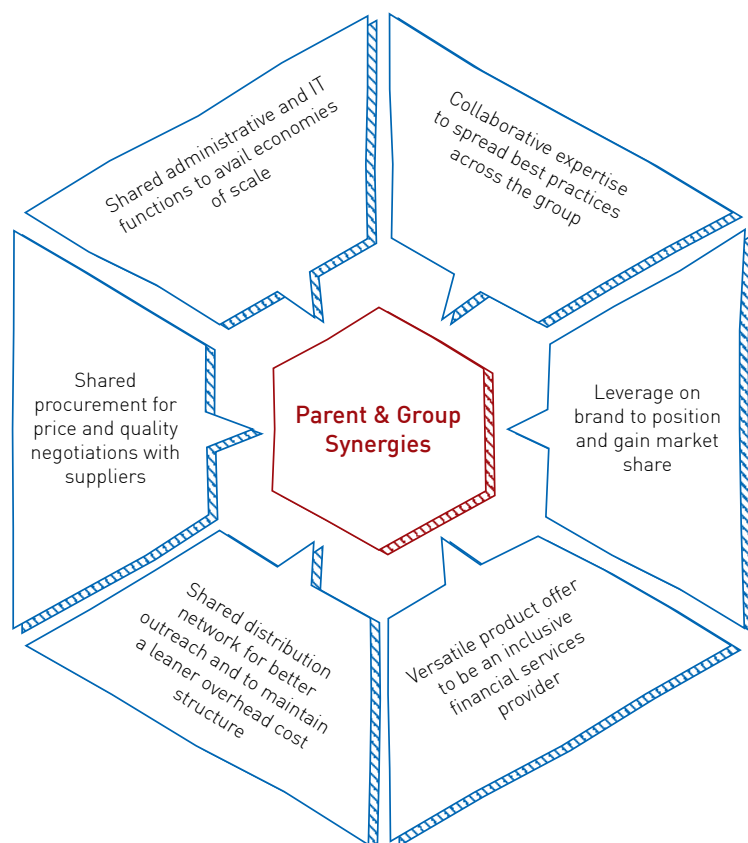
In a span of 20 years, we have secured a strong brand—initially under our parent’s brand wing and subsequently, developing our very own brand that reflects the quality of our product and service. Our brand today is powerful, reaching across a spectrum of customers and other stakeholders, evoking clear and consistent associations and perceptions of what we stand—our brand values—aply distinguishing our organisation within the non-bank financial arena. Our branding initiatives are focused to harness and reinforce the ‘top-of-mind’ recall along with the associations to strengthen our image; and thus, buoy our ties with stakeholders and boost the value creation process. Necessary training is given to our staff to uphold brand values in every aspect of their job roles. A ‘positive-word-of-mouth’ remains focal to our brand communication strategy. We also deploy below-the-line communication tactics and to a lesser extent, above-the-line to reinforce our brand as discussed under the Relationship Capital - Customer section of this report.

In the year under review, Brand annual published our brand value as at Rs. 9,317 million, corresponding to a 89.45 percent average growth during the period 2014/15 to 2015/16.



PARENT & GROUP SYNERGIES

Refer: Subsidiary Review, Pages 128 to 132



With 75 percent stake in our ownership, our parent, People's Bank, stands as our anchor and supports us with their brand strength, solid reputation, positioning and their expertise. The Bank's operations reflect well on achieving our corporate goals. The synergies we draw from our parent in terms of their branch network across the country, collaborative marketing and product promotions and perceptive contribution to the decision making process plays a major part in our operational success. Their strength and support continue to underscore our positioning as a top-tier player within the non-bank financial institution sector.

Adding to PLC's overall value generation capacity, we have established a well-rounded group with five subsidiaries to our credit; engaged in diverse fields from non-life insurance business, microfinance, fleet management & vehicle valuations and property development. Within our group network, we have immense potential to collaborate with one another, particularly, sharing expertise and best practices at the Board and management level; inter-company training opportunities; sharing the distribution channel and administrative, IT and risk management functions to gain on economies of scale and thus, result in cost rationalisation. We also collaborate effectively in offering a comprehensive product solution as a 'one-stop'—a more pragmatic and convenient service to customers through product bundling and cross-selling—thereby, differentiating our positioning in an intensely competitive business backdrop and standing as a dominant player in the industry.

In the reporting year, our group was able to achieve strong operational results, with all five of our subsidiaries posting a sound performance as discussed under the consolidated and subsidiary review.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

ICT Policy

We pledge to use ICT as a driver and tool for developing our future objectives, maintained within relevant laws and regulations, to create, innovate and build our business to meet stakeholder demands that will require speedy, efficient and innovative response, to initiate timely decision making and ensure that information risk and security hazards are minimised.

Strategic Priorities

- Seek practical solutions to optimise operational productivity.
- Align systems and processes to the latest but appropriate technology.
- Extend training to users to maximise the usage and avail potential benefits distinctive to the system.
- Provide timely management information and facilitate online decision making.
- Support strategic decision making at the senior management level.
- Ensure information security in all ICT related functions.

CAPITAL MANAGEMENT

INTELLECTUAL CAPITAL

Assuming a greater strategic significance, information systems technology extends a supporting platform for our organisation to effectively deliver on the corporate strategy. A centralised function, encompassing all departments at the head office, branches in all parts of the country and five of our subsidiaries, technology has enabled to streamline our processes and carry out operational and administrative tasks with increasing flexibility and ease. Given our astuteness, we have sought to adopt and invest in the best and the latest systems, of course, with due diligence on its applicability and relevance—enabling us to be efficient, modern and thus, support us to reap cost-benefits, differentiate our product offer and service, and achieve a competitive advantage in the marketplace.

IT Platform

We have in place a comprehensive three tiered-platform, enabling us to be structured in our strategic planning process, make 'best-fit' decisions on business requirements and extend automated software/hardware solutions to facilitate our operational plans. This platform is fully equipped to extend sophisticated solutions to information and data analysis, generation of critical management information reports for decision making and real-time information processing and transactions. Our IT department is well versed and extends comprehensive training and user support to optimise on the platform options.

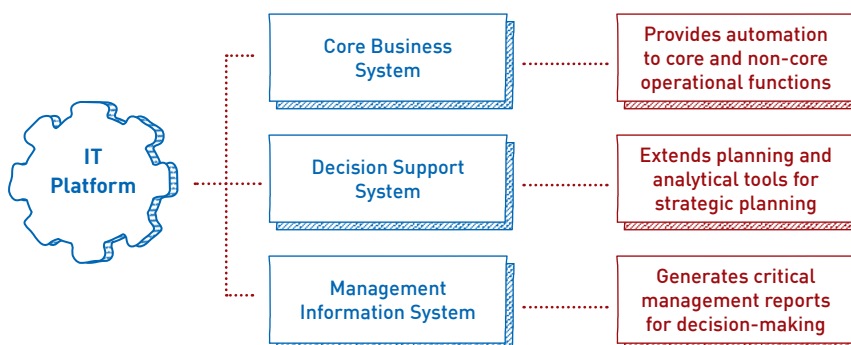
In the reporting year, we initiated 'PLC-ONLINE,' a comprehensive web portal; giving our customers access to our products and services online. We also initiated a factoring system entailing a customised software application to facilitate our new product venture whilst establishing a treasury system to automate the commercial paper and debenture transactions. We also set up a slip transferring process through LankaClear for direct transfers between the Company and the Bank.

PLC-Online

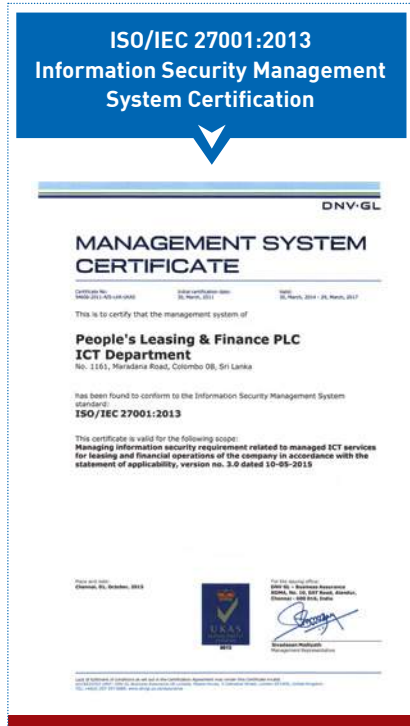
Developed in-house, 'PLC-Online', our latest web portal, 'facilitates the customers to access our products and services online with flexibility and ease. The portal is user-friendly, enabling access through mobile phones, laptops or tablet PCs from any geographical location with real-time transactions.

Key Features

- Payment of lease rentals
- View rental payment history
- View cheque returns
- Request for formal letters
- Settlement request quotations and CR book copies
- Online fund transfers from savings accounts within the PLC network
- ATM country-wide access
- Freeze ATM cards as and when required
- View operating instructions, warrants, loans against fixed deposits and updated interest rates
- Pay insurance premiums and process renewals



Information Security



Necessary precautions are taken to address the key risks along with proper action to ensure information security across the organisation. Our information security risk management plays a vital role in this regard—identifying, evaluating and addressing the risks involved in our systems and processes. Periodic information security audits are conducted internally by the Internal Audit and externally, with the engagement of M/s DNV GL - Business Assurance India to validate the effectiveness and currency of the safeguards and soundness of practices in IT security management. We also engage M/s KPMG Sri Lanka and M/s PricewaterhouseCoopers Sri Lanka to conduct vulnerability assessment and penetration tests to review and safeguard from malicious attacks and threats to the systems, its applications and data. The IT platform is duly certified under the ISO Information Security Management System standard, which was upgraded in the reporting year to the latest ISO/IEC 27001:2013 from the 2005 version.

We have in place information security policies which are well internalised across the organisation and the subsidiaries with structured employee engagement. An incident management process facilitates all staff to report on any incident that breaches information security to the chief information security officer for preventive and disciplinary action. As discussed under the Customer section, we also have in place a separate disaster recovery site in a remote location, along with a disaster recovery plan to safeguard systems, applications, business processes, data and information. This system covers all functions across the organisation along with the subsidiary network. Both on-site and off-site disaster recovery mechanism secure and back-up data and information. The Business Continuity Plan is periodically tested to ensure that the mechanism is current and effective.

CONTRIBUTION TO THE ECONOMY

OVERVIEW

Over a span of 20 years, we have established our organisation to be at the forefront of the non-bank financial institution sector, with significant value creation capacity and ripple-effect socio-economic benefits, both direct and indirect, to support the nation's development trajectory. We have the expertise and are backed by a strong brand, parent and group synergies, vast outreach, diverse product and a talented team of professionals to facilitate our business aspirations in value creation. We are well-set and positioned to ensure the well-being of our stakeholders, support them and meet their diverse expectations.

MANAGEMENT APPROACH

Economic Policy

We are committed to building and sustaining an economically sound business model that will be centered on an integrated and focused approach constructed on a platform of sound governance, ethics, transparency and accountability while enhancing stakeholder value and being a true partner in sustained national economic development.

Our approach to value creation is not limited to short-term goals, but encompasses a more holistic process, where we seek to reach sustainability in the long term, striking a balance from an economic, environmental and social standpoint. The strategic focus is on driving operational viability underscored by good governance, effective risk management and ethical business practices; whilst simultaneously, seeking to contribute and address social and environmental issues which intersect with the business and relevant to the communities in which we operate. This approach is interweaved in to our corporate strategy and related action plans which will be discussed in detail in the ensuing section.

DIRECT AND INDIRECT ECONOMIC IMPACTS

Financial Impacts from Climate Change

G4-EC2

With a significant exposure to the agriculture sector, representing 1.77 percent of the total portfolio, we recognise the impacts of climate change on our business as well as from a broader perspective. Although not that substantial, climate change has a bearing on our agriculture and agri-based industries sector portfolio performance, in turn, affecting our overall financial results. In the reporting year, the extremities in weather that prevailed afflicted the sector portfolio as

G4-21



High

➤ Economic Performance

Moderate

➤ Indirect Economic Impact

reflected by the key indicators given below, particularly, within the branches located in North, North Central, Eastern and Southern provinces.

In our quest to support the fight against climate change, we have taken proactive measures with due investments to lead our organisation towards carbon neutrality. Our eco-friendly products under the Green Financing Scheme, with energy management programme and bio-diversity based campaigns support the Company's efforts in this regard, in effect, turning adversity in to opportunity.

Agri Based Portfolio Performance			
Key Indicators	2015/16	2014/15	% Change
Agriculture based portfolio (Rs. Mn)	2,280.08	2,462.57	(7.41)
Agriculture based disbursements (Rs. Mn)	1,014.12	708.80	43.08
Agriculture based non-performing portfolio (Rs. Mn)	68.84	135.81	(2.48)
Agriculture based non-performing ratio (%)	3.02	5.50	(45.09)
Environment investment (Rs. Mn)	3.36	1.17	187.18

CE Table - 1

CORE OPERATIONS

G4-EC8

Our value creation process is extensive and multifaceted. Our core business, predominantly, loans and leases, caters to the funding needs of the country's key sectors including transport, agriculture, manufacturing and construction. The commercial purpose facilities to purchase/lease passenger vehicles, trucks and tippers have substantial capacity to spur further value in their respective sectors—with multiplier benefits flowing throughout economy. Our engagement with the small and medium enterprises stand significant, supporting them to be a catalyst in economic growth as envisaged within the country's development agenda. Apart from the core business, our product diversification efforts including Islamic finance, deposits, margin trading focusing on the capital market and factoring further add to our value creation process and thus, to the economy.

SUBSIDIARY OPERATIONS

Refer: Intellectual Capital, Pages 116 to 121

Subsidiary Review, Pages 128 to 132

Value Creation – Contribution from Subsidiaries			
F.Y Ended	2015/16 Rs Mn	2014/15 Rs Mn	% Change
Insurance premium income (GWP)	3,813.27	3,440.60	10.83
Underwriting profits	253.69	151.84	67.08
Microfinance disbursements	1,690.00	1,186.52	42.43
Fleet management revenue	244.04	188.05	29.77
Profit after tax - property development	367.03	106.72	243.92

CE Table - 2

Our subsidiary network complements our potential to create value. Our insurance arm, recently listed on the Colombo Stock Exchange— has emerged in to a leading player within non-life insurance segment; with greater propensity to add value, particularly, given its substantial exposure to small and medium businesses. Our microfinance venture continues to gain ground and plays a catalytic role in uplifting the rural poor and the underprivileged communities—culminating in significant benefits both direct and indirect from a socio-economic standpoint. Fleet Management inclusive of its vehicle valuation services and property development further complements this process.

OUTREACH & EMPLOYMENT

Refer: Relationship Capital - Customer Pages 54 to 68

Human Capital, Pages 82 to 94

We have established a wide network of operations with distribution reaching across the island with 92 branches and 110 window operations. This sets the platform on one hand, to be an inclusive financial services provider, reaching out to the needs of a range of customers; and on the other, to support the economy with employment generation. We have currently over 1,800 personnel employed, including employees directly recruited within the communities in which we operate, in turn, facilitating regional development. We also ensure a positive work environment for our employees, enabling them to uphold their quality of life, which has the power to uplift industry standards and benefit the overall society.

Province wise Outreach, Employment and Core Investment - 2015/16						
Provinces	Branches (Number)	Window Offices (Number)	Employment & Residence		Gross Portfolio Value (Rs Mn)	Share of GDP * (%)
			Same Province	Different Province		
Central	11	8	135	23	12,981.93	10.4
Northern	5	11	60	2	2,587.18	3.6
North-Central	4	9	55	10	5,403.03	5.1
North-Western	8	13	93	17	8,425.44	10.7
Sabaragamuwa	6	15	72	18	6,816.86	6.7
Uva	6	6	93	11	7,785.31	5.0
Western**	33	16	798	175	61,606.10	41.6
Eastern	8	12	84	7	6,141.17	6.0
Southern	12	20	170	11	17,313.60	10.9
Total	93	110	1,560	274	129,060.62	100.0

*Provincial GDP figures based on revised 2014 figures-2015 Annual Report, Central Bank of Sri Lanka
** Include Head Office

CE Table - 3

CONTRIBUTION TO THE ECONOMY

COMMUNITY BASED INITIATIVES

Refer: Social Capital - Community, Pages 95 to 104

G4-EC7

Community Infrastructure Development Projects - 2015/16			
Infrastructure Development	Project status	Beneficiaries/output	Investment during 2015/16 (Rs. Mn)
Reconstruction of Kodikamam Railway Station	Completed	Restoration of normal life, generating and supporting live hood related activities and assisting in restoring connectivity within the Northern Province. Provides eight to ten trips per day including 'Yaldevi' from Mt. Lavinia to Jaffna	15.78 (Total Investment : Rs. 54.77 Mn)
Renovation of the auditorium of the Accident & Orthopaedic Service of the National Hospital, Sri Lanka	Work in progress	25,000 – 30,000 have been trained annually including medical officers, nursing officers, medical students, pupil nurses, post graduates trainees, staff of armed officers & staff from government & non-government organisations	4.1
Construction of a Children's Park in Mahiyanganaya town.	Completed	Benefits over 50 children to play at once	1.5 (Total Investment : Rs. 2.5 Mn)
Construction of two class rooms for the A/L students in Ariyagama Siddhartha Maha Vidyalaya, Chilaw & a shrine for Kadawatha Mahabodhi Vidyalaya	Completed	Benefits 80 A/L students and two teachers in Ariyagama Siddhartha Maha Vidyalaya, Chilaw & 75 students and ten teachers in Kadawatha Mahabodhi Vidyalaya	0.46
Construction of a library at Pravachanodaya pirivena, Molligoda Wadduwa	Completed	Having a proper place for 400 ola leaves, benefiting 100 monks	1 (Total Investment : Rs. 5 Mn)
Renovation of Maternity Ward of the Base Hospital, Homagama	Completed	Benefits 1500 mothers per year.	0.73

CE Table - 4

Our community based initiative seek to uplift the living standards of the communities in which we operate. The infrastructure support we extend to the communities, in particular has a greater significance in terms of creating economic value, with benefits cascading across the society from a long term perspective.

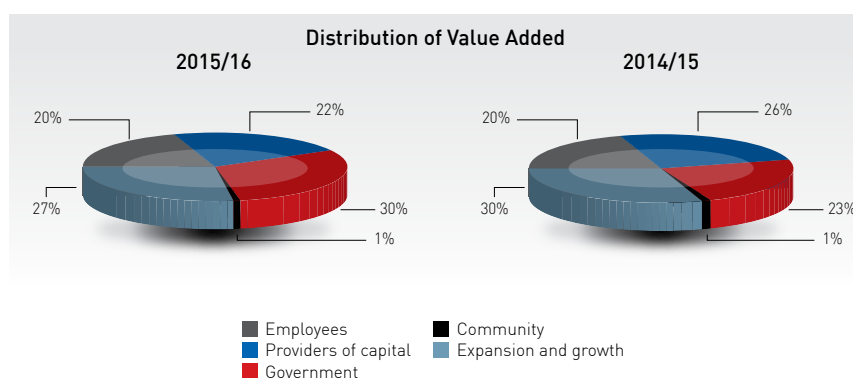
ECONOMIC VALUE GENERATED AND DISTRIBUTED

G4-EC1

Our value added statement set out below reflects the economic and market value generation, distribution and retention for the financial year 2015/16 along with the comparatives for the preceding year.

Statement of Value Addition				
F.Y Ended	2016		2015	
	Rs. Mn	%	Rs. Mn	%
Interest income	17,876.08		19,247.62	
Cost of services	(9,861.56)		(11,053.70)	
Value added by financial service	8,014.52		8,193.92	
Other income	1,310.15		1,294.01	
Impairment charges	(258.35)		(1,644.88)	
Total Value Added	9,066.32		7,843.05	
Distribution of value added				
Salaries and other benefits	1,807.02		1,565.23	
To employees	1,807.02	19.93	1,565.23	19.96
Dividend to ordinary shareholders	1,974.83		1,974.83	
Dividends to preference shareholders	38.39		66.31	
To providers of capital	2,013.22	22.21	2,041.14	26.02
Income tax expense	1,917.83		1,246.23	
VAT on financial service	546.04		362.57	
Other taxes charged for the year	241.96		183.90	
To the government	2,705.83	29.84	1,792.70	22.86
CSR & Donations	79.60		72.86	
To community	79.60	0.88	72.86	0.93
Retained profits	2,372.52		1,778.13	
Depreciation and amortisation	210.22		217.07	
Deferred taxation	(122.09)		375.92	
To expansion and growth	2,460.65	27.14	2,371.12	30.23
Total value Distributed	9,066.32	100.00	7,843.05	100.00

CE Table - 5



CONTRIBUTION TO THE ECONOMY

Economic Value Added (EVA)		
F.Y Ended	2015/16	2014/15
	Rs. Mn	Rs. Mn
Shareholders funds	22,771.87	21,135.79
Add - Cumulative impairment provision	1,580.86	2,124.81
Add - Cumulative market building expense	743.71	776.17
	25,096.44	24,036.77
Profit attributable to Shareholders	4,347.35	3,752.96
Add - Market building expenses for the year	318.86	309.51
Add - Impairment charge for the year	(543.95)	789.68
Add - Deferred tax charge for the year	(122.09)	375.92
	4,000.17	5,228.07
Economic cost at the rate of 8.98% (8.23% for 2014/15)	2,206.08	1,860.94
Economic Value Added (EVA)	1,794.09	3,367.13

CE Table - 6

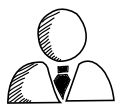
Economic value added indicates the surplus value created for the shareholders on their investment. During the financial year 2015/16 PLC's EVA has lowered by 46.72 percent mainly due to increase in economic cost by 18.55 percent.

Market Value Added (MVA)		
For the Year	2015/16	2014/15
	Rs. Mn	Rs. Mn
Market capitalisation/market value of equity	25,277.80	34,914.96
Less : Equity Owners' funds		
Shareholders' funds	22,771.87	21,135.79
Total equity owners' funds	22,771.87	21,135.79
Market value added	2,505.93	13,779.17

CE Table - 7

The MVA shows the value created with the market value of shares between the capital contributed by the shareholders. Due to the negative sentiments prevailed in the market, PLC market capitalisation reduce by 27.60% during the financial year 2015/16. A comprehensive discussion on PLC market capitalisation is set on pages 75 to 76, investor relation.

SHARED VALUE CREATION & KEY INDICATORS 2015/16

**Customer**

Our inclusive suite of products including the subsidiary operations facilitate diverse customer requirements, mainly within the SME and the retail sector. We have the expertise and well-trained and motivated staff to extend the best and quality service.

- Leasing & loan disbursements: Rs. 65,692.00 Mn
- Islamic finance disbursements: Rs. 5,175.33 Mn
- New deposits generated: 20,699

**Shareholder**

We are steadfast in our efforts to generate strong and consistent profits and extend stable returns on equity to our shareholders.

- Net profits: Rs. 4,347.35 Mn
- Return on equity: 19.80%
- Earnings per share: Rs. 2.75
- Dividend per share: Rs. 1.25

**Employees**

We provide employment for over 1,800 personnel and extend solid careers with due compensation, rewards, recognition for performance and training to meet skills gap.

- New recruitment: 322
- Total employment benefits: Rs. 1,807.02 Mn
- EPF & ETF: Rs. 118.52 Mn
- Gratuity liability: Rs. 226.99 Mn

**Suppliers**

We support a substantial supplier base within the value chain and advocate best practices to be adopted within their businesses.

- Supplier base: 22,633
- Local supplier payments: Rs. 51,726.24 Mn
- Local supplier payments: Over 99%

**Government, Statutory and Regulatory Agencies**

We are conscientious in meeting statutory tax payments in support of public finance and duly comply with the directives, rules and regulations set by statutory and regulatory agencies.

- Value-added tax on financial services: Rs. 546.04 Mn
- Income tax: Rs. 1,917.83 Mn
- Super-gain tax (FY 2013/14): Rs. 741.08 Mn

**Society**

We are committed to be a responsible corporate citizen. We support our communities in addressing their challenges and issues whilst being proactive in reducing emission and reducing our carbon footprint.

- Community investment: Rs. 76.25 Mn
- Environment investment: Rs. 3.36 Mn

SUBSIDIARY REVIEW

PEOPLE'S INSURANCE PLC



OVERVIEW OF THE COMPANY

People's Insurance (PI) commenced commercial operations in 2010 as a non-life (general) insurer, licensed by the Insurance Board of Sri Lanka (IBSL) and backed by reinsurers in line with the IBSL standards. PI provides a wide range of insurance products, including motor, fire and marine insurance for both individuals and corporates under life-style and business products. The Company's island wide presence, through regional offices and window offices at PLC branches and trusted brand image, ensures strong market presence and growth opportunities in future.

5th Largest Player in the Industry	Rs. 6,642 Mn Total Assets	11% Growth Premium Income	20.62% ROE	Rs. 464 Mn PAT
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- FOR CURRENT YEAR (2015)**
- ▶ List on the Main Board of the CSE.
 - ▶ Consolidate the captive-market and increase the non-captive direct businesses.
 - ▶ Enhance group synergies.
 - ▶ Focus on service quality & product responsibility.
 - ▶ Maximise the brand strength of the Company & the Group.
- FOR FUTURE YEAR (2016)**
- ▶ Top line growth by improving the non-captive direct business.
 - ▶ Reinforce strategic relations with the PLC Group.
 - ▶ Exercise discipline in underwriting and improve claims management.
 - ▶ Offer well-structured training programmes including foreign trainings to enhance technical and soft skills.

- KEY ACTIVITIES DURING THE YEAR - 2015**
- ▶ Successfully completed its IPO by listing on the Main Board of the CSE with almost 6 times oversubscription.
 - ▶ Strengthened the group synergies by product bundling with the support of PLFML and PLPDL.
 - ▶ Expanded the outreach through branches and window offices within the group network while strengthening the operations at the two regional offices in Galle and Negombo.
 - ▶ Strengthened ties with the Group, conducted promotional campaigns in collaboration on group brand enhancement.
 - ▶ Added value and designed products to enhance customer relationships addressing diverse customer needs.

Intellectual Capital

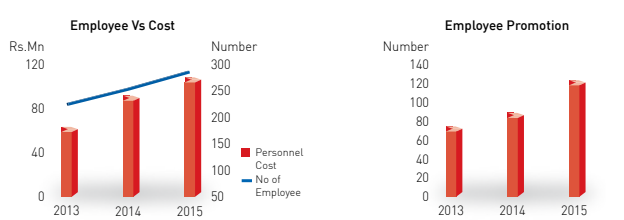
▶ PI has become Sri Lanka's 5th largest non-life insurer in terms of the market share and offers following products.



Relationship Capital

Customers	2013	2014	2015
Policyholders	107,782	111,426	134,612
Customer touch points	87	100	110

Human Capital



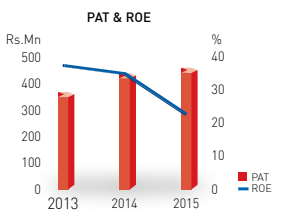
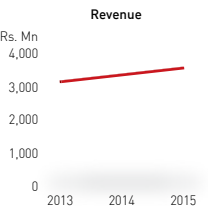
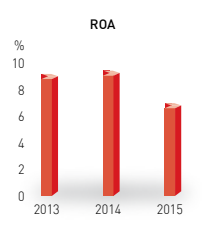
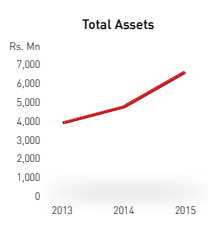
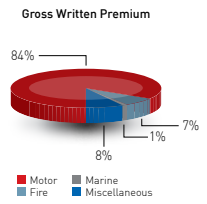
Natural Capital



Carbon Conscious Certification

	2013	2014	2015
Carbon footprint (Tonnes)	NC*	560.71	133.00

Financial Capital



NC* - Not Computed

PEOPLE'S MICROFINANCE LIMITED



OVERVIEW OF THE COMPANY

People's Microfinance Limited (PML) incorporated in 3rd September 2010, reinforcing PLC's aspirations towards being an inclusive financial services provider. PML extends funding support to uplift the grass-root communities, broadly falling under the unbankable category. PML has established a significant outreach as one of the key microfinancing institutions in the country within 5 years of commercial operations.

Rs. 1,690 Mn
Disbursement

Rs. 1,493 Mn
Loan Portfolio

Rs. 1,570 Mn
Total Assets

41,308
Customer Base



FOR CURRENT YEAR (2015/16)

- Bring in greater discipline to grantings and recoveries to improve the quality of the product mix.
- Support rural communities to improve their living standards.
- Extend training opportunities, technical and marketing support to enhance management skills of unit leaders of the Company.
- Offer best services and products to enhance customer relationships.

FOR FUTURE YEAR (2016/17)

- Expand the outreach through the branches to mitigate the intense competition in the industry.
- Provide credit and support services to enhance the loyal customer relationships.
- Maintain the transparency and trust of the Company with sound governance practices by complying with the upcoming microfinance regulation.

KEY ACTIVITIES DURING THE YEAR - 2015/16

- Strengthen the loan portfolio to mitigate the exposure to risks in the industry.
- Extended savings facilities, developing new facilities to support the education of clients' children while providing training to cluster leaders and assisted to build effective linkages in the supply chain.
- Supported the communities to access new technology through the equipment loan facility.
- Conducted several training programmes to regional supervisors & unit leaders to develop their management skills.

Intellectual Capital

The Company has over 3,400 cluster of customers islandwide within the short span of life, aiming to uplift the living standard by extending financial support.



Ms. V.M. Anjelo - Trincomalee



Ms. P. Vasanthamalai - Trincomalee

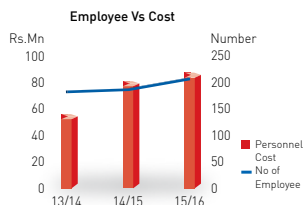


Ms. A. Shashipraba - Wallawaya.

Relationship Capital

Customer	2013/14	2014/15	2015/16
Customer base	43,625	42,097	41,308
Clusters	2,246	2,827	3,450
Customer touch points	34	35	39

Human Capital



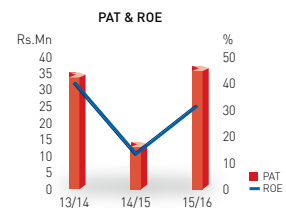
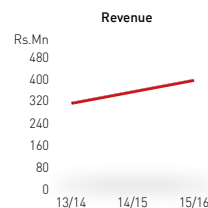
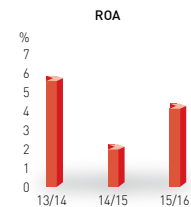
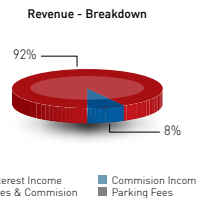
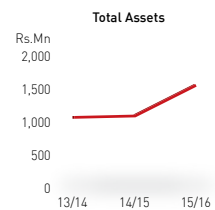
Natural Capital



Carbon Conscious Certification

	2013/14	2014/15	2015/16
Carbon footprint (Tonnes)	NC*	40.72	32.64

Financial Capital



SUBSIDIARY REVIEW

PEOPLE'S LEASING FLEET MANAGEMENT LIMITED



OVERVIEW OF THE COMPANY

People's Leasing Fleet Management Ltd (PLFML) incorporated in the year 2008 and restructured in 2013/14, and has progressively moved forward, steadily paving the way to make a mark within the fleet management arena. With the restructure, the Company focused on building up four key services - vehicle fleet management as the core service, vehicle valuations, rent-a-car services and vehicle sales. Essentially leveraging on synergies within the Group, particularly with the parent entities and with sister company, People's Insurance PLC.

Rs. 261 Mn
Total Assets

Rs. 244 Mn
Revenue

14.11%
ROE

4.45%
PAT Growth

FOR CURRENT YEAR (2015/16)

- ▶ Due investments to expand and upgrade the fleet including rent-a-car.
- ▶ Strengthen the fleet monitoring mechanism with the use of technology.
- ▶ Streamline valuation & vehicle sales processes for effective delivery.
- ▶ Gear the valuation department in line with parent, PLC's proposed regional operational structure.
- ▶ Establish a vehicle sales center in Colombo.

FOR FUTURE YEAR (2016/17)

- ▶ Establish a vehicle sales in Kandy to grab opportunities outside the main city.
- ▶ Due investments to expand and upgrade the vehicle sale.
- ▶ Open a valuation call center to give speedy communication links to customers.
- ▶ Diversify the business operations by venturing to operating lease.

KEY ACTIVITIES DURING THE YEAR - 2015/16

- ▶ Invested Rs. 26.15 million on branded luxury vehicles.
- ▶ Established island wide vehicle valuation network.
- ▶ Streamline valuation & vehicle sales processes for effective delivery.
- ▶ Established five regional leaders within the PLC branch network.
- ▶ Hired a new land in Borella to establish a vehicle sales unit.

Strategic Priorities

Intellectual Capital

The Company offers following products:



Vehicle Fleet



Vehicle Maintenance



Vehicle Valuations

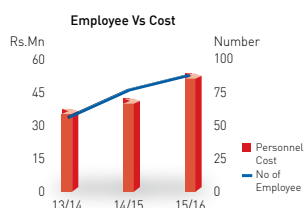


Vehicle Sales

Relationship Capital

Customer	2013/14	2014/15	2015/16
No of service centers	28	39	43
No of valuation	14,428	27,003	37,516
Vehicle fleet	56	53	56
Certified valuers	29	39	45

Human Capital



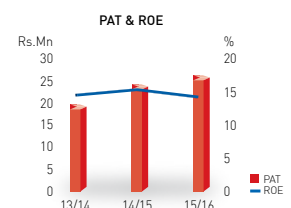
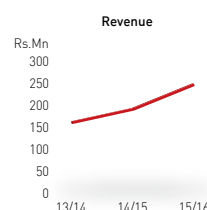
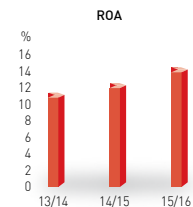
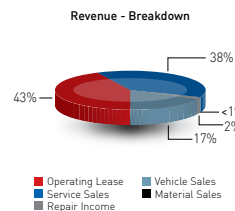
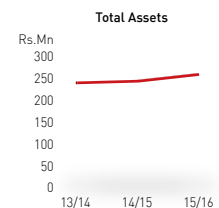
Natural Capital



Carbon Conscious Certification

	2013/14	2014/15	2015/16
Carbon footprint (Tonnes)	NC*	539.29	552.03

Financial Capital



PEOPLE'S LEASING PROPERTY DEVELOPMENT LIMITED



OVERVIEW OF THE COMPANY

People's Leasing Property Development Limited (PLPLD) incorporated in 15th August 2008 to undertake construction projects for PLC Group and for People's Bank. As at date, PLPLD has successfully completed the PLC head office building in Colombo 08, together with construction projects totaling to 14 branches for People's Bank.

6 Projects Completed

Rs. 2,862 Mn Total Assets

Rs. 302 Mn Revenue

Rs. 367 Mn PAT



FOR CURRENT YEAR (2015/16)

- Complete projects in hand as per the timeline and budgets without resorting to cost over-runs.
- Strengthen the Financial Position of the Company while reducing financial burning.

FOR FUTURE YEAR (2016/17)

- Better coordination with contractors with the purpose of completing more projects in future.
- Negotiate with People's Bank and PLC for new projects.
- Obtain service of other consultancy firms to improve competitiveness, quality of design & reduce over dependency on single firm.

KEY ACTIVITIES DURING THE YEAR - 2015/16

- Completed construction work of the Hakmana, Hatharaliyadda, Mathugama, Beruwala, Naula and Kodikamam branches and handed over to People's Bank.
- Settled Rs. 800 Mn long term loan.
- Negotiated to commence construction of new branches for People's Bank and PLC.

Intellectual Capital

Snapshots of few projects completed



People's Bank - Hatharaliyadda Branch

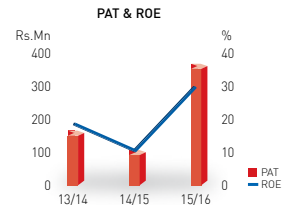
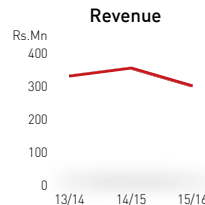
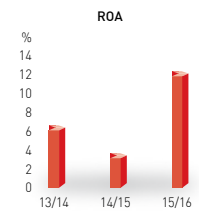
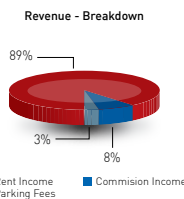
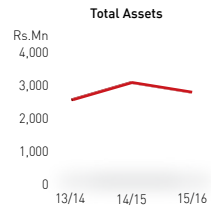


People's Bank - Mathugama Branch

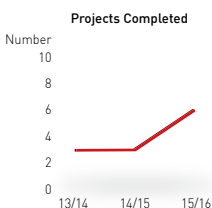


People's Bank - Hakmana Branch

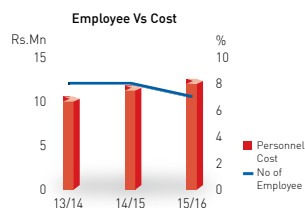
Financial Capital



Relationship Capital



Human Capital



SUBSIDIARY REVIEW

PEOPLE'S LEASING HAVELOCK PROPERTIES LIMITED



OVERVIEW OF THE COMPANY

People's Leasing Havelock Properties Limited (PLHPL) was incorporated in 12th August 2010 to construct an office complex for PLC Group in Havelock Road, Colombo 5.



FOR CURRENT YEAR (2015/16)

- Change the design of the office complex to facilitate more space for the office use.
- Complete the construction work of the office complex.

FOR FUTURE YEAR (2016/17)

- Completion of the office complex and lease out to commence operations in the completed building.
- Commence new projects in the adjoining land.

KEY ACTIVITIES DURING THE YEAR - 2015/16

- Amalgamate adjoin land to the land in which the construction is ongoing.
- The layout of the building changed, adding extra floors to the office complex while shifting the car park to adjoin land.
- Company has invested Rs. 356 million during the year to bring the office complex to present level.

Intellectual Capital

Havelock Projects



Initial stage

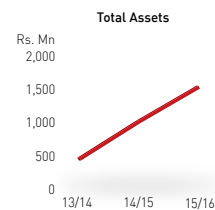


The present mien



Final look

Financial Capital



PEOPLE'S MERCHANT FINANCE PLC



OVERVIEW OF THE COMPANY

People's Merchant Finance PLC is a public limited liability company incorporated in Sri Lanka on the 26th January 1983, quoted on the Colombo Stock Exchange in July 1994 and registered under the Finance Leasing Act No.56 of 2000 & Finance Business Act No. 42 of 2011. Principle activities of the Company are Leasing, Hire Purchase, Fixed Deposits, Savings, Pawning and Marginal Trading.



FOR CURRENT YEAR (2015/16)

- Restructure the Company to start the operation after one and half year seized of operation.
- Strengthen the recoveries function of the Company to smooth the funding floor.

FOR FUTURE YEAR (2016/17)

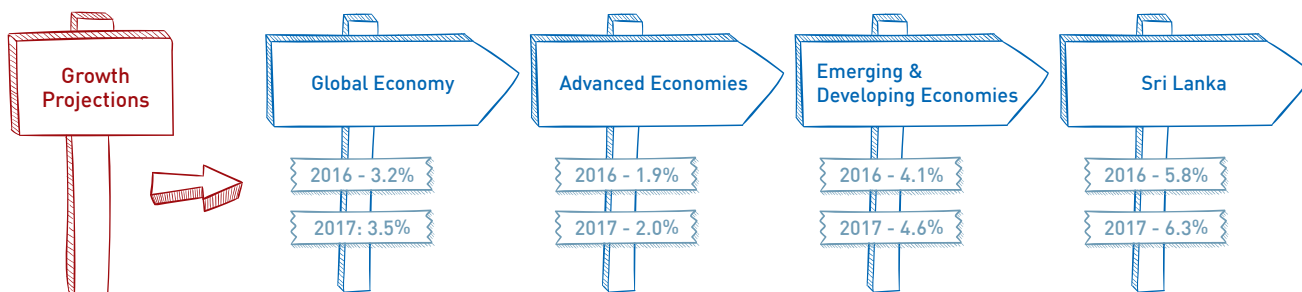
- Increase the volume of the business.
- Increase the financial inclusivity by offering new products such as gold loans, business loans.
- Expand the deposit base through children saving accounts, daily collection accounts for business community and etc.

KEY ACTIVITIES DURING THE YEAR - 2015/16

- Appointed PLC as the Managing Agent to the Company to revamp the Company's operation.
- Stringent recovery effort accentuated and auctioned the idle gold stock & repossessed vehicles.
- Conducted branch level promotional campaigns (BTL).
- Strengthened & smooth the processes to run the operations at the expected level.
- Enhanced the Company capitals including human resources.
- People's Bank and PLC offered mandatory offer by marking 87 percent of joint ownership.

FUTURE OUTLOOK

MACROECONOMIC OUTLOOK



Source: World Economic Outlook, April 2016, International Monetary Fund and Annual Report 2015, Central Bank of Sri Lanka

The global economy continues to reflect improved sentiments, although uneven and uncertain. The year ahead, 2016, is tipped to grow modestly and growth is expected to gradually accelerate towards the medium term. Yet, the fundamentals across the nations remain fragile and significant down-side risks still prevail—looming to weaken the global economic prospects. The slower than anticipated turnaround in advanced economies; anxieties that surround the emerging market slowdown led by China; fluctuations in the commodity markets; the volatilities in the financial markets; together with the worsening geopolitical scenario; may very well mask the optimism we have for the ensuing years.

This uncertainty within the global economy coupled with the internal challenges present within the political and macroeconomic landscape does not reflect well on the country's growth trajectory. The upward monetary policy adjustments, balance of payment crisis and fiscal complexities pervade and undermine the overall level of business confidence and thus, will limit the economic activity in the short-term. Yet, we expect the policy adjustments and structural changes from the fiscal, monetary and external fronts—to correct the imbalances in the economy and bring in better prospects and confidence in the mid-term. The country is forecast to move towards greater economic activity and achieve broader socio-economic goals aspired in the post-conflict years. The economic growth is expected to stabilise around 7.0 percent levels by 2019.

COMPANY OUTLOOK

The emerging operating backdrop is complex, volatile and challenging. As is the case across the industry, our organisation is exposed to the adversities that shroud our macroeconomic environment at present. This is further exacerbated by the higher duty structure on imported motor vehicles and the loan-to-value ratio which restricts our volume growth. The performance of the overall leasing and loan portfolio along with the new ventures in margin trading and factoring may not achieve the potential and the results may be relatively lukewarm in the immediate year-ahead, 2016/17.

However, in the medium term, we are well geared to steer our business amidst the headwinds and bolt on the opportunities inherent in our emerging economy. Within the two decades, we have nurtured our expertise; built strong ties and engaged effectively with key stakeholders; and invested well on growing our product, distribution network and on technology to streamline our processes. We have the capacity to maximise the use of our capital resources and bolster the wealth creation process and deliver sound returns to all our stakeholders. Our three-year Strategic Business Plan, 2015-2018, as discussed under the Our Strategy section sets out our strategic options in managing and achieving our business targets and goals. The focus areas of our strategy are outlined below:

Service Excellence

Our customer base is a key forte for the organisation. Hence, our top priority will continue to be service quality, which warrants careful attention not only for customer retention in a competitive backdrop; but, also to spur positive 'word-of-mouth' referrals to boost new customer patronage. We will therefore, focus and invest strategically to build a professional and rounded team—empowered and responsible to be proactive and committed to deliver excellence in service, upholding best and ethical business practices.

We will also continue to further invest in technology which will support our efforts to enhance the level efficiency of our business processes and thereby, deliver speedy and responsive service to our valued customers.

Market Outreach

Seeking to gain market share, we intend to further rationalise our distribution network and expand our presence in strategic locations—with higher concentration of potential customers. Adhering to regulations of Central Bank of Sri Lanka we will not open window offices hereafter. Necessary investments will be made on recruitments to gather the right-profiled administrative teams and on support systems and processes to successfully operate this scheme.

FUTURE OUTLOOK



“WE ARE WELL GEARED TO STEER OUR BUSINESS AMIDST THE HEADWINDS AND BOLT ON THE OPPORTUNITIES INHERENT IN OUR EMERGING ECONOMY. WITHIN THE TWO DECADES, WE HAVE NURTURED OUR EXPERTISE; BUILT STRONG TIES AND ENGAGED EFFECTIVELY WITH KEY STAKEHOLDERS; AND INVESTED WELL ON GROWING OUR PRODUCT, DISTRIBUTION NETWORK AND ON TECHNOLOGY TO STREAMLINE OUR PROCESSES”

Product Development & Diversification

Our product strategy seeks to gear our portfolio to be competitive and robust to weather a possible down-turn in the economy and effectively meet policy changes. Our aim is to bring in greater value addition to our core portfolio in leasing and loans; particularly, focusing on developing variable rate instruments and Islamic finance product solutions. We will be bullish in marketing promotions of our existing value-added range including the Fast-Track loans. We will also look to further strengthen and increase the level of penetration of our two new ventures in margin trading and factoring. This includes expansionary plans to set up dedicated units to carry out these operations in potential branches.

We will also strengthen our deposit taking activities—driving for low cost funds through savings products. To this end, we intend to be focused in adding value to our deposit products, creating awareness and inculcating the habit of saving especially amongst the rural communities and school children. We will also look at tapping into micro savings through collaboration with our microfinance arm. Fixed deposits however, will continue to be strategically promoted subject to treasury management approach to minimise the maturity mismatches between assets and liabilities.

Growth Opportunities

Apart from securing growth opportunities within the country from an organic approach, we are also looking at our proposed options beyond our borders, particularly, penetrating the South Asian markets.

Social and Environment Responsibility

We will uphold our commitment to social and environment responsibility, seeking to be more focused in our initiatives and projects as envisioned under our five-focused strategy—given expression under the ‘PLC Care’ campaign. We will continue to invest 2.5 percent of our profits and give due recognition and rewards for employee volunteerism for social and environmental projects.

Financial Discipline and Corporate Practices

Maintaining stringent, but, pragmatic cost controls will assume greater significance within our operating backdrop, particularly given the nature of competition in the industry and the uncertainties that prevail within the macroeconomic environment. We will seek to leverage on our strength to source low cost funds, reap benefits of economies of scale through market expansions and group collaborations, especially in procurement, and minimise operational overheads and wastage. We will continue to give top priority to uphold effective risk management within our operations and thereby be smart in driving for greater volumes in business and cap on the non-performing portfolio. We will remain committed to maintain sound corporate governance practices and strengthen our compliance function to meet best and current practices.

Disclaimer

As changing circumstances may cause deviations in forecasts and predictions herein, investors and all other stakeholders are advised not to place undue reliance on such opinions and forecasts in making their decisions.

Roadmap – 2016/17


 Financial Capital

Key Actions

- Improve the Company's profitability and value addition through growth in interest spread.
- Facilitate expected product developments, market diversification and branch network expansion through right funding.
- Focus on securitisation and fixed deposit in raising funds.
- Leverage on the Company's associate, People's Merchant Finance PLC's turnaround.
- Exploit on opportunities for foreign borrowing.


 Relationship Capital
- Customer

Key Actions

- Reinforce the quality of service through best business practices.
- Set up new branches in key locations to expand the market share.
- Empower employees to be customer focused in their engagement.
- Add value and diversify to extend a more inclusive product offer.
- Engage in cost effective marketing campaigns to promote new products.


 Relationship Capital
- Investor

Key Actions

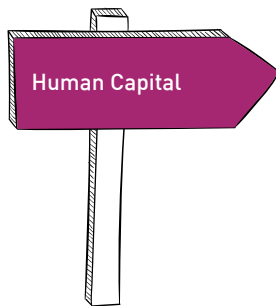
- Focused efforts to achieve profitability, ensure sound returns and uphold financial stability.
- Uphold and strengthen governance, risk management and compliance function.
- Explore and bolt on growth opportunities outside Sri Lanka to create further value and boost shareholder returns.


 Relationship Capital
- Supplier

Key Actions

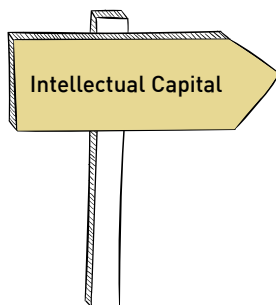
- Continue to maintain strong bond with the suppliers.
- Enhance the supplier assessment framework within the Company.
- Ensure that the Company engages with the right suppliers by improving the monitoring process.

FUTURE OUTLOOK



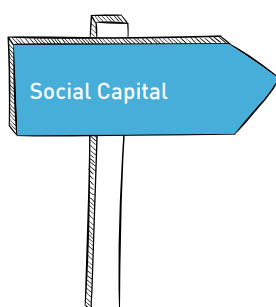
Key Actions

- Continue to uphold best HR practices to attract, recruit and retain best talent within the organisation.
- Extend training opportunities across all employee categories to further their technical and soft skills.
- Extend foreign training exposure for high achievers.
- Strengthen and encourage staff to avail the benefits under the professional development programme.
- Implement the proposed salary revision across the organisation.



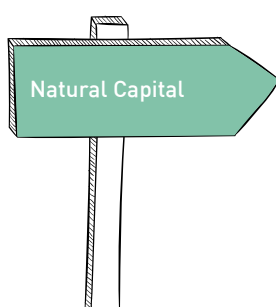
Key Actions

- Network and reinforce ties with People's Bank and sister companies and collaborate on mutually beneficial initiatives.
- Organise focused marketing initiatives to further strengthen the brand and corporate standing.
- Adopt latest AppServer technology to improve the terminal server efficiency.
- Ensure greater information security and better network management by upgrading the firewall and network re-structuring.
- Enhance the system to enable utility bill payments for customer convenience through any branch or mobile collection device.
- Add interactive features to the official website to facilitate online transactions and communications.
- Develop an HTML5 version of the website to be accessed through smart phones.



Key Actions

- Provide structured training to SME customers to build capacity and extend support links for marketing.
- Carry out awareness among vehicle owners, drivers, communities and school children on road safety and road discipline.
- Extend scholarships for the needy and talented students.
- Provide school amenities to address infrastructure gaps of underprivileged schools.
- Initiate focused projects to address community priorities with respect to infrastructure, healthcare and disaster relief.



Key Actions

- Extend green training opportunities for employees across organisation.
- Reduce and offset the organisation's carbon footprint through green practices within the workplace and green campaigns.
- Promote the green financing scheme to encourage people to purchase/lease eco-friendly vehicles and extend funding support for green projects.
- Collaborate with key stakeholders to carryout effective green campaigns including the reforestation and tree planting to reduce carbon emissions and support the fight against global warming and climate change.

CORPORATE STEWARDSHIP

“SKETCHES THE ETHICS THAT EMBODIES RESPONSIBLE PLANNING AND MANAGEMENT OF RESOURCES WITHIN THE COMPANY; AND PROVIDES A BRIEF PROFILE OF OUR PRINCIPAL STEWARDS”

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CORPORATE GOVERNANCE

BOARD OF DIRECTORS

1 Mr. Hemasiri Fernando
Non-Executive, Non-Independent
Chairman

Qualifications

Bachelor of Economic (Special) from the University of Colombo, Associate Member of the Institute of Travel and Tourism UK and Fellow of the British Institute of Management (FBIM).

Positions Held

Secretary to the Prime Minister (1994-2000), Advisor to the President (2011-2014), Secretary- Ministry of Postal Services (2011-2014) Chairman of Sri Lanka Telecom & Telecom Services Limited, Airport & Aviation Services (Sri Lanka) Limited President of South Asian Olympic Council, Commander at Sri Lanka Navy.

Current Positions

President of National Olympic Committee of Sri Lanka, Vice President of Commonwealth Games Federation (Asia Region), Vice President of Olympic Council of Asia Chairman of People's Bank, People's Leasing Property Development Ltd, People's Leasing Havelock Properties Ltd, People's Leasing Fleet Management Ltd and People's Merchant Finance PLC, Acting Chairman of Independent Television Network.

Honorary Diplomatic Appointments:

Honorary Consul for the Kyrgyz Republic in Sri Lanka.

Special Achievements/Awards

Conferred with Merit Awards by the Olympic Council of Asia (OCA) and the Association of National Olympic Committee (ANOC), National Champion in Rifle Shooting in 1982, 1983 and 1984, 6th Place in Rifle Shooting in the Asian Games-1982.

Publications

"The Viceroy Special" in 2011 and "The Uva Railway" in 2014.

2 Mr. Michael Pradeep Amirthanayagam
Non-Executive, Independent Deputy
Chairman/Senior Independent Director

Qualifications

Member of the Chartered Institute of Marketing and an Associate of the Trinity College of London in Speech and Drama - ATCL (Sp/Dr).

Positions Held

CNN correspondent for Sri Lanka, News presenter at Rupavahini, ITN & SLBC, interviewer and cricket commentator, Past President of the Rotary Club of Colombo West.

Current Positions

Chairman and Managing Director of the leading advertising agency Holmes

Pollard & Stott, Vice President of SUROL (Society for the Upliftment & Rehabilitation of Leprosy Affected Persons) and a Director of the Anura Bandaranaike Foundation and People's Merchant Finance PLC.

Special Achievements

Winner of the Rotarian of the Year award in 2012 and winner of the oratory contest themed 'Rotary World Understanding and Peace' organized by Rotary International.

3 Mr. Jehan Prasanna Amaratunga
Non-Executive, Non-Independent Director

Qualifications

Fellow of the Institute of Chartered Accountants of Sri Lanka and Fellow of



the Chartered Institute of Management Accountants, UK.

Positions Held

Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka.

Current Positions

Group Executive Deputy Chairman of MTD Walkers PLC Sri Lanka, Chairman of People's Insurance PLC, Director of People's Bank, JAT Holdings (Pvt) Ltd, Sri Lanka Institute of Information Technology and Member of the Governing Council of the University of Colombo.

Special Achievements

Awarded First in Order of Merit Prize at the final level examination of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and presented a paper titled "Value for Money Accounting" at the National Conference of the (CA Sri Lanka) in 1987.



Mr. N. Vasantha Kumar

Non-Executive, Non-Independent Director

Qualifications

Master's Degree in Business Administration.

Positions Held

Past President of the Association of Primary Dealers and of the Sri Lanka Forex Association, Treasurer at ANZ Grindlays Bank, Colombo.

Current Positions

CEO/GM of People's Bank, Director of Lanka Financial Services Bureau Ltd., Sri Lanka Bank's Association (Guarantee) Ltd., Financial Ombudsman Sri Lanka (Guarantee) Ltd., Credit Information Bureau of Sri Lanka, Institute of Bankers of Sri Lanka, National Payment Council, People's Insurance PLC, People's Travels (Pvt) Limited, People's Leasing Havelock Properties Limited, People's Leasing Property Development Limited and People's Merchant Finance PLC.



Mr. Johnson Anthony Fernando

Non-Executive, Independent Director

Positions Held

Held many senior management positions with the Expo Industrial Group which has diversified interests including in Apparel, Food Packaging, Industrial Printing, Commercial Printing, Logistics Management, Engineering and Construction. President of the Sri Lanka Association of Printers, Vice President of the Sri Lanka China Business Council Cooperation.

Current Positions

Director of Expo Industrial Products (Pvt) Ltd, Shore to Shore (Pvt) Limited, Expo Brand Packs (Pvt) Ltd, Expo Industrial Engineering (Pvt) Ltd, Expo Printers (Pvt) Ltd, Expo Property Developers (Pvt) Ltd, Expo Regional Holdings (Pvt) Ltd, Sri Lanka Association of Printers, People's Merchant Finance PLC and an advisory Board Member of the Benedict XVI Cultural Institute.



CORPORATE GOVERNANCE

BOARD OF DIRECTORS



Mr. Mohamed Anise Mohamed Rizwan

Non-Executive, Independent Director

Qualifications

Doctoral candidate DBA (Doctorate in Business Administration) of University of Wales, Masters in Business Administration from the University of Wales, UK, Diploma in Business Management, Member of the Chartered Institute of Marketing, UK and a Certified Member of Sri Lanka Institute of Marketing.

Positions Held

Held many senior management positions in public listed companies, as Group Vice President-Marketing Group Head of Marketing, Head of Marketing and Manager Business Development/ Marketing & Corporate Communications in diverse industries.

Current Positions

Chief Operating Officer of DCS International (Pvt) Ltd, adjunct lecturer and examiner for the Marketing Strategic Planning and Management Post graduate and undergraduate programmes offered by the Northwood University of USA, Heilbronn University of Germany and University of West London MBA program.



Mr. Rathnayake Mudiyansele Jayasena

Non-Executive, Independent Director

Qualifications

Bachelor of Arts Degree from the University of Colombo.

Positions Held

Consultant at National Institute of Management, Ministry of Industries and Scientific Affairs, Executive Director at Isura Development Centre, Vice Chairman of National Forum of People's Movement, Director of Lanka Organic Agriculture Movement, Treasurer at Green Movement Sri Lanka, Director of Forest Garden Product Certification Limited.





8 **Dr. Ali Asgar Shabbir Gulamhusein**
Non-Executive, Independent Director

Qualifications

PhD from Tokyo, Japan and a Bachelor's Degree in Computer Science and Business Management from King's College London, UK,

Current Positions

Director of Adam Capital PLC, Ceylon & Foreign Trades PLC, Adam Expo (Pvt) Limited, Network Communications (Private) Ltd, Sonakshi Trust (Private) Ltd, Sri Lanka Institute of Textiles & Apparel and several other private entities relating to various sectors such as automobile, apparel, gems etc... Serves as a Justice of Peace (all island).

Special Achievements

Bestowed with the prestigious title of "Deshabandhu Manawahithawadhi Lankaputhra".



9 **Mr. Rohan Pathirage**
Company Secretary

Qualifications

Attorney-at-Law with a Bachelor of Laws Degree from the University of Colombo, Postgraduate Diploma in Banking, Masters in Bank Management from the Massey University in New Zealand.

Current Positions

Functions as the Secretary to the Board of Directors of People's Bank, Company Secretary of People's Travel (Pvt) Ltd, People's Leasing Fleet Management Ltd, People's Leasing Property Development Ltd, People's Insurance PLC, People's Leasing Havelock Properties Ltd and People's Microfinance Ltd.

CORPORATE GOVERNANCE

CORPORATE MANAGEMENT

1 Mr. D.P. Kumarage

Chief Executive Officer / General Manager

Appointed to the present designation:
1997

Qualifications:

PGDip in Modern Banking, Passed Finalist CIMA UK

Service & experience:

37 years of experience in Banking and Finance. Prior to joining PLC he served at People's Bank and retired as a Deputy General Manager.

Other positions:

The Managing Director of the other subsidiary companies of PLC and a Director of People's Merchant Finance PLC. Member of PLC's Integrated Risk Management Committee. The Vice President of the Asian Leasing & Finance Association. Former Chairman of the Leasing Association of Sri Lanka, a Non-Executive Director of Lanka Ashok Leyland PLC.

2 Mr. Sanjeewa Bandaranayake

Deputy General Manager - Finance & Administration

Appointed to the present designation:
2007

Qualifications:

FCA, CMA (Australia), FCMA (Sri Lanka), Finalist CIMA (UK)

Service & experience:

He possesses five years of experience at Ernst & Young, Chartered Accountants and has over 22 years of post qualifying experience at a very senior level in the finance sector.

Other positions:

Director of the Credit Information Bureau of Sri Lanka and the Acting CEO of People's Merchant Finance PLC; Vice President of the Asian Financial Services Association (AFSA) and a Director of the Leasing

Association of Sri Lanka. Member of PLC's Integrated Risk Management Committee. Former Chairman of the Leasing Association of Sri Lanka, a former Committee Member of the Ceylon Chamber of Commerce and a former council member of the Sri Lanka Institute of Credit Management (SLICM).

3 Mr. Lionel Fernando

Deputy General Manager - Operations

Appointed to the present designation:
2013

Qualifications:

ACA, AIB (Sri Lanka), PGDIP in Business & Financial Administration (CA Sri Lanka)

Service & experience:

Joined the Company in 1995 and held various senior positions at the Company. He has over 27 years of experience in banking and finance sector.

Other positions:

Member of PLC's Integrated Risk Management Committee.

4 Mr. Rohan Tennakoon

Deputy General Manager - Operations

Appointed to the present designation:
2014

Qualifications:

MBA (Colombo), Msc in Management (J'pura), Bsc. in Business Administration (2nd Class Upper) (J'pura), AIB (Sri Lanka) and Member-APBSL

Service & experience:

Counts over 26 years of experience in many diversified fields such as Accounting, Manufacturing, Exporting, Banking and Leasing. He has served almost 19 year at PLC in various capacities.

Other positions:

Head of Islamic Division (Al-safa), PLC and a member of the Company's Integrated Risk Management Committee. Represents the Company in the Finance Houses Association of Sri Lanka, in the Council of Management and serves as the Chairman of Sports Festival Committee. PLC's Compliance Officer for the Credit Information Bureau of Sri Lanka.



2

1

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4

5 Mr. Damith Malavithanila
Deputy General Manager - Operations

Appointed to the present designation:
2016

Qualifications:
Finalist (CA Sri Lanka), Intermediate (IBSL)

Service & experience:
Joined the Company in 1996 and had been the Head of Recoveries for ten years and he has taken up the Branch Operations since 2007. He has over 27 years of experience in banking & finance, and several years of experience in auditing and accounting.

Other positions :
Overlooks the operations of People's Leasing Fleet Management Ltd., a fully owned subsidiary of the PLC Group.

6 Mr. Laksanda Gunawardena
Deputy General Manager - Operations

Appointed to the present designation:
2016

Qualifications:
MBA, Msc. in Strategic Marketing, Diploma in Credit Management (SLICM), and an Associate Member of SLICM.

Service & experience:
Joined the Company in 2002 and had been the Head of the Corporate Leasing for nine years. He has over 21 years experience in the field of corporate and SME Financing, covering the areas of credit, marketing, recoveries, and branch development and Operations.

Other positions:
Overlooks the Operations of People's Microfinance Limited, a fully owned subsidiary of the PLC Group.

7 Mr. Prabath Gunasena
Deputy General Manager - ICT (Group)

Appointed to the present designation:
2016

Qualifications:
MBA (Western Sydney), Diploma in Computer System Design (NIBM Sri Lanka) and a Member of the British Computer Society.

Service & experience:
Joined the Company in 1999, and has been the Head of ICT for the past 17 years.

Other positions:
Head of ICT for the entire PLC Group.

8 Mr. Udesh Gunawardena
Deputy General Manager - Audit

Appointed to the present designation:
2016

Qualifications:
ACA, ACMA (Sri Lanka), Associate of IPFM-UK, Member of IIA, Finalist CIMA (UK), Diploma in Treasury, Investment and Risk Management (IBSL), and the World prize winner of the Australian Computer Society.

Service & Experience:
Joined the Company in 1999 as an Accountant and possesses over 21 years of experience in the field of finance, covering accounting, auditing, financial management and treasury operations at senior level.

Other positions:
The Secretary to Board Audit Committee of the Company.

9 Mr. Ranil Perera
Chief Manager - Branch Operations

Appointed to the present designation:
2011

Qualifications:
Masters in Regional Development and Planning (Colombo), MBA (University of Manipal-India), PGDip in Economic Development (Colombo), B. Com (Special) in International Trade (J'pura), Part qualification in CIM - UK & CA Sri Lanka.

Service & experience:
Joined the Company in October 1999. He has over 17 years of experience at People's Leasing Group.



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CORPORATE GOVERNANCE

CORPORATE MANAGEMENT

10

Mr. Uresh Jayasekara

Chief Manager - Human Resources (Group)

Appointed to the present designation:
2013

Qualifications:

B. Sc. Bio Science (Hon) (Kelaniya), Diploma in Management from the Open University, PGDip in Business Management (Colombo), MBA (special) in HR (Colombo), sole Sri Lankan winner of the prestigious Japanese scholarship in year 2014 for the Leadership Development Programme under the HIDA- Oasaka, Japan.

Service & experience:

Joined the Company in 2007. He has over 17 years of experience in the field of Human Resources including Garments, Hospital, Insurance and Financial Sectors.

Other positions:

Head of Human Resources for the entire PLC Group.

11

Mr. Saman Liyanage

Chief Manager - Deposits & Savings

Appointed to the present designation:
2013

Qualifications:

Diploma holder and an Associate Member of SLIC and MBA (University of Manipal, India).

Service & experience:

Joined the Company in 2004 and counts over 30 years of experience in the financial industry covering Branch Operations, Credit & Recoveries.

Other positions:

A member of panel of resource personnel of Centre for Banking Studies, Central Bank of Sri Lanka.

12

Mr. Hasantha De Silva

Chief Manager - Operations

Appointed to the present designation:
2016

Qualifications:

HND in Accountancy from the Technical College, Galle, Intermediate level (CA Sri Lanka)

Service & experience:

Joined PLC in year 2000, as a Branch Executive and was later promoted as a Chief Manager and possesses over 16 years of experience in the leasing sector. He has over 14 years of work experience in fields of Operational & Audit.

13

Mr. P. D. C. S. Mahanama

Chief Manager - Operations

Appointed to the present designation:
2016

Service & experience:

Joined PLC in 2003, as a Branch Manager and possesses over 13 years experience at PLC. He holds more than 20 years experience in the marketing field within the Financial Sector.

14

Mr. Neil Thushantha

Chief Manager - Operations

Appointed to the present designation:
2016

Qualifications:

B.Sc. (Agri) – 2nd Class - Upper (Peradeniya) and part qualification – CIMA (UK)

Service & experience:

Joined PLC in 2005, as a Branch Manager and later was promoted as a Senior Manager. He also served as Assistant Vice President at Vanik Incorporation Ltd., and Capital Reach Leasing Ltd., and counts over 18 years of managerial experience in the financial field covering Leasing, Hire Purchase, Recoveries, and Fund Mobilization & Marketing.

15

Mr. Chamil Herath

Chief Manager - Operations

Appointed to the present designation:
2016

Qualifications:

BSc. Business Administration (Special Degree (J'Pura), Licentiate Level - CA Sri Lanka



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Service & experience:

Joined PLC in 2005, as a Branch Manager later promoted as Chief Manager. He holds over 16 years of experience in the leasing industry in several Leasing Companies covering the areas of Credit, Marketing, Recoveries, Branch Development and Administration.

16 Ms. Kamani Dematawewa
Chief Manager - Legal

Appointed to the present designation:
2016

Qualifications:

Attorney-at-law and Notary Public, Diploma in Credit Management (SLICM), and won the President's award for best results, Associate Member (SLICM), Post Attorney Diploma in Finance, Banking & Insurance Laws by the Institute of Advance Legal Studies of the Incorporated Council of Legal Education.

Service & experience:

Joined the Company in 2010. She has over 29 years of experience in the financial sector as a Senior Manager - Legal and as a Company Secretary.

Other positions:

Former Chairperson of the legal circle of the Finance Houses Association of Sri Lanka.

17 Ms. Inoka Jayawardhana
Chief Manager - Group Corporate Affairs & Investor Relations

Appointed to the present designation:
2016

Qualifications:

Attorney-at-Law, Certified Compliance Officer, a Member of IABFM and holds a Diploma in International Relations from the Bandaranaike Centre for International Studies, Colombo, Sri Lanka.

Service & experience:

Possesses over 15 years of experience in corporate and commercial law she was a Senior Legal Counsel (January 2009-July 2010) and an Associate (January 2001-December 2008) at M/s. F. J. & G. de Saram, Attorneys-at-Law

& Notaries Public. She was a Director of Corporate Services (Private) Limited, an associate of M/s. F. J. & G. de Saram providing corporate secretarial services to the clients of the said firm.

Other positions:

Compliance Officer of the Company

18 Mr. Andy Ratnayake
Senior Manager - Risk Management & Control

Appointed to the present designation:
2007

Qualifications:

Bachelor's Degree in Arts – Public Administration (J'Pura), B.Com (Peradeniya), Member of IIA – United States, FCMA (UK), Chartered Global Management Accountant, member of the Chartered Institute of Ship Brokers & Chartered Institute of Transport, and PGDip in Shipping from the Norwegian Shipping Academy.

Service & experience:

Joined the Company in 1997 and had been the Head of Finance for 10 years. He has over 39 years of experience in auditing, accounting, shipping and general management. Prior to joining the Company, he was the Head of Internal Audit at Ceylon Shipping Corporation, General Manager at Central Freight Bureau and based Audit Manager in Riyadh Saudi Arabia.

Other positions:

The Secretary to the PLC's Integrated Risk Management Committee.



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CORPORATE GOVERNANCE

CORPORATE MANAGEMENT

19 Mr. Omal Sumanasiri

Senior Manager - Finance

Appointed to the present designation:
2014

Qualifications:
B.B. Mgt (Accountancy) – 1st Class
(Kelaniya), ACA and ACMA (Sri Lanka)

Service & experience:
Joined the PLC Group in 2010 as the Deputy Manager-Finance and later promoted as the Senior Manager-Finance in PLC. He possesses over 12 years of experience in the field of Accounting & Auditing.

to Garment Manufacturing. In late 2006 he took up an overseas assignment in Malawi - Africa to work as the General Manager for an Auto Mobile Company. On returning to Sri Lanka he re-entered the finance industry and served at Amana Bank PLC and Seylan Bank PLC prior to joining People's Leasing Company.

22 Mr. Randhil Siriwardena

Senior Manager – Factoring

Appointed to the present designation:
2015

Qualifications:
ACMA (UK), ACMA (SL), Chartered Global Management Accountant

Service & experience:
Counts over 18 years of experience in the Banking & Finance industry specialising in Factoring. He started his career at Ernst & Young in 1998, and then joined Mercantile Leasing Ltd in 2000. He had a long stint at Mercantile Leasing Ltd and then at Nations Trust Bank PLC in the fields of Factoring and Leasing. In 2012 he joined Sampath Leasing & Factoring Ltd (Siyapatha Finance PLC) as Head of Factoring. He joined Peoples Leasing & Finance PLC in 2015 to set up the factoring product.

20 Mr. Nishantha Perera

Senior Manager - Margin Trading/
Portfolio Mgt.

Appointed to the present designation:
2014

Service & experience:
Counts over 24 years in Investor Services and Margin Trading operations of which over 24 years have been in John Keells Holdings PLC & Nations Trust Bank. He joined John Keells Holdings PLC in 1991 and joined Nations Trust Bank in 2002.

21 Mr. Mohideen Maharroof

Senior Manager - Islamic Finance

Appointed to the present designation:
2014

Qualifications:
Completed the intermediate Examination (IBSL), Diploma in Islamic Banking & Finance.

Service & experience:
Counts over 30 years of experience in many diversified fields such as Banking & Finance (over 24 years), Garments and Automobile Industries with seven years experience at Commercial Bank and 13 years at LB Finance Ltd, he quit his position as Deputy General Manager (Credit & Recoveries) and switched his career



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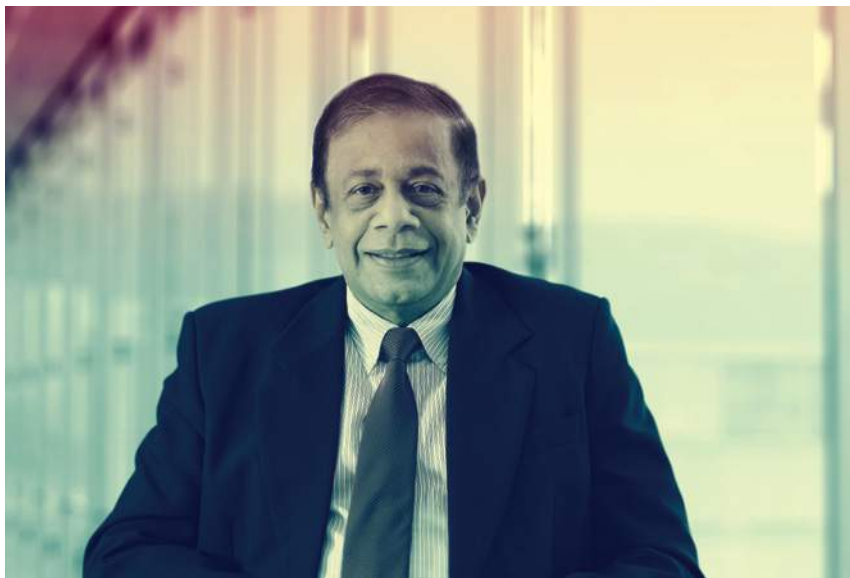
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GOVERNANCE REPORT ► CHAIRMAN'S MESSAGE



'FOR PLC, THE ESSENCE OF CORPORATE GOVERNANCE LIES IN PROMOTING AND MAINTAINING RESPONSIBILITY, ACCOUNTABILITY, TRANSPARENCY AND IMPARTIALITY AT ALL LEVELS OF THE ORGANISATION. WE BELIEVE THAT THESE PRINCIPLES ENABLE US TO FUNCTION WITH INTEGRITY – CREATING ENDURING VALUE FOR ALL OUR STAKEHOLDERS.'



Dear Stakeholders,

At PLC, we believe that corporate governance is not just a destination, but a journey of persistent progress in sustainable value creation. My role as the Chairman of PLC is therefore to ensure that the Board creates enduring value for all our stakeholders over the long term and to achieve this objective, we endeavour at all times to balance opportunities against risks, whilst leading the organisation in an ethical manner.

This Report is intended to give you an insight into how the Board functioned in 2015/16 to achieve these goals.

GOVERNANCE PHILOSOPHY

PLC firmly believes that the essence of corporate governance lies in promoting and maintaining responsibility, accountability, transparency and impartiality at all levels of the organisation. Thus, our corporate culture is based on an organisational environment where these sound governance practices have become a way of life in the daily operations of our team.

GOVERNANCE STRUCTURE

PLC operates within a clearly-defined governance structure through which the Board balances its role of providing risk oversight and strategic counsel whilst ensuring adherence to regulatory requirements and risk tolerance. The governance structure provides for delegation of authority whilst enabling the Board to retain effective control. The Board delegates authority to the relevant Board Committees and the management with clearly-defined mandates and authority, while preserving its accountability.

We work closely with our regulators to ensure that our internal governance standards are adequate to meet the increasing expectations of our regulators.

KEY FOCUS AREAS AND MILESTONES

In its continued commitment to foster and maintain the highest standards of governance in all operational aspects, several initiatives were taken by the Board and its sub-committees during the year 2015/16. The key focus areas of these initiatives included listing of People's Insurance Limited on the Colombo Stock Exchange, strategy development, and further strengthening the risk management function and internal control systems.

KEEPING ABREAST WITH GLOBAL DEVELOPMENTS

The Board's role is not limited to ensuring that the Group succeeds well beyond its term, but that it can prosper through economic cycles and changing market conditions and is sustainable into the future. During the year, a few Board members participated in overseas educational sessions to gain fresh insights and improve our understanding on corporate governance and the role of directors.

LOOKING AHEAD

Reiterating our resolute commitment to operating in an ethical and transparent manner and staying accountable to our stakeholders, we will continue to focus on improving the effectiveness of the Board and responding appropriately to stay current in relation to the developments taking place in the governance environment.

Hemasiri Fernando
Chairman

18th May 2016
Colombo

CORPORATE GOVERNANCE

GOVERNANCE REPORT

GOVERNANCE HIGHLIGHTS

Key Initiatives during 2015/16

- Listing of the Company's subsidiary, People's Insurance Limited, on the Colombo Stock Exchange
- Reviewing the Three-Year Strategic Business Plan of the Company in line with the economic and industry developments
- Adopting a Stress Testing Framework with a Board approved policy
- Reviewing the risk tolerance levels and updating the risk dash board
- Including People's Microfinance Limited, a subsidiary of the Company, in the risk dash board with tolerance limits
- Undertaking the development of a comprehensive business continuity plan
- Further strengthening the independence and composition of the Board with the addition of another Non-Executive Independent Director
- Commissioning an industry remuneration survey through an independent professional party

GOVERNANCE FRAMEWORK

G4-35, 36

The application of best practices enables us to act in the best interests of our shareholders as well as the communities in which we operate. Our robust governance frameworks also enable us to instill trust and confidence in our stakeholders that we operate with a culture of responsibility, accountability, transparency and impartiality with a value-driven approach to everything we do.



STATEMENT OF COMPLIANCE

We continue to be committed to the highest standards of corporate governance and believe that such standards are fundamental to earn stakeholder trust, which is critical to sustaining performance and enhancing shareholder value.

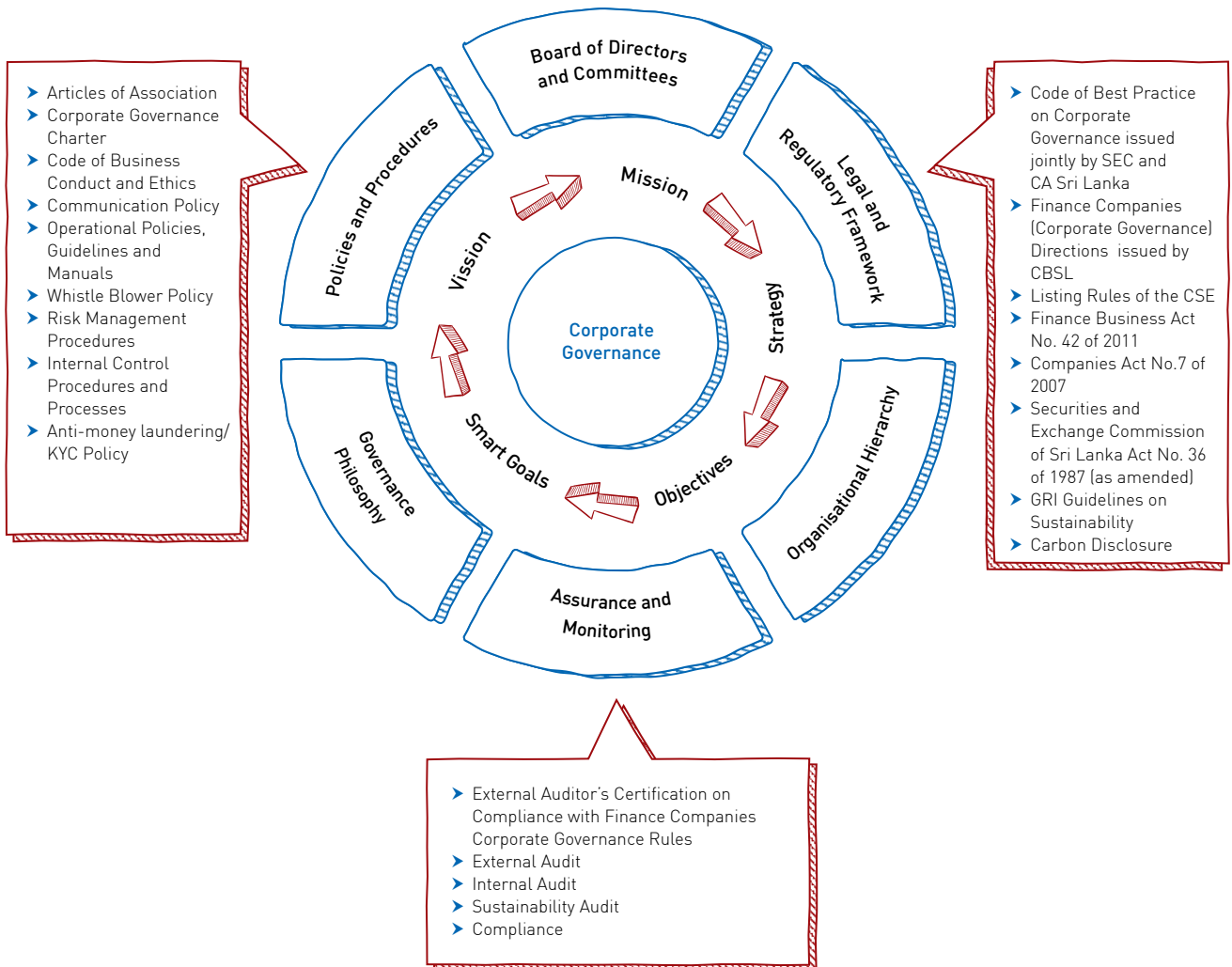
These standards are enshrined in our governance charters, policies and documents, highlights of and compliance to which are detailed in this report.

The Board of Directors of the Company wishes to confirm that the Company has complied throughout the year with the provisions of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 as amended by No. 4 of 2008 and No. 6 of 2013, Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Chartered Accountants of Sri Lanka (CA Sri Lanka), Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE), to the extent hereinafter disclosed in this report.

Refer: Corporate Governance, Pages 159 to 198

The Board of Directors also wishes to confirm that, to the best of its knowledge and belief, the Company has complied with all requirements under the Companies Act No.7 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/regulatory bodies.

G4-34



CORPORATE GOVERNANCE

GOVERNANCE REPORT

THE BOARD HAS ULTIMATE RESPONSIBILITY FOR THE PERFORMANCE AND AFFAIRS OF THE COMPANY AND IS RESPONSIBLE FOR ENSURING THAT THE GROUP ADHERES TO HIGH STANDARDS OF ETHICAL BEHAVIOUR.

62.5%

Independent Non-Executive Directors

A. EFFECTIVE AND ETHICAL LEADERSHIP

A.1 The Board and Board Committees

Refer: Board of Directors, Pages 138 to 141

The Role and Composition of the Board

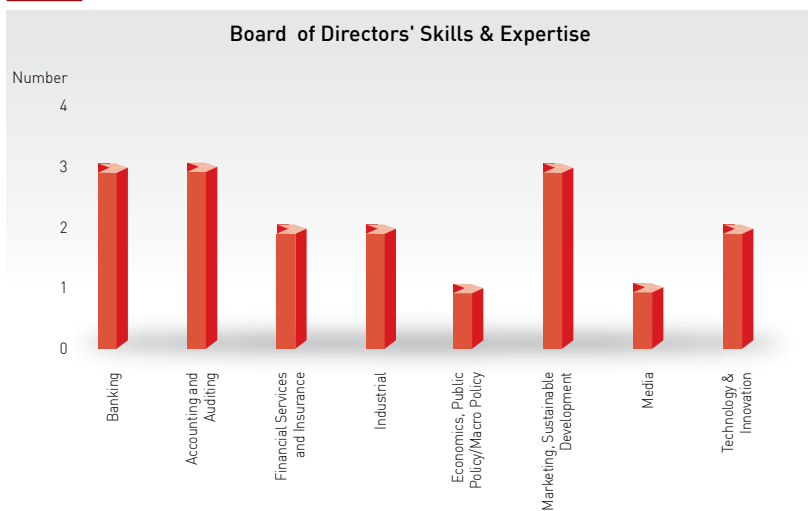
The Board provides sound leadership to the CEO and management in setting the strategic vision, direction and long-term goals of the Group, and ensures that adequate resources are available to meet these objectives. The Board's terms of reference are set out in a written charter – the Corporate Governance Charter. The mandate is reviewed periodically to ensure compliance with the provisions of the applicable legislation as well as the company's Articles of Association. The Board bears ultimate responsibility for the Group's governance, strategy, risk management and financial performance.

The Board has diversity of skills and knowledge and each Director brings a

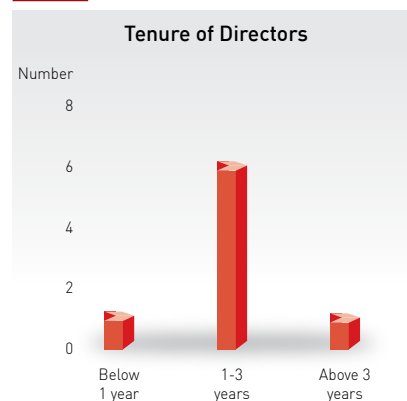
particular range of skills and expertise to the deliberations of the Board, which facilitates constructive and challenging debate around the boardroom table. Background professions of the Board include banking, accounting and auditing, financial services and insurance, industrial, media, marketing and technology.

The average tenure of Directors demonstrates a good balance between continuity and fresh perspectives. The size and composition of the Board is appropriate given the present geographic footprint of the Group's operations. The proportion of Independent Non-Executive Directors on the Board (five out of eight) ensures that the Board is able to exercise objective judgment on corporate affairs and the performance of management against Key Performance Indicators.

G4-38



G4-38

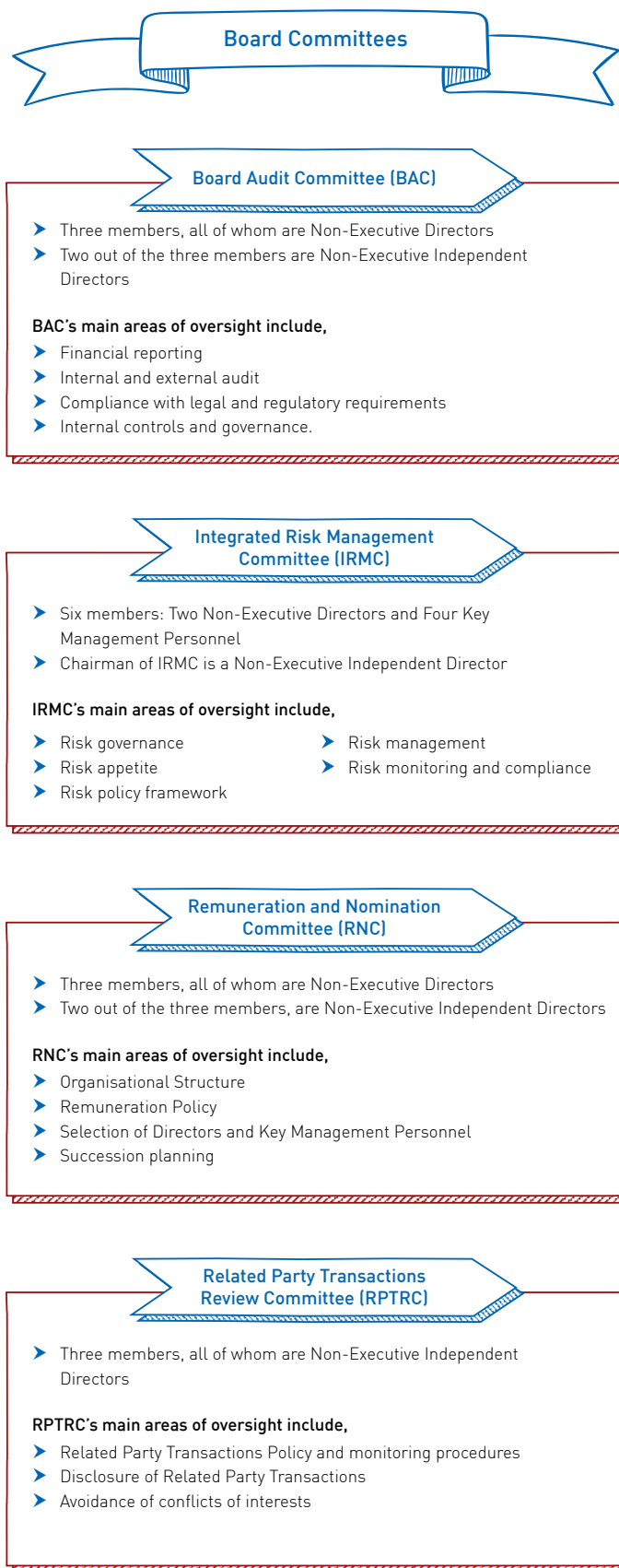
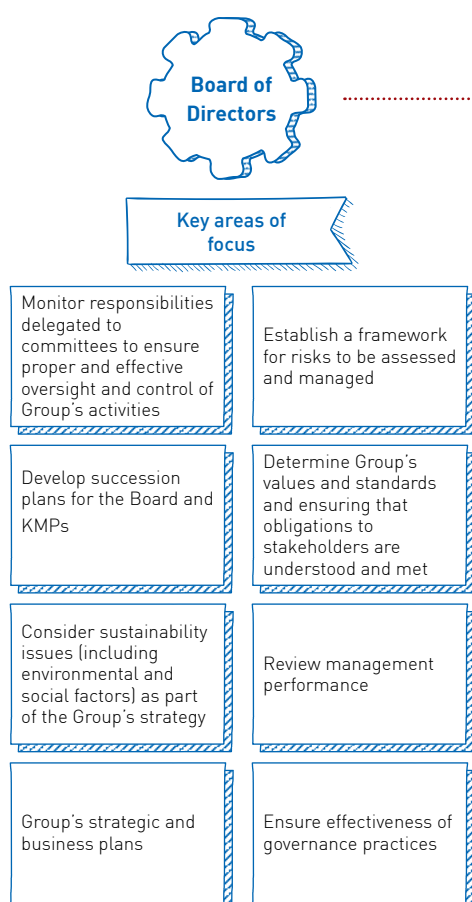


The role of the Committees

G4-34,35

To discharge its stewardship and fiduciary responsibilities in an effective and timely manner, the Board delegates authority to Board committees and enables them to oversee specific responsibilities based on clearly documented and defined terms of reference. The terms of reference of each committee sets out its role, responsibilities, scope of authority, composition, terms of reference and procedures. The committees report to the Board through their respective chairmen and minutes of all committee meetings are submitted to the Board.

Each committee has direct access to management and has the power to obtain independent advice as it deems necessary.



CORPORATE GOVERNANCE

GOVERNANCE REPORT

A.2 Directors' Attendance at Board and Board Committee Meetings and their other Directorships/Significant Positions

G4-38, 39, 47

Name of Director	Non-Executive Independent		Board Sub Committees										Directorships and other significant positions held									
			Board		Board Audit Committee		Integrated Risk Management Committee		Remuneration and Nomination Committee		Related Party Transactions Committee		Age Distribution		Institutions within/related to the finance sector		Other Institutions		Listed		Non-listed	
			Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Below 50	50- 60	Above 60			Executive capacity	Non-Executive capacity	Executive capacity	Non-Executive capacity	
Mr. Hemasiri Fernando	√	X	Chairman	16/16										√		2	5	-	2	-	5	
Mr. M. P. Amirthanayagam	√	√	Deputy Chairman	15/16	Member	6/6	Chairman	5/5	Member	5/5	Chairman	1/1	√		1	3	-	1	-	3		
Mr. J. P. Amaratunga	√	X	Director	12/16	Chairman	6/6		Chairman	5/5				√		1	5	1	1	-	4		
Mr. N. Vasantha Kumar	√	X	Director	15/16			Member	5/5					√		7	4	-	2	-	9		
Mr. J. A. Fernando	√	√	Director	14/16					Member	3/5	Member	1/1	√		1	8	-	1	-	8		
Mr. M. A. M. Rizwan	√	√	Director	16/16	Member	6/6				Member	1/1	√			-	1	-	-	1	-		
Mr. R. M. Jayasena	√	√	Director	12/14									√		-	-	-	-	-	-		
Dr. A. A. S. Gulamhusein	√	√	Director	8/11								√			-	18	-	3	-	15		
Total	8	5										2	4	2								

Table - 1

A.3 Board Meetings and Engagement with Management

G4-47

We have a highly-engaged Board with varied perspectives. Meetings of the Board and its committees are held on a regular basis to discuss key topics covering strategic, operational and governance issues.

At the monthly meetings, the Board reviews the performance of the Company with an assessment of the economic, environmental and social impacts on the Company as a whole as well as the opportunities arising from them and the associated risks.

BOARD MEETINGS

Before meeting

- Monthly Board meetings are held to ensure that the Board addresses all key issues on a timely basis.
- All Board and Board committee meetings are scheduled in advance in consultation with the Directors to facilitate meaningful participation.
- The agenda of Board meetings is carefully thought out and allows for flexibility when it is needed.
- Directors are provided with comprehensive information in respect of agenda items in a timely manner.
- When a Director is prevented from attending a Board or Board committee meeting in person, that Director can appoint an alternate.
- Directors have the discretion to obtain independent advice whenever they require.

At every meeting

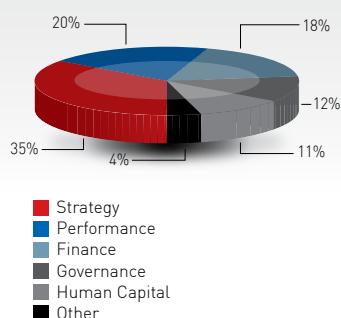
- The Chairman encourages open dialogue between all Directors at Board meetings.
- The Board members come well prepared and engage in meaningful discussions on key issues relating to the Group.
- Chairperson of each Board committee provides a detailed update on key matters discussed at the committee meetings.
- The CEO gives a complete and comprehensive update on the operations and financial performance of the Group as well as on industry trends and developments.
- Heads of respective business units made themselves available for attendance at Board meetings to ensure that the Directors have the opportunity to discuss specific areas with them.
- Regular updates are provided to the Board on impending changes in market conditions corporate governance, tax, accounting, listing and other regulations, which may have an impact on the affairs of the Group.
- The Company Secretary attends Board meetings and ensures that applicable rules and regulations are complied with.

BOARD MEETINGS

Frequent & Effective Engagement Between the Board and the Management

- The Board is regularly updated by the Management on the performance and prospects of the Group.
 - Board approvals for matters of exigency can be obtained through circulation of written resolutions.
 - Ad-hoc meetings are held whenever the necessity arises.
 - The Management provides the Board with detailed financial performance reports of the Group on a monthly basis.
 - Directors have direct access to senior management to obtain any additional information to make informed and timely decisions.
- Throughout the year, the Directors also have a number of opportunities to interact with members of the Group Management Committee.
 - Directors have independent access to the Company Secretary at all times. The Secretary assists Directors in the discharge of their duties and facilitates communication between the Board, its committees and management.
 - Directors have ongoing interactions across various levels and functions and these interactions provide Directors with a better understanding of the business and operations of the Company.

Board Activities during 2015/16



A.4 Management of Conflicts of Interest – Leading the Ethical Way

G4-41

Our Code of Business Conduct and Ethics casts a responsibility on each Director to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment and to immediately disclose the same to the Board as soon as he/she becomes aware of it.

Directors who have an interest in a matter under discussion at meetings of the Board refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon. Such abstentions are duly recorded by the Company Secretary in the minutes.

We have in place a Related Party Transaction (RPT) Policy under which the categories of persons who shall be considered as 'related parties' have been identified. In accordance with the RPT Policy, self-declarations are obtained from each Director for the purpose of identifying parties related to them.

We have also developed a system that enables it to monitor and report transactions with identified related parties and retrieve data thereon throughout the Company's network.

A.5 Management's Role in Governance

G4-42, 49, 50

In order to ensure that internal operations are managed under the guidance of the Board, several cross-functional committees are formed at the management level. Under the stewardship and direction of the Board of Directors, these committees implement the policies and strategies determined by the Board and manage the business and affairs of the Company with the main objective of improving on sustainable growth.

The committees also take the initiatives to review, from time to time, the vision, mission and values of the Company as well as Company's strategies and policies relating to economic, social and environmental impacts.

All critical issues arising from or discussed at management meetings are reported to the Board through the CEO at monthly Board meetings. Other than the issues relating to the ordinary business there were no critical issues that arose during the year 2015/16 which were reported to the Board.

CORPORATE GOVERNANCE

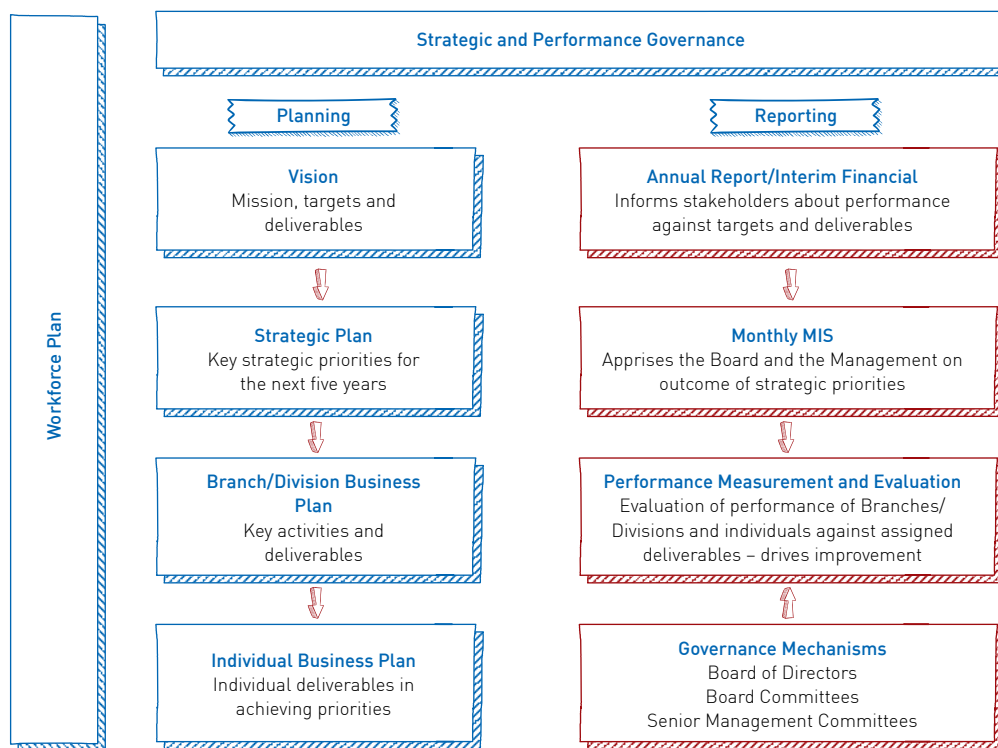
GOVERNANCE REPORT

Role of the Chief Executive Officer (CEO)

G4-37

The CEO, the apex executive of the Company, is delegated by the Board with the authority of detailed planning and implementation of strategic objectives and policies in accordance with appropriate risk parameters.

ROLE OF THE MANAGEMENT COMMITTEES		
Group Management Committee		
<p>Composition: Heads of operational units of PLC and subsidiaries headed by the CEO</p> <p>Function: Reviews performance of the Group, including risk, governance and other critical issues and implements strategies to optimise the benefits of Group synergies</p> <p>Meetings: Periodically</p> <p>Reporting: Reports critical issues identified at meetings together with appropriate corrective measures to the respective Boards of the Group through the CEO</p>		
Senior Management Committee		
<p>Composition: Members of the Senior Management of PLC headed by the CEO</p> <p>Function: Reviews progress of implementation of business strategy, overall policy matters and corrective measures and communicates policy decisions to the employees</p> <p>Meetings: Frequently, at least monthly</p> <p>Reporting: Reports any matters that require Board attention together with recommended corrective measures to the Board through the CEO and/or via written memoranda at monthly Board meetings</p>		
Assets & Liabilities Committee	Sustainability Governance Steering Committee G4-36, 48	Integrated Risk Management Operating Committee
<p>Composition: CEO, Deputy General Managers, Head of Risk Management, Head of Finance, Head of Treasury</p> <p>Function: Reviews treasury, asset and liability functions of the Company</p> <p>Meetings: Frequently, at least monthly</p> <p>Reporting: Reports all decisions taken by the Committee to the Board through the IRMC.</p>	<p>Composition: CEO, Deputy General Managers, Head of Human Resources, Head of Finance, Compliance Officer, CRM/CSR Department</p> <p>Function: Reviews sustainability performance, approves strategic sustainability initiatives and reviews and approves, on behalf of the Board, the Company's annual sustainability report and ensures that all material aspects are covered therein</p> <p>Meetings: Periodically</p> <p>Reporting: Reports to the Board through the CEO and/or via written memoranda at monthly Board meetings.</p>	<p>Composition: Key Management Personnel and risk owners of each functional area headed by the CEO</p> <p>Function: Reviews the risk governance structure of the Group</p> <p>Meetings: Periodically</p> <p>Reporting: Reports to IRMC through the Head of Risk Management.</p>
Tender Review Committee	Branch Credit Committees	
<p>Composition: Deputy General Managers in charge of Operations and Heads of Branch Operations Department</p> <p>Function: Reviews and manages the tender award process relating to repossessed vehicles</p> <p>Meetings: As when required</p> <p>Reporting: Reports critical issues to the Senior Management Committee.</p>	<p>Composition: Branch Manager, Second in Command, Head of Marketing and marketing officer</p> <p>Function: Evaluates credit disbursements at branch level</p> <p>Meetings: Frequently</p> <p>Reporting: All credit proposals exceeding branch authority levels are reported to the Branch Operations Department at the Head Office.</p>	



B. ONGOING EVALUATION AND DEVELOPMENT

B.1 Board and Board Committee Evaluations

G4-44

An assessment is carried out at least once a year to determine whether the Board and Board committees are performing effectively and to identify areas for improvement.

We have put in place a robust evaluation framework to evaluate Board performance. The Board members have a mutual understanding on the objectives of the Board evaluation process and each Director actively participates by giving his/her honest opinion on a wide range of issues covering Board’s performance on economic, social and environmental governance of the Company.

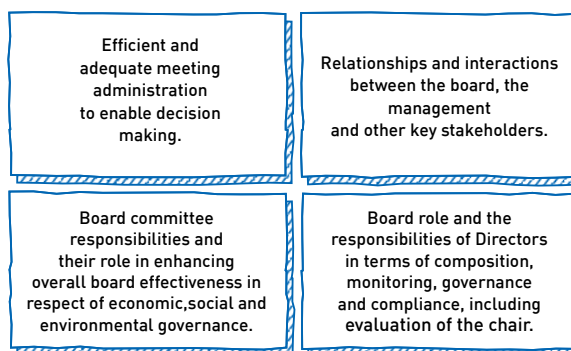
Board Evaluation Process

In the last quarter of 2015/16, the Board carried out a comprehensive self-evaluation of its performance and its committees in accordance with our

Corporate Governance Charter. This process was led by the Chairman and supported by the Company Secretary.

Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its committees by requiring the individual Directors to complete a confidential questionnaire. The assessment focused, inter-alia, on the Board’s effectiveness in the following key areas:

Key areas of feedback:



Review of Board Evaluation Feedback

The full results of the Board evaluations were then analysed by the Company Secretary and the findings were presented to the Board. Based on these findings, it is duly affirmed that the Board and its committees operated effectively during the year under review. The Board members are in agreement that there are areas for development, such as:

CORPORATE GOVERNANCE

GOVERNANCE REPORT

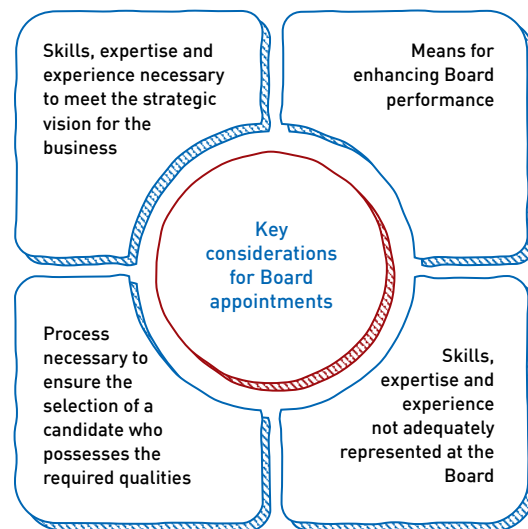
- A greater understanding of the latest developments in the regulatory environment laws and the market and associated risks and the social and environmental impacts on the Company's operations.
- Effective use of the General Meetings and the Annual Reports to build a constant dialogue with stakeholders.

B.2 Board Continuity

G4-40

The Board recognises the importance of having an appropriate balance of industry knowledge, skills, background, experience including on economic, environmental and social topics, professional qualifications, and nationalities in building an effective and cohesive Board.

The Board with the assistance of the Board Remuneration and Nomination Committee oversees the appointment of Directors to the Board. To enhance the effectiveness of the Board and strengthen Board dynamics, Directors are selected not just for their experience and competencies but also for their fit with the Group. The process for the selection and appointment of Directors is provided for in the Corporate Governance Charter and the Articles of Association of the Company.



B.3 Assessment of Independency

G4-40

We carry out a review and determine annually whether each Director is independent. Independence of Directors is assessed in compliance with the stringent criteria set out in the Finance Companies (Corporate Governance) Directions, Code of Best Practice on Corporate Governance issued jointly by SEC and CA Sri Lanka and the Listing Rules of the CSE. For the purpose of determining the independence, self-declarations are obtained from each Director both at the time of their first appointment and thereafter, on an annual basis covering, inter alia, the following aspects:

- independency from management and business relationships;
- independency from any substantial shareholder; and
- independency based on length of service

B.4 Ongoing Development

G4-43

New Directors are provided with an induction on joining the Board by apprising them comprehensively on our values and culture, business and operations of our Group and our strategy, policies, governance framework and processes and their responsibilities as a Director in terms of the applicable rules and regulations.

The Directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect our Group and its operations. This is carried out through submission of reports and papers at Board and its Committee meetings. These reports cover a wide array of subjects including economic, environmental and social topics impacting the operations of the Company.

In 2015/16, two members of the Board attended a two-day international conference covering a wide spectrum of topics, including the role of the Board, board diversity, corporate governance and sustainable development and corporate social responsibility.

C. ENGAGEMENT WITH STAKEHOLDERS

G4-45

Refer: *Stakeholder Engagement, Page 26*

Stakeholder relationships provide a platform for the Board to take into account the concerns and objectives of our stakeholders in its decision making which is fundamental to achieve long term strategy. Building and maintaining good stakeholder relationships help us to manage and respond to expectations, minimise reputational risk and form strong partnerships, all of which support commercial sustainability.

C.1 Shareholders

Our robust corporate governance culture and awareness promote fair and equitable treatment of all shareholders. We endeavour to ensure that their rights are respected and protected at all times. These rights include, among others, the

right to participate in profit distributions and the right to attend and vote at general meetings.

The Board provides shareholders with quarterly and annual financial reports. These statements are prepared with the objective of presenting the shareholders a balanced assessment of the Group's financial performance and position. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

Effective two-way communication with institutional investors and analysts is established through regular meetings, presentations and roadshows in Sri Lanka and overseas led by Directors and the Management. Our corporate website www.plc.lk has information for institutional and retail shareholders alike.

In addition, we have established a separate Investor Relations function at the Senior Management level to assist shareholders seeking information and assistance. Further, the Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.

C.2 Connecting with Stakeholders

We respect the equal information rights of all stakeholders and are committed to the practice of fair, transparent and timely disclosure. All price-sensitive information is publicly released prior to any sessions with individual investors or analysts.

Recognising the importance of two-way communication with our stakeholders, we have adopted a comprehensive policy that governs communications with our different stakeholders which is based on four guiding principles, namely, efficiency, transparency, clarity and cultural awareness and feedback.

D. OUR APPROACH TO COMPLIANCE & ADHERENCE

Our Board-approved risk appetite policy is founded on a zero tolerance approach to compliance risk. This policy mandates compliance with all regulatory requirements as well as internal policies

and procedures and monitors and measures such compliance through the Board Integrated Risk Management Committee.

Our internal charters and policies are designed to support and maintain a transparent and effective internal control system, institutionalisation of best processes for governance, management of risk, and compliances across the organisation.

D.1 Internal Audit

Refer: Board Audit Committee Report, Pages 204 to 205

Our Internal Audit Department is an independent function that focuses on providing an independent risk-based oversight to the BAC on the processes and controls within the Company. Its mandate and authority are defined in its Internal Audit Charter which has been approved by the Board.

The Internal Audit is responsible for independent, objective assurance on internal control mechanism, in order to systematically evaluate and propose improvements for more effective internal control processes and governance. Internal Audit also carries out independent reviews of compliance with risk policies and procedures to ensure the effectiveness of risk management procedures in place at the Company

To maintain its independence, the Internal Audit reports to the Board, through the BAC.

D.2 Governance of Ethics

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The Board assumes ultimate responsibility for the Company's ethics performance, but delegates this function to the management, which utilises the following mechanisms to fulfil this mandate:

- Code of Business Conduct and Ethics
- Employee Induction Programme and Employee Induction Handbook
- HR Policy
- Performance Evaluation Programme
- Supplier Code of Conduct

The following dimensions of our corporate culture drives ethical awareness:



Code of Business Conduct and Ethics

We have in place a comprehensive Code on Business Conduct and Ethics ('the Code') applicable to all our Directors and employees. The Code has been circulated to all the Directors and employees and has been published in our intranet to ensure strict compliance with same.

Code of Business Conduct and Ethics encourages employees to talk to their supervisors, managers or other appropriate personnel within the Company when in doubt about the best course of action in a particular situation and to report violations of laws, rules, regulations or the Code to appropriate personnel.

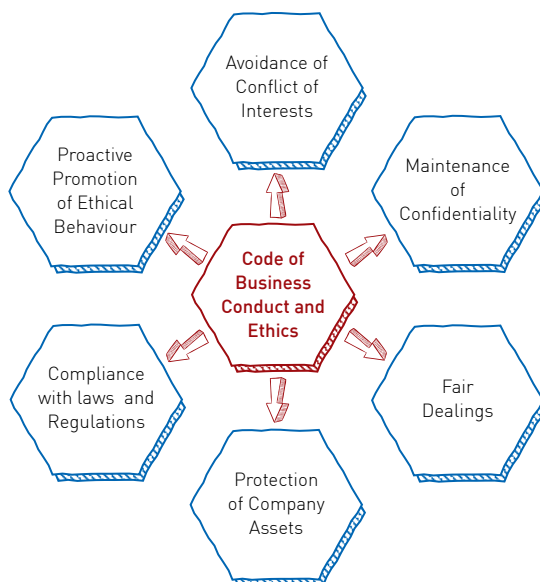
Whistle Blower Policy

Our Whistle Blower Policy also serves as a widespread informal channel of information on violations of laws, rules and regulations and unethical conduct and corporate fraud. This policy enables employees who observe or notice any improper or illegal activity or unethical practice in the Company or receive credible information on such a practice, to report the same to the BAC. Information channelled through the whistle blower is verified carefully and appropriate actions are taken by the BAC. The policy has been published in all three languages in our intranet.

CORPORATE GOVERNANCE

GOVERNANCE REPORT

Principles of our Code of Business Conduct and Ethics



D.3 Internal Control Framework

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Refer: Risk Management, Page 228

We have an internal controls framework covering financial, operational, compliance and information technology controls, as well as risk management policies and systems. The Board, supported by the BAC and IRMC, oversees the system of internal controls and risk management reviews the same regularly for relevance and effectiveness.

Internal control is designed to mitigate significant risks faced by us. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as risk management, internal audit and compliance.

D.4 Risk Governance

Refer: Stakeholder Engagement, Page 26
Refer: Risk Management, Pages 214 to 233

We take a holistic view in our approach to the strategy development, business

activities, risk appetite, risk and balance sheet management.

Our risk management framework covers all material risks and governance aspects of the organisation. These encompass structures that are linked with risk-based performance management, ensuring business units focus on key risk areas. Compliance is constantly reviewed by the Board and its committees, and any identified risks or breaches of internal controls are reported on, and then actively managed and monitored.

Policies, processes and procedures relating to governance, effective risk management, capital adequacy and sound internal control have Board and senior management oversight and are governed by the three lines of defence.

On behalf of the Board IRMC reviews the economic, environmental and social impacts and risks on the Group's operations at its quarterly meetings and reports to the Board.

Impact of economic, environmental and social factors on our operations are Identified through stakeholder engagement which enables us to identify priorities and manage key issues as well as opportunities existing in the industry.

D.5 IT Governance

Refer: Intellectual Capital, Pages 119 to 121

Our IT Governance plays a critical role in assuring integrity, confidentiality, connectivity and continuity of information management within the Group.

The IRMC is delegated with the authority to ensure the implementation of the IT governance framework. Its design, implementation and execution have been assigned to the Head of ICT (Group). The Head of ICT (Group) provides regular updates to the IRMC and the Board on the status of material IT projects, as well as other governance-related matters.

The IRMC ensures that risks are adequately addressed through risk monitoring and assurance processes, and the BAC considers the impact of IT on financial controls in its annual audit plan. Material findings are reported to the BAC which monitors remedial actions implemented by the management.

D.6 Compliance Function

Refer: Compliance Management, Pages 212 to 213

Recognising our responsibility to conduct business in accordance with laws and regulations in the country in all our operations, we have established a separate compliance function whose task is to monitor and assess our compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.

A sound regulatory monitoring mechanism is adopted by us to monitor reporting and compliance with all mandatory reporting requirements with the intention of establishing a fully compliant corporate governance and risk mitigating culture.

The Compliance Officer reports to the IRMC on a quarterly basis on the compliance activities relating to the respective areas.

OUR ADHERENCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA AND THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ("CODE")

Reference to the Code	Principle	Level of compliance																											
SECTION 1 – THE COMPANY																													
A. DIRECTORS																													
A.1 The Board-Compliant																													
<p>The Company is headed by an effective Board of Directors comprised experienced and influential individuals with diverse backgrounds and expertise. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees.</p>																													
A.1.1	Need for the Board to meet regularly	<p>During 2015/16, the Board met 16 times, at least on monthly basis, to review the performance of the Company and its subsidiaries. At these meetings, the Board ensured that appropriate and prompt action was taken to align the strategies and operations of the Company and the Group with the interests and expectations of all stakeholders.</p> <p style="text-align: center;">Attendance at Board Meetings During 2015/16</p> <table border="1"> <caption>Attendance at Board Meetings During 2015/16</caption> <thead> <tr> <th>Director</th> <th>Meetings attended</th> <th>Meetings not attended</th> </tr> </thead> <tbody> <tr> <td>Mr. Hemasiri Fernando</td> <td>16</td> <td>0</td> </tr> <tr> <td>Mr. M. P. Amirthanayagam</td> <td>15</td> <td>1</td> </tr> <tr> <td>Mr. J. P. Amaralunga</td> <td>11</td> <td>5</td> </tr> <tr> <td>Mr. N. Vasantha Kumar</td> <td>15</td> <td>1</td> </tr> <tr> <td>Mr. J. A. Fernando</td> <td>14</td> <td>2</td> </tr> <tr> <td>Mr. M. A. M. Rizwan</td> <td>16</td> <td>0</td> </tr> <tr> <td>Mr. R. M. Jayasena</td> <td>11</td> <td>3</td> </tr> <tr> <td>Dr. A. S. Gulamhusein</td> <td>8</td> <td>3</td> </tr> </tbody> </table>	Director	Meetings attended	Meetings not attended	Mr. Hemasiri Fernando	16	0	Mr. M. P. Amirthanayagam	15	1	Mr. J. P. Amaralunga	11	5	Mr. N. Vasantha Kumar	15	1	Mr. J. A. Fernando	14	2	Mr. M. A. M. Rizwan	16	0	Mr. R. M. Jayasena	11	3	Dr. A. S. Gulamhusein	8	3
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Dr. A. S. Gulamhusein	8	3																											
A.1.2	Responsibilities of the Board	<p>The Board's principal responsibilities and duties are clearly defined in the Company's Corporate Governance Charter. The Board being the highest decision-making body in the Company, provides sound leadership to the management in setting the strategic vision, direction and long-term goals of the Group, and ensures that adequate resources are available to meet these objectives.</p>																											
	(i) Ensure formulation and implementation of a sound business strategy	<p>The Board of Directors sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates to the management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters.</p> <p>Company's strategic business plan covering the period up to 2017/18 as approved by the Board in August 2015 provides for overall risk management policy, procedures and mechanisms with measurable goals. The budget is approved annually and the achievement of the objectives set out therein and the business plan is reviewed by the Board at monthly Board meetings with management updates thereon.</p> <p>To discharge its stewardship and fiduciary responsibilities in an effective and timely manner, the Board has delegated authority to Board committees and enabled them to oversee specific responsibilities.</p>																											

CORPORATE GOVERNANCE

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Reference to the Code	Principle	Level of compliance
	(ii) Ensure CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy	<p>The CEO and the Senior Management team possess extensive knowledge and skill with widespread experience in the industry in which the Company operates.</p> <p>Refer: Corporate Management Profiles, Pages 142 to 146 for details of skills and experience of individual members of the Senior Management.</p>
	(iii) Adopt effective CEO and senior management succession strategy	<p>In terms of the policy of the Company, succession for the key managerial positions primarily focuses on developing and grooming people internally so as to have adequate options within the Company for replacement of key management personnel, thus ensuring a smooth transition and continuity of business. The organization structure of the Company also facilitates this process.</p>
	(iv) Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management	<p>The Company has adopted a set of internal control policies, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance framework and compliance with related laws and regulations. This internal control framework also aims to safeguard shareholders' investment and the Company's assets and to ensure the reliability and integrity of information.</p> <p>The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring of the controls and reports to the Board on its findings, whilst the Integrated Risk Management Committee reviews the risk dash board reports of the Company and its subsidiaries and takes prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the established risk tolerance levels.</p> <p>Refer: Director's Statement on Internal Control over Financial Statements, Page 239 for further details on effectiveness of the internal controls within the Company.</p>
	(v) Compliance with laws, regulations and ethical standards	<p>The Company has a separate compliance function to monitor and assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Compliance Officer reports to the Integrated Risk Management Committee on a quarterly basis on the compliance activities relating to the respective areas.</p> <p>The Company has a strong organizational culture of entrenched values, which forms the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as the Company's Code of Business Conduct and Ethics and is continually reinforced.</p> <p>Refer: Compliance Management, Pages 212 to 213 for further information on the compliance framework of the Company.</p>
	(vi) Ensure that all stakeholder interests are considered in corporate decisions	<p>All charters and policies of the Company have been developed to ensure that responsibilities to shareholders and other stakeholders are timely and appropriately discharged. Particular emphasis is given by the Board to the framework of these charters and policies in the decision making process.</p> <p>Refer: Relationship Capital, Pages 54 to 81 and Stakeholder Engagement, Page 26 for further details on measures taken by the Board to ensure consideration of stakeholder interests.</p>

Reference to the Code	Principle	Level of compliance
	(vii) Recognise sustainable business development in corporate strategy, decisions and activities	Working on a core value triad of economic viability, environmental responsibility and social accountability, the Board recognises the importance of sustainable business development in the corporate strategy, decisions and activities of the Company. Accordingly, a significant consideration is given by the Company to discharge its corporate social responsibilities.
	(viii) Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	The Company's accounting policies are annually reviewed by the Board Audit Committee to be in line with new developments, changing business requirements and best practices in the industry. The Board ensures that the Financial Statements of the Company are prepared in accordance with the approved accounting policies. Refer: Directors' Statement on Internal Control over Financial Statements, Page 239 for the affirmation of the Board that the Company's financial statements are in line with the applicable standards and regulations.
	(ix) Fulfilling other Board functions as are vital, given the scale, nature and complexity of the organisation	During the year under review every endeavour was made by the Board to fulfill its obligations towards all stakeholders and the same is reflected in the performance of the Company, shareholder returns, high credit ratings, governance processes and an entrepreneurial performance focused work environment prevailing in the Company.
A.1.3	Obligation of the Board to collectively and individually act in accordance with the laws of the Country and the need to have a procedure for the Board to obtain independent professional advice at the Company's expense	The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. Company's Corporate Governance Charter and the Code of Business Conduct and Ethics emphasises the importance of compliance with these laws and regulations by the Board as well as employees. The Company has an established procedure set out in its Corporate Governance Charter that enables the individual Directors to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the Company. However, no such advice was sought during the financial year 2015/16.
A.1.4	Need for the Directors to have access to the advice and services of the Company Secretary and the need for the removal of the Company Secretary to be a matter for the Board as a whole	As provided for by the Corporate Governance Charter of the Company, all Directors have access to the Company Secretary who is an Attorney-at-Law by profession. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. The appointment as well as the removal of the Company Secretary is a matter reserved for the decision by the Board as a whole.
A.1.5	Need for the Directors to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct	The Board works as an effective and cohesive unit that draws on the strengths of each Director without placing undue reliance on any one individual. Thus, all directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.
A.1.6	Obligation of the Directors to dedicate adequate time and effort to matters of the Board and the Company	The Board is aware of the other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities effectively. Refer: Board Meetings, Pages 152 to 153 for details on the manner in which the Board dedicated its time to the affairs of the Company in 2015/16.

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Reference to the Code	Principle	Level of compliance						
A.1.7	Need for every Director to receive appropriate training when first appointed to the Board and subsequently as necessary	<p>New Directors are provided with an induction on joining the Board by apprising them comprehensively on the values and the culture of the Company, business and operations of the Group and its strategy, policies, governance framework and processes and their responsibilities as a Director in terms of the applicable rules and regulations.</p> <p>The Directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the Group and its operations.</p> <p>In addition to the above measures, during the year two members of the Board attended a two-day international conference covering a wide spectrum of topics, including the role of the board, board diversity and corporate governance.</p>						
<p>A.2 Chairman and the Chief Executive Officer (CEO)-Compliant The posts of Chairman and the Chief Executive Officer (CEO) were held separately by Mr. Hemasiri Fernando and Mr. D. P. Kumarage respectively thereby, ensuring the balance of power and authority. The Chairman provides leadership to the Board and is responsible for governance and the effective operations of the Board, whilst the CEO, as the apex executive, is responsible and accountable for day-to-day management of the affairs of the Company..</p>								
A.2.1	Justification and disclosure of the decision to combine the posts of Chairman and CEO in one person	The roles of Chairman and CEO have not been combined.						
<p>A.3 Chairman's Role-Compliant The Chairman provides leadership to the Board to ensure that the Board creates enduring value for all stakeholders of the Company over the long term.</p>								
A.3.1	Responsibility of the Chairman to conduct Board proceedings in a proper manner	<p>The Chairman is a Non-Executive Director and is responsible in terms of the Company's Corporate Governance Charter for preserving good corporate governance and running the Board in an orderly and effective manner.</p> <div data-bbox="708 1384 1401 1783" style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Ensures effectiveness of the Board</td> <td style="padding: 5px;">Ensures the address of critical issues in a timely manner</td> <td style="padding: 5px;">Sets the agenda and tone of Board meetings</td> </tr> <tr> <td style="padding: 5px;">Facilitates the effective contribution of non-executive directors</td> <td style="padding: 5px;">Encourages the directors to make an active contribution to the Board's affairs</td> <td style="padding: 5px;">Ensures the provision of adequate information to the Directors</td> </tr> </table> </div>	Ensures effectiveness of the Board	Ensures the address of critical issues in a timely manner	Sets the agenda and tone of Board meetings	Facilitates the effective contribution of non-executive directors	Encourages the directors to make an active contribution to the Board's affairs	Ensures the provision of adequate information to the Directors
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Facilitates the effective contribution of non-executive directors	Encourages the directors to make an active contribution to the Board's affairs	Ensures the provision of adequate information to the Directors						

Reference to the Code	Principle	Level of compliance									
A.4 Financial Acumen-Compliant											
The Board has diversity of skills and knowledge and each Director brings a particular range of skills and expertise to the deliberations of the Board, which facilitates constructive and challenging debate around the boardroom table.											
A.4	Need for the Board to ensure the availability within it of those with sufficient financial acumen and knowledge	<p>During the year 2015/16, the Board comprised of members with academic and professional qualifications in banking, accounting and auditing, financial services and insurance, industrial, media, marketing and technology. The following Directors in particular provided the Board with guidance on matters of finance,</p> <ul style="list-style-type: none"> ➤ Mr. Hemasiri Fernando ➤ Mr. J. P. Amaratunga ➤ Mr. N. Vasantha Kumar ➤ Mr. M. A. M. Rizwan <p>In addition, all members of the Board had experience in various aspects of financial management.</p> <p>Refer: Board of Directors, Pages 138 to 141 for details of skills and experience of individual members of the Board.</p>									
A.5 Board Balance-Compliant											
All Directors on the Board of the Company are non-executive and are therefore independent of the management thereby promoting critical review and control.											
A.5.1	Need to have at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher	During the year under review, the Board comprised only of Non-Executive Directors with a wealth of knowledge and experience covering a wide spectrum of topics.									
A.5.2	Need for two or one third of Non-Executive Directors appointed to the Board, whichever is higher, to be 'independent'	<p>Of the eight (08) Non-Executive Directors of the Company as at 31st March 2016, five (05) Directors namely, Mr. M. P. Amirthanayagam, Mr. J. A. Fernando, Mr. M. A. M. Rizwan, Mr. R. M. Jayasena and Dr. A. A. S. Gulamhusein were independent.</p> <p style="text-align: center;">Composition of the Board by Category</p> <table border="1"> <caption>Composition of the Board by Category</caption> <thead> <tr> <th>Category</th> <th>31st March 2016</th> <th>31st March 2015</th> </tr> </thead> <tbody> <tr> <td>Independent</td> <td>5</td> <td>3</td> </tr> <tr> <td>Non-Independent</td> <td>3</td> <td>5</td> </tr> </tbody> </table>	Category	31st March 2016	31st March 2015	Independent	5	3	Non-Independent	3	5
Category	31st March 2016	31st March 2015									
Independent	5	3									
Non-Independent	3	5									
A.5.3	Need for Independent Directors to be independent of management and free of any business or other relationship	All of the Independent Non-Executive Directors of the Company during 2015/16 met the criteria for independence as set out in the applicable rules and regulations including Code of Best Practice on Corporate Governance (Code) and are deemed to be independent of management and free of business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.									

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Reference to the Code	Principle	Level of compliance
A.5.4	Need for Non-Executive Directors to submit an annual declaration of his/her independence or non-independence	During the year under review, self-declarations were submitted by each Non-Executive Director declaring his/her status of independency in terms of the applicable rules and regulations.
A.5.5	Need for the Board to make an annual determination as to the independence or non-independence of Non- Executive Directors	Based on the self- declarations submitted by the Directors on the status of their independency, the Board determined that the following Directors who were in office during 2015/16 were independent, <ul style="list-style-type: none"> ➤ Mr. M. P. Amirthanayagam ➤ Mr. J. A. Fernando ➤ Mr. M. A. M. Rizwan ➤ Mr. R. M. Jayasena ➤ Dr. A. A. S. Gulamhusein
A.5.6	Need for alternate directors appointed by an Independent Director to meet the criteria of independence	No alternate directors were appointed during the year 2015/16
A.5.7	Need to appoint a “Senior Independent Director” if the Chairman and CEO is the same person	Although the requirement to appoint a Senior Independent Director does not arise under the Code in view of the roles of the Chairman and the CEO being held by two different individuals, the Company has designated a Non-Executive Director as the Senior Independent Director in compliance with the Finance Companies (Corporate Governance) Directions. During the year 2015/16, Mr. M. P. Amirthanayagam served as the Senior Independent Director of the Company.
A.5.8	Responsibility of the Senior Independent Director to make himself available for confidential discussions with other Directors	The Board approved Terms of Reference for the Senior Independent Director appointed in terms of Finance Companies (Corporate Governance) Directions requires him to make himself available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole. It also empowers the Senior Independent Director to have the authority to call a meeting of the Non-Executive Directors if, in his opinion, it is necessary. However, no such situation arose during the year under review.
A.5.9	Responsibility of the Chairman to hold meetings exclusively with the Non-Executive Directors at least once each year	The Board comprises only Non- Executive Directors and therefore this requirement does not apply to the Company.
A.5.10	Obligation of the Directors to have matters that cannot be unanimously resolved recorded in the Board Minutes	The Directors’ concerns pertaining to unresolved matters are discussed and recorded by the Company Secretary in the Board Minutes in sufficient detail. Further discussions on these matters are pursued at the next Board meeting with a view to resolving them. However, no such issues arose during the year under review.

Reference to the Code	Principle	Level of compliance
A.6 Supply of Information - <i>Compliant</i>		
Comprehensive information is essential for the decision making process at the Company. Hence, all financial and non-financial information is analysed and presented to the Board to make informed and accurate decisions.		
A.6.1	Obligation of the management to provide the Board with appropriate and timely information	<p>The Management ensured that the Board was provided with timely, accurate, relevant and comprehensive information before the Board meeting every month, with adequate time for them to review the same and prepare for discussions. The Board made inquiries for additional information from the Management when necessary.</p> <p>Further, the Chairman ensured that all Directors were adequately briefed on issues arising at Board meetings.</p> <p>Refer: Board Meetings, Pages 152 to 153 for the details on the process before and during meetings of the Board.</p>
A.6.2	Need to provide the minutes, agenda and papers required for a Board Meeting at least seven (7) days before the meeting	The Agenda and Board Papers are circulated a week prior to Board meetings thus providing the Directors with adequate time to study the papers and prepare themselves for constructive discussions at Board meetings.
A.7 Appointments to the Board - <i>Compliant</i>		
The Corporate Governance Charter of the Company provides for a formal and transparent procedure to be followed when selecting and appointing new directors to the Board.		
A.7.1	Need to have a Nomination Committee to make recommendations to the Board on all new Board appointments	<p>During the year under review the Remuneration and Nomination Committee of the Company comprised the following Directors,</p> <ul style="list-style-type: none"> ➤ Mr. J. P. Amaratunga (Chairman) ➤ Mr. M. P. Amirthanayagam ➤ Mr. J. A. Fernando <p>Refer: Remuneration and Nomination Committee Report, Pages 206 to 207 for further information on the Remuneration and Nomination Committee, including its Terms of Reference.</p>
A.7.2	Need for the Nomination Committee or the Board to annually assess Board-composition	During the annual self-evaluation process, the Board as a whole assesses its own composition to ascertain whether the experience and the exposure of the Board members are adequate to meet the strategic demands faced by the Company and findings of these assessments are taken in to consideration in the appointment of new Directors.
A.7.3	Obligation of the Company to disclose details of new appointments of Directors to the shareholders	<p>All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange and subsequently through the Company's Annual Report.</p> <p>Prior approval for appointment of new Directors is obtained from the Central Bank of Sri Lanka in terms of the applicable regulations.</p>

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GOVERNANCE REPORT

Reference to the Code	Principle	Level of compliance
A.8 Re-election-Compliant		
In terms of Article 27(2) of the Articles of Association of the Company all Directors who have been appointed to the Board during the year retire at the next Annual General Meeting and are eligible for re-election by the shareholders.		
A.8.1	Need for the Non-Executive Directors to be appointed subject to re-election and to the provisions in the Companies Act relating to the removal	Although the Non-Executive Directors are not appointed for a specified time period, they are nevertheless subject to re-election at the Annual General Meeting in terms of the Articles of Association of the Company and to the provisions of the Companies Act relating to the removal of a Director.
A.8.2	Need for all Directors including the Chairman to be subject to election by shareholders at the first opportunity after their appointment	In terms of Article 27(2) of the Articles of Association of the Company, all Directors, including the Chairman, are subject to re-election by shareholders at the first opportunity after their appointment. During the year 2015/16, all members of the Board except, Mr. N. Vasantha Kumar and Dr. A. A. S. Gulamhusein offered themselves for re-election at the last Annual General Meeting of the Company held on 30th June 2015. Dr. A. A. S. Gulamhusein will offer himself for re-election at the forthcoming Annual General Meeting scheduled for 29th June 2016.
A.9 Appraisal of Board Performance-Compliant		
The Board recognises that it is necessary to periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. Thus, the Board has a self-evaluation process in place that encourages all Directors to make a full and active contribution to the Board's affairs.		
A.9.1	Need for the Board to annually appraise itself on its performance in the discharge of its key responsibilities	In accordance with the Corporate Governance Charter of the Company, the Board carried out a comprehensive evaluation of its performance and its committees in the last quarter of 2015/16. The assessment focused, inter-alia, on the Board's contribution to the development, monitoring and implementation of the strategy; ensuring robust and effective risk management; quality of the relationships with the management, employees and shareholders; and ensuring proper functioning of Board Sub-Committees. Each member of the Board carried out a self-assessment of his/her own effectiveness as well. The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in April 2016.
A.9.2	Need for the Board to also undertake an annual self-evaluation of its own performance and that of its Committees.	The self-evaluation carried out by the Board in 2015/16 included an evaluation of the performance of the Board as a whole as well as of its Committees.
A.9.3	Need for the Board to state in the Annual Report how performance evaluations have been conducted	The process of self-evaluation of the Board carried out in 2015/16 was led by the Chairman and supported by the Company Secretary. Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its Committees by requiring the individual Directors to complete a confidential questionnaire. The full results of the Board evaluations were then analysed by the Company Secretary and the findings were presented to the Board in April 2016. Based on these findings, it is duly affirmed that the Board and its Committees operated effectively during the year under review.

Reference to the Code	Principle	Level of compliance
A.10 Disclosure of Information in respect of Directors-Compliant		
The Company places importance on the disclosure of information with accuracy, completeness, transparency and equality for financial statements and general information, and also other information that would impact the Company's share price.		
A.10.1	Requirement for the Annual Report of the Company to set out the details of Directors	Refer: Profiles of the Board, Pages 138 to 141 for the profiles of the Directors, including their qualifications, expertise, experience and directorships. Refer: Directors Attendance at Board and Board Committee Meetings, Page 152 for details on Directors' status, attendance at Board and committee meetings and their other board seats or equivalent positions. Refer: Financial Statements, Pages 303 to 306 for the details of related party transactions of the Directors.
A.11 Appraisal of Chief Executive Officer (CEO)-Compliant		
As the apex executive of the Company, the CEO is responsible for the day to day operations of the Company with the assistance of the Senior Management and is accountable to the Board to recommend the Company's strategy and its subsequent implementation, to ensure that appropriate internal controls are in place to manage and assess risk and that they are fully complied with..		
A.11.1	Need for the Board to set financial and non-financial targets to be met by the CEO during the year in line with the short, medium and long-term objectives of the Company	The CEO is entrusted with the management of the Company's operations with decision making authority and he is fully accountable to the Board. At the commencement of every financial period, the Board in consultation with the CEO, sets financial and non-financial targets that should be achieved by the CEO in line with the short, medium and long term objectives of the Company. The main corporate goals and objectives emanating from the Company's Corporate Plan and the Budget are incorporated as personal goals of the CEO.
A.11.2	Need for the Board to evaluate the performance of the CEO at the end of each fiscal year	Assessment of the performance of the CEO by the Board is an on-going process. The performance of the CEO is evaluated by the Board at the end of each financial year by comparing the performance of the Company with the financial and non-financial targets set at the beginning of the financial year.
B. DIRECTORS 'S REMUNERATION		
B.1 Remuneration Procedure-Compliant		
The Board recognises that the existence of a formal and transparent remuneration procedure supports alignment of Directors' interests with those of shareholders.		
B.1.1	Need for the Board to set up a Remuneration Committee	The Board has established a Remuneration Committee with written terms of reference. During the year 2015/16 there were no Executive Directors on the Board of the Company. Refer: Remuneration and Nomination Committee Report, Pages 206 to 207 for the functions of the Remuneration and Nomination Committee during the year 2015/16.
B.1.2	Need for the Remuneration Committees to consist exclusively of Non-Executive Directors	All members of the Remuneration Committee are Non-Executive Directors and the Chairman of the Committee is appointed by the Board.

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Reference to the Code	Principle	Level of compliance
B.1.3	Requirement to list the Chairman and members of the Remuneration Committee in the Annual Report	<p>During the year under review the Remuneration and Nomination Committee of the Company comprised the following directors,</p> <ul style="list-style-type: none"> ➤ Mr. J. P. Amaratunga(Chairman) ➤ Mr. M. P. Amirthanayagam ➤ Mr. J. A. Fernando
B.1.4	Need for the Board to determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee	As permitted by the Articles of Association of the Company, the Board as a whole decides the remuneration of the Non-Executive Directors, including the members of the Remuneration and Nomination Committee. The Non-Executive Directors receive a fee for attending meetings of the Board and Board Committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable.
B.1.5	Need for the Remuneration Committee to consult the Chairman and/or CEO on proposals relating to the remuneration of other Executive Directors	<p>The Terms of Reference of the Remuneration Committee empowers it to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.</p> <p>There were no Executive Directors on the Board of the Company during the year 2015/16 and hence, the necessity to consult the Chairman and/or CEO on their remuneration did not arise.</p>
<p>B.2 The level and make up of Remuneration-Compliant</p> <p>The Board is aware that the level and make up of remuneration affect human motivations and decisions, and consequently, risk outcomes that are ultimately borne by shareholders. Remuneration must therefore reflect value delivered, adjusted appropriately for risk assumed.</p>		
B.2.1	Need for the Remuneration Committee to provide competitive packages needed to attract, retain and motivate Executive Directors of the quality required	<p>There were no Executive Directors on the Board of the Company during the year under review.</p> <p>Nevertheless, the Board is aware that the remuneration of Executive and Non-Executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company.</p>
B.2.2	Need for the Remuneration Committee to judge where to position levels of remuneration of the Company, relative to other companies	<p>The Remuneration Committee as well as the Board as a whole is aware that reward strategies and remuneration structure should be designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Therefore, the remuneration structure of the Company is reviewed from time to time with comparison to that of peers in the industry.</p> <p>Accordingly, during 2015/16 the Committee commissioned an industry remuneration survey through an independent professional party and submitted their recommendations to the Board on re-alignment of the employee remuneration package based on the findings thereof.</p>
B.2.3	Need for the Remuneration Committee to be sensitive to remuneration and employment conditions elsewhere in the Company or Group	<p>Due to the relatively small size and scale of other companies in the Group, weight is given to the industry comparable when deciding on salary increase levels.</p> <p>However, the Group endeavours to maintain a consistent policy of remuneration across the board.</p>

Reference to the Code	Principle	Level of compliance
B.2.4	Need for the performance-related elements of remuneration of Executive Directors to be designed and tailored to align their interests with those of the Company and main stakeholders	There were no Executive Directors on the Board of the Company during the year under review.
B.2.5	Avoidance of offering executive share options at a discount	The Company does not have any share option scheme for the Directors or employees at present.
B.2.6	Need for the Remuneration Committee to follow the provisions set out in Schedule E of the Code in designing schemes of performance-related remuneration	There were no Executive Directors on the Board of the Company during the year under review. Nevertheless, the performance related element of remuneration applicable to the CEO is based on achieving the set targets.
B.2.7 & B.2.8	Need for the Remuneration Committee to decide on the compensation commitments on early termination of Directors' contracts	There were no Executive Directors on the Board of the Company during the year under review.
B.2.9	Need for the levels of remuneration for Non-Executive Directors to reflect the time commitment and responsibilities of their role	Non-Executive Directors are paid only a fee on their attendance at meetings and sub-committee meetings.
B.3 Disclosure of Remuneration-Compliant		
The Company has consistently applied the principle that its remuneration policy should be fair and competitive, and should be reflective of the performance of the business.		
B.3.1	Requirement to disclose the Remuneration Policy and details of remuneration of the Board in the Annual Report	Refer: Remuneration and Nomination Committee Report, Pages 206 to 207 for the Remuneration Policy of the Company. Refer: Financial Statements, Page 303 for details of remuneration of the Directors.
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings-Compliant		
The Board attaches considerable importance to the maintenance of constructive relationships with the shareholders and considers the AGM and other General Meetings to be the formal opportunity for dialogue and communication between the Company and the shareholders. Accordingly all shareholders are encouraged to actively participate in the Company's AGM and other General Meetings. To achieve this purpose, the notices of meetings are dispatched to the shareholders within the prescribed time periods.		
C.1.1	Need to count proxy votes	As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution. The Company has a mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.

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Reference to the Code	Principle	Level of compliance
C.1.2	Need to propose separate resolutions for each substantially separate issue and adoption of annual report and accounts	<p>The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately.</p> <p>The adoption of the Annual Report of the Board of Directors, the Financial Statements of the Company and the Report of the Auditors thereon are considered as a separate resolution.</p>
C.1.3	Need for the Board Sub Committee Chairmen to be available to answer queries	<p>The Chairman of the Board ensures that the Chairmen of Board sub-committees are present at the AGM to answer any query by shareholders.</p> <p>The Chairmen of the Board Sub committees were present at the previous years' AGM held on 30th June 2015 and no queries were raised by the shareholders to them.</p>
C.1.4	Need for the Notice of the AGM and related papers to be sent to shareholders before the meeting.	<p>The Annual Report including financial statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM in compliance with the applicable statutes.</p> <p>The Annual Report for the year 2015/16 was submitted to the Colombo Stock Exchange on 8th June 2015 and was dispatched to all shareholders on the same day. The AGM was held on 30th June 2015.</p>
C.1.5	Need to circulate a summary of procedures governing voting at General Meetings with the Notice of Meeting	<p>A summary of procedure relating to voting at General Meetings is set out in the Notice of Meeting itself sent to each shareholder.</p> <p>The Notice of Meeting for the AGM in 2015 containing the procedure governing voting was sent to the shareholders 15 working days prior to the date of the AGM.</p>
<p>C.2 Communication with Shareholders-Compliant</p> <p>The Company's relevance to the markets and societies in which it operates depends on continued and meaningful engagement with all stakeholders. Therefore, building and maintaining good stakeholder relationships helps the Company manage and respond to expectations, minimize reputational risk and form strong partnerships, all of which support its commercial sustainability.</p>		
C.2.1	Need to have a channel to disseminate timely information to all shareholders of the company	<p>The Company has many channels to reach all shareholders of the Company in order to disseminate timely information of which the primary channels are the Annual Report and Annual General Meeting.</p> <p>Refer: Corporate Governance, Page 157 for further details on communication channels at the Company that ensures timely dissemination of information to shareholders.</p>
C.2.2	Need to disclose the policy and methodology of communication with shareholders	<p>The Company has in place a comprehensive policy that governs communications with its different stakeholders, including shareholders, which is based on the following four guiding principles:</p> <ul style="list-style-type: none"> ➤ efficiency ➤ transparency ➤ clarity ➤ cultural awareness and feedback <p>The above policy which provides, inter alia, for the policy, methodology and implementation of communications with the shareholders is available in the Company's intranet.</p>

Reference to the Code	Principle	Level of compliance
C.2.3	Need to disclose the manner and methodology of Implementation of the Communication Policy	The Communication Policy of the Company provides for the manner of implementation thereof and points of responsibility for the same.
C.2.4	Need to disclose a contact person for communication	Contact persons for communications with different stakeholders of the Company are specified in the Communication Policy.
C.2.5	Need for a process to make Directors aware of major issues and concerns of shareholders	<p>The Company Secretary and the Corporate Affairs Division maintains records of all correspondence received from shareholders and direct the same to appropriate channels for resolution.</p> <p>All major issues and concerns of shareholders are referred to the Board.</p> <p>Upon receipt of instructions from the Board or other relevant channel on issues/concerns referred to them as above, the Company Secretary or the Corporate Affairs Division revert to the respective shareholder with an appropriate response.</p>
C.2.6	Need for the identification of a person to be contacted on shareholder matters	<p>Shareholders can contact the Company Secretary, whose details are given below, on matters relating them,</p> <p>Mr. Rohan Pathirage The Company Secretary People's Leasing & Finance PLC 1161, Maradana Road Colombo 8 Sri Lanka.</p> <p>Tel: 011-2631105/103 (phone) Fax: 0112 481500</p> <p>The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.</p> <p>In addition, the Company has established a separate Investor Relations function at the Senior Management level to assist the shareholders seeking information and assistance.</p>
C.2.7	Need for a process responding to shareholder matters	Please refer comment on Principle C.2.5 above
C.3 Major and Material Transactions-Compliant		
The Board recognizes that timely disclosure of market sensitive information is essential to maintaining and increasing the confidence of investors in the Company, whilst helping investors making their own judgments.		
C.3.1	Need to Disclose major and material transactions	During the year, there were no major or material transactions engaged in or committed to by the Company as prescribed by the Code that required disclosure to the shareholders.

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Reference to the Code	Principle	Level of compliance
D. ACCOUNTABILITY AND AUDIT		
D.1 Financial Reporting-Compliant		
<p>The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Therefore, the Board has established a formal and transparent arrangement for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors.</p>		
D.1.1	Responsibility of the Board for statutory and regulatory reporting	<p>The Board's is aware that its responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be furnished by statutory requirements.</p> <p>Accordingly, the Company has complied with the requirements of the Companies Act No.7 of 2007, Finance Business Act No.42 of 2011 and directions made thereunder in the preparation and presentation of its annual and interim financial statements in conformity with Sri Lanka Accounting Standards.</p> <p>During 2015/16, the interim accounts and annual financial statements were published on a timely basis and regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange on a timely basis during the year.</p>
D.1.2	Requirement to include declarations by Directors in the Directors' Report	Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 201 to 203 for the required declarations by the Directors.
D.1.3	Requirement to include in the Annual Report statements by Directors and Auditors on responsibility for financial reporting	<p>Refer: Statement on Directors' Responsibility for Financial Reporting, Page 238 for the statement of Directors' responsibility for the preparation and presentation of financial statements.</p> <p>Refer: Independent Auditors' Report, Page 241 for the Auditors' Responsibility over Financial Statements.</p> <p>Refer: Directors' Statement on Internal Control over Financial Reporting, Page 239</p>
D.1.4	Need for inclusion of a Management Discussion and Analysis in the Annual Report	Refer: Management Discussion & Analysis, Pages 39 to 136
D.1.5	Need to include a declaration by the Board on the going concern of the Business	Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 199 to 203 for the required declaration.
D.1.6	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss of capital	The situation has not arisen during the year 2015/16 and the likelihood of such a situation is remote. However, should such a situation arises, an EGM would be convened to keep the shareholders informed thereof.

Reference to the Code	Principle	Level of compliance
D.1.7	Requirement to include adequate and accurate disclosure of Related Party Transactions in the Annual Report	<p>The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified. In accordance with the RPT Policy self-declarations are obtained from each Director and Key Management Personnel for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company has developed a system that enables the Company to monitor and report transactions with identified related parties and retrieve data thereon throughout the Company's network.</p> <p>The Code of Business Conduct and Ethics of the Company ("the Code") requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. The Code also requires directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it and records thereof are maintained by the Company Secretary in the Interest Register.</p> <p>To further strengthen the above process, a Board Related Party Transactions Review Committee was established in early 2014 on a voluntary basis.</p> <p>Refer: Related Party Transactions Review Committee Report, Page 208 for the details of the Related Party Transactions Review Committee.</p> <p>Refer: Financial Statements, Pages 303 to 306 for details on related party transactions during 2015/16.</p>
<p>D.2 Internal Controls-Compliant The directors are responsible for the Group's system of internal control and for maintaining and reviewing its effectiveness from both a financial and an operational perspective.</p>		
D.2.1	Responsibility of the Board to conduct an annual review of internal controls	<p>The Company has adopted a set of internal control policies, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance framework and compliance with related laws and regulations. This internal control framework also aims to safeguard shareholders' investment and the Company's assets and to ensure the reliability of its financial recordkeeping and reporting.</p> <p>Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Integrated Risk Management Committee and the Board Audit Committee assist the Board in this regard. Sound risk management practices are promoted by the risk management department, which is independent of operational management.</p> <p>Internal control is designed to mitigate, not eliminate, significant risks faced by the Company. It is recognized that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the Group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as risk management, internal audit and compliance.</p> <p>Refer: Board Audit Committee Report, Pages 204 to 205 and Integrated Risk Management Committee Report, Pages 209 to 211 for details on the functions of the Board Audit Committee and the Integrated Risk Management Committee during the year 2015/16 to ensure the effectiveness of the internal control systems.</p>

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Reference to the Code	Principle	Level of compliance
D.2.2	Need for an internal audit function	The Company has its own in-house Internal Audit Department. Refer: Board Audit Committee Report, Pages 204 to 205 for details on the internal audit function.
D.2.3	Need for the Audit Committee to review the process and effectiveness of risk management and internal controls	The Internal Audit Department of the Company carries out regular reviews on the risk management measures and internal controls system including internal controls over financial reporting and reports their findings to the Board Audit Committee, who then on behalf of the Board, undertakes a detailed monitoring and reviewing of the said controls and risk management measures. The minutes of the Board Audit Committee meetings together with the Committee's findings on internal controls and risk management functions are submitted at the meetings of the Board of Directors periodically. Refer: Directors Statement on Internal Control over Financial Reporting, Page 239 for more details on the above.
D.2.4	Responsibilities of Directors in maintaining a sound system of internal control and content of Statement of Internal Control	Refer: Directors Statement on Internal Control over Financial Reporting, Page 239 for information on Directors' responsibility for maintaining a sound system of internal control
D.3 Audit Committee-Compliant The Board Audit Committee assists the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audits. The Charter of the Board Audit Committee, which is periodically reviewed and revised with the concurrence of the Board of Directors, clearly defines the Terms of Reference of the Board Audit Committee. The Charter demonstrates that activities of the Board Audit Committee are in line with the Code and the directions issued by the Central Bank of Sri Lanka.		
D.3.1	Need for the Audit Committee to be comprised of a minimum of two independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher	As at 31st March 2016, the Board Audit Committee comprised three Directors, all of whom were Non-Executive. Two Directors of the Committee were Independent Non-Executive Directors. Refer: Board Audit Committee Report, Page 204 for the composition of the Board Audit Committee.
D.3.2	Duties of the Audit Committee to review the objectivity of the External Auditor	The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements. Company's External Auditors for 2015/16, M/s. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.
D.3.3	Need for the Audit Committee to have written Terms of Reference	The Board Audit Committee operates within clearly defined Terms of Reference approved by the Board. The duties and responsibilities of the Committee as set out in the said Terms of Reference, are in line with the Code and the directions issued by the Central Bank of Sri Lanka. Refer: Board Audit Committee Report, Pages 204 to 205 for the Terms of Reference of the Board Audit Committee.

Reference to the Code	Principle	Level of compliance
D.3.4	Need to disclose the of names of the members of the Audit Committee and report of the Audit Committee in the Annual Report	<p>During the year under review the Audit Committee of the Company comprised the following directors,</p> <p>Mr. J. P. Amaratunga (Chairman) Mr. M. P. Amirthanayagam Mr. M. A. M. Rizwan</p> <p>Company's External Auditors for 2015/16, M/. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.</p> <p>Refer: Board Audit Committee Report, Pages 204 to 205</p>
<p>D.4 Code of Business Conduct and Ethics-Compliant Business ethics at the Company is not limited to ethical behaviour, but clearly articulates the ethical principles embedded in the Company's ethos and ensures that those principles are fully integrated into the entity's management and operations. The approach to ethics considers the impact of actions on a broad range of stakeholders and to the reputation of the Company.</p>		
D.4.1	Need to make a disclosures on the presence of a Code of Business Conduct & Ethics	<p>The Company has in place a comprehensive Code of Business Conduct and Ethics applicable to all Directors and employees of the Company. The Code has been circulated to all the Directors and employees and has been published in the Company's intranet to ensure strict compliance with same.</p> <p>Refer: Corporate Governance, Page 157 for a summary of the Company's Code of Business Conduct and Ethics.</p> <p>The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by any Director or Senior Management member of the Company.</p>
D.4.2	Affirmation by the Chairman that there is no violation of the Code of Business Conduct & Ethics	Refer: Annual Report of the Board of Directors on the Affairs of the Company, Page 202 for the required affirmation.
<p>D.5 Corporate Governance Disclosures-Compliant The Board of Directors of the Company continues to focus on improving its effectiveness and responding appropriately to be current with the developments taking place in the governance environment and remains committed to transparency and continuous improvement in reporting as the Company continues on its corporate journey.</p>		
D.5.1	Need for inclusion of a Corporate Governance Report in the Annual Report	This report from Pages 137 to 211 sets out the manner in and the extent to which the Company has complied with the Code.

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Reference to the Code	Principle	Level of compliance
SECTION 2 – SHAREHOLDERS		
E. INSTITUTIONAL INVESTORS		
E.1 Shareholder Voting-Compliant		
The Company is committed to promoting effective and open communication with all shareholders, transparently and regularly in order to facilitate a mutual understanding of the respective objectives of the parties. The Board and the management strive to be accessible to both institutional and private investors, and proactively encourage all shareholders to participate at the Company's Annual General Meeting (AGM).		
E.1.1	Need to conduct regular and structured dialogue with shareholders	<p>The Annual General Meeting (AGM) is used as a forum to have a structured and objective dialogue with shareholders on matters that are relevant to the general membership.</p> <p>From the company's perspective, the AGM provides a forum for the Board to inform the shareholders what the Company does and how it has performed during the year. For investors, it provides a forum to learn more about the business and ask questions of the Directors and to use their votes responsibly.</p> <p>Additionally, the Company has an ongoing programme of dialogue and meetings with institutional shareholders, where a wide range of relevant issues is discussed.</p>
E.2 Evaluation of Governance Disclosures-Compliant		
Corporate Governance disclosure is a reflection of accountability and transparency that broadens the scope of management responsibility and supports a positive association between the Company and its institutional investors.		
E.2.	Need to Encourage institutional investors to give due weight to relevant governance arrangements	Sufficient attention has been given to the interests of institutional investors and they are at liberty to give due weight when exercising their voting rights on resolutions relating to the Board structure and the composition.
F. OTHER INVESTORS		
F.1 Investing/Divesting Decisions-Compliant		
The Company places a high degree of importance on maintaining good relationships and communications with institutional investors and private investors alike and ensures that they are kept informed of significant Company developments in order to give them the critical information they need to value their investments.		
F.1	Encourage individual shareholders to seek independent advice in investing or divesting decisions	Individual shareholders are at liberty to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.
F.2 Shareholder Voting-Compliant		
General Meetings provide the principal opportunity for the Board to meet investors and for the Chairman to explain the Company's progress and receive questions from its owners, the shareholders.		
F.2	Encourage individual shareholders to participate in General Meetings and exercise voting rights	Individual shareholders are encouraged to participate at general meetings and cast their votes. To achieve this purpose, the notices of meetings are dispatched to all shareholders within the prescribed time periods.

Reference to the Code	Principle	Level of compliance
G. SUSTAINABILITY REPORTING		
G.1 Principles of Sustainability Reporting -Compliant		
The Company recognises that a sustainability report presents the organisation's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. Thus, this Annual Report has been prepared in the form of an integrated report that covers all sustainability reporting parameters as identified by the Global Reporting Initiative (GRI).		
G.1.1	Reporting of Economic Sustainability	Refer: Financial Capital, Pages 48 to 53
G.1.2	Reporting on the Environment	Refer: Natural Capital, Pages 105 to 115
G.1.3	Reporting on Labour Practices	Refer: Human Capital, Pages 82 to 94
G.1.4	Reporting on Society	Refer: Social Capital, Pages 95 to 104
G.1.5	Reporting on Product Responsibility	Refer: Relationship Capital, Pages 66 to 68
G.1.6	Reporting on stakeholders identification, engagement and effective communication	Refer: Stakeholder Engagement, Page 26
G.1.7	Formalising sustainable reporting as part of Company's reporting process	Refer: About this Report, Pages 6 to 7

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OUR COMPLIANCE WITH FINANCE COMPANIES (CORPORATE GOVERNANCE) DIRECTION NO. 3 OF 2008 AS AMENDED BY DIRECTIONS NO. 4 OF 2008 AND NO. 6 OF 2013 ISSUED BY THE CENTRAL BANK OF SRI LANKA ("CORPORATE GOVERNANCE DIRECTIONS")

Rule Reference	Principle	Level of compliance
A. RESPONSIBILITIES OF THE BOARD		
The Board provides sound leadership to the management in setting the strategic vision, direction and long-term goals of the Group, and ensures that adequate resources are available to meet these objectives. The Board's terms of reference are set out in a written charter—the Corporate Governance Charter which is reviewed periodically to ensure compliance with the provisions of the applicable legislation.		
2(1)	Strengthening the safety and soundness of the Company	
	(a) approving and overseeing the strategic objectives and corporate values and ensuring that the same is communicated throughout the Company	<p><i>Compliant</i></p> <p>The Board of Directors sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates to the management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters.</p> <p>The strategic objectives of the Company are predicated on the vision and missions statements of the Company and corporate values are embedded in the Code of Business Conduct and Ethics which have been communicated to employees at all levels.</p>
	(b) approving the overall business strategy of the Company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years	<p><i>Compliant</i></p> <p>Company's strategic business plan covering the period up to 2017/18 as approved by the Board in August 2015 provides for overall risk management policy, procedures and mechanisms with measurable goals.</p> <p>The business strategy is reviewed by the Board on a regular basis with updates on the execution thereof by the management at monthly Board meetings.</p>
	(c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently	<p><i>Compliant</i></p> <p>The Board as a whole remains primarily responsible for the overall risk framework of the Company. Integrated Risk Management Committee, on behalf of the Board, identifies risks and ensures implementation of appropriate systems to manage risks prudently and reports to the Board on a quarterly basis.</p>
	(d) Approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers	<p><i>Compliant</i></p> <p>Recognising the importance of two-way communication with its stakeholders, the Board has adopted a comprehensive policy that governs communications with its shareholders and other stakeholders including, depositors, creditors, borrowers, suppliers etc.</p> <p>Refer: Corporate Governance, Page 157 for more information on the Communication Policy.</p>

Rule Reference	Principle	Level of compliance
	<p>(e) Reviewing the adequacy and the integrity of the Company's internal control systems</p> <p>Reviewing the adequacy and the integrity of the management information systems</p>	<p><i>Compliant</i></p> <p>The Board has overall responsibility for ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness.</p> <p>The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board on its findings on a quarterly basis.</p> <p>Refer: Director's Statement on Internal Control over Financial Statements, Page 239 for further information on internal control framework of the Company</p> <p><i>Non-Compliant</i></p> <p>Steps have been initiated in the current year to review the existing MIS Manual/Guideline to assess the adequacy of the integrity of the MIS and there after for the Board to review the adequacy of the same. This process is expected to be completed within the next financial year.</p>
	<p>(f) Identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management</p>	<p><i>Compliant</i></p> <p>The Board of Directors, Chief Executive Officer and Deputy General Managers of the Company have been identified and designated as the Key Management Personnel of the Company.</p>
	<p>(g) Defining the areas of authority and key responsibilities for the Board and for the key management personnel</p>	<p><i>Compliant</i></p> <p>Principle duties and responsibilities of the Board of Directors and the Chief Executive Officer are set out in detail in the Corporate Governance Charter of the Company. The Key Functions / responsibilities of the Deputy General Managers (KMP's) have been defined and approved by the Board and included in their respective job descriptions.</p> <p>The respective delegated authority limits of the Chief Executive Officer and the Deputy General Managers have also been defined by the Board.</p>
	<p>(h) Ensuring that there is appropriate oversight of the affairs of the Company by key management personnel, that is consistent with the Company's policy</p>	<p><i>Compliant</i></p> <p>Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, Key Management Personnel are represented by the Chief Executive Officer who apprises the Board on the operations and performance of the Company against set targets.</p> <p>Affairs of the Company are also reviewed and discussed by the Senior Management at management level.</p> <p>Refer: Management's Role in Governance, Pages 153 to 155 for more information on the Management's role in the supervision of the affairs of the Company.</p>

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Rule Reference	Principle	Level of compliance
	<p>(i) Periodically assessing the effectiveness of its governance practices, including:</p> <p>(ii) The selection, nomination and election of directors and appointment of key management personnel;</p> <p>(iii) The management of conflicts of interests; and</p> <p>(iv) The determination of weaknesses and implementation of changes where necessary;</p>	<p><i>Compliant</i></p> <p>The effectiveness of the Board's own governance practices including determination of its weaknesses was assessed by the Board through a self-evaluation of the Board carried out in the last quarter of the financial year 2015/16. Feedback of the Directors thereon was discussed at the meeting of the Board held in April 2016.</p> <p>The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the parent, People's Bank and appointed by the Board in terms of the Articles of Association. The appointments of Key Management Personnel are made by the Board on the recommendation of the Chief Executive Officer.</p> <p>The Management of conflicts of interests is addressed in a timely manner. In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion make a disclosure of his/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon.</p> <p>Self-declarations on potential conflicts of interest are obtained from the Directors at the time of their appointment to the Board and subsequently as and when it is required. These declarations together with the interests disclosed by the Directors at Board meetings assist the Company to manage conflicts (if any) in an effective manner.</p>
	<p>(j) Ensuring that the Company has an appropriate succession plan for key management personnel</p>	<p><i>Non-Compliant</i></p> <p>In terms of the policy decisions made by the Board, succession for the key managerial positions primarily focuses on developing and grooming people internally so as to have adequate options within the Company for replacement of key management personnel, thus ensuring a smooth transition and continuity of business. The organization structure of the Company also facilitates this process. However, the Board expects to adopt a more detailed and defined succession plan for the key management personnel in the ensuing year with the assistance of the Remuneration and Nomination Committee.</p>
	<p>(k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives</p>	<p><i>Compliant</i></p> <p>The Key Management Personnel are represented at monthly meetings of the Board of Directors by the Chief Executive Officer of the Company who apprises the Board of any concerns/critical issues raised by the Key Management Personnel at their meetings. Furthermore, the Key Management Personnel are invited to participate in Board Sub Committee Meetings to review policies, establish lines of communication and monitor progress towards corporate objectives.</p>

Rule Reference	Principle	Level of compliance
	(l) Understanding the regulatory environment	<p><i>Compliant</i></p> <p>On appointment, Directors are apprised comprehensively on the regulatory environment including, governance framework, policies, and processes and their responsibilities as a Director in terms of the applicable rules and regulations.</p> <p>The Board is apprised of any changes to the regulatory environment by the Compliance Officer through the Integrated Risk Management Committee and also by the Company Secretary.</p> <p>A Summary of the contents of the regulatory requirements and relevant ratios are submitted to the Board on a regular basis for their awareness of the Company's standing with regard to regulatory environment.</p>
	(m) Exercising due diligence in the hiring and oversight of external auditors	<p><i>Compliant</i></p> <p>The hiring of external auditors is carried out by the Board on the recommendation of the Board Audit Committee.</p> <p>The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>Company's External Auditors for 2015/16, M/s. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of section 163(3) of the Companies Act No.7 of 2007.</p>
2(2)	Appointment of the chairman and the chief executive officer and defining and approving their functions and responsibilities	<p><i>Compliant</i></p> <p>The Board has appointed the Chairman and the Chief Executive Officer. Their roles are separate and have been defined in the Corporate Governance Charter of the Company.</p>
2(3)	Availability of a procedure determined by the Board to enable directors, to seek independent professional advice at the Company's expense	<p><i>Compliant</i></p> <p>The Corporate Governance Charter provides for the Directors to seek the advice of the Company Secretary and other professional independent advice on matters related to the exercise of their duties and responsibilities, at the expense of the Company. However, no such advice was sought by any of the Directors during the financial year 2015/16.</p>
2(4)	Avoidance of conflicts of interest	<p><i>Compliant</i></p> <p>In terms of the Code of Business Conduct and Ethics of the Company, each member of the Board has a responsibility to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have an interest in a matter under discussion make a disclosure of this/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes.</p> <p>Self-declarations on potential conflicts of interest are obtained from the Directors at the time of their appointment to the Board and subsequently as and when it is required. These declarations together with the interests disclosed by the Directors at Board meetings assist the Company to manage conflicts (if any).</p>

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Rule Reference	Principle	Level of compliance
2(5)	Availability of a formal schedule of matters specifically reserved to the Board for decision	<i>Compliant</i> The Corporate Governance Charter of the Company contains a formal schedule of matters specifically reserved to the Board for its decision.
2(6)	Disclosure of insolvency to the Director of the Department of Supervision of Non-Bank Financial Institutions	<i>Compliant</i> No such situation has arisen during the year 2015/16. Furthermore, the liquidity position of the Company is reported to the Director of the Department of Supervision of Non-Bank Financial Institutions on a weekly basis.
2(7)	Inclusion of an annual corporate governance report on compliance with the Corporate Governance Directions in the Annual Report	<i>Compliant</i> This report from Page 178 to Page 195 serves this requirement.
2(8)	Adoption of an annual scheme of self-assessment by the Directors	<i>Compliant</i> The Board has adopted a scheme of self-assessment to be undertaken by each director annually, the procedure of which is set out in the Corporate Governance Charter of the Company. In accordance therewith, the Board carried out a comprehensive evaluation of its performance and its committees in the last quarter of 2015/16. Each member of the Board carried out a self-assessment of his/her own effectiveness as well. The full results of the Board evaluations were analysed by the Company Secretary and the findings were presented to the Board in April 2016.
B. MEETINGS OF THE BOARD		
The Company has a highly engaged Board with varied perspectives. Meetings of the Board and its committees are held on a regular basis to ensure the discharge of the Board's responsibility on management of the Company's strategy and policy, and monitoring of the Management's performance against the set objectives.		
3(1)	Convening Board meetings at least twelve times a financial year at monthly intervals	<i>Compliant</i> The Board met sixteen (16) times for the financial year under review and obtaining the Boards' consent via circulation was kept to a minimum of three (03) instances.
3(2)	Making arrangements to enable directors to include matters and proposals in the agenda for regular Board meetings	<i>Compliant</i> All Directors are provided an equal opportunity to include proposals for promotion of business and management of risk in the agenda for regular meetings. The procedure applicable to this is set out in the Company's Corporate Governance Charter.
3(3)	Giving adequate notice of Board meetings	<i>Compliant</i> The date of the next Board meeting is collectively agreed to by the members present during the previous Board meeting and subsequently communicated to all the members, so as to ensure that at least 7 days' notice is given of a meeting. Reasonable notice is given of any other special Board meeting.
3(4)	Attendance of Directors at Board meetings	<i>Compliant</i> Board meetings are usually held at monthly intervals unless the business exigencies demand the convening of meetings at shorter intervals. Sixteen (16) Board meetings were held during the year 2015/16. No Director has been absent from three (03) consecutive meetings. Refer: Directors' Attendance at Board and Board Committee Meetings, Page 152 for details of individual Director's attendance at Board meetings.

Rule Reference	Principle	Level of compliance
3(5)	Appointment of a Company Secretary	<i>Compliant</i> An Attorney-at-law with adequate experience has been appointed by the Board as the Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.
3(6)	Responsibility of preparing the agenda for a Board meeting	<i>Compliant</i> The function of preparing the Agenda for Board meetings has been delegated by the Chairman to the Company Secretary and accordingly, the Company Secretary is responsible for the same.
3(7)	Directors' access to advice and services of the Company Secretary	<i>Compliant</i> As provided for by the Corporate Governance Charter of the Company, all Directors have access to the Company Secretary who is an Attorney-at-Law by profession.
3(8)	Maintenance of minutes of Board meetings inspection thereof by the directors	<i>Compliant</i> The Company Secretary maintains the minutes of Board meetings with sufficient details and the same is available for inspection by any Director in accordance with the procedure laid down in the Corporate Governance Charter of the Company.
3(9)	Recording of minutes of Board meetings in sufficient detail	<i>Compliant</i> The Company Secretary records the proceedings of the meetings and the decisions taken thereat in sufficient detail so as to satisfy all the requirements specified in this rule.
C. COMPOSITION OF THE BOARD		
The average tenure of Directors demonstrates a good balance between continuity and fresh perspectives. The proportion of independent Non-Executive Directors on the Board (five out of eight) ensures that the Board is able to exercise objective judgment on corporate affairs and the performance of management against key performance indicators.		
4(1)	Number of directors on the Board	<i>Compliant</i> As at the end of 2015/16, there were eight (08) Directors on the Board thus, complying with the requirement.
4(2)	Period of service of a director	<i>Compliant</i> The period of service of all the Directors during 2015/16 was below nine (09) years.
4(3)	Appointment, election or Nomination of an employee as a director of the company	<i>Compliant</i> The Company does not have any Executive Directors.
4(4)	Number of independent non-executive directors on the Board and criteria for assessment of independency	<i>Compliant</i> The Board comprised five (05) Non-Executive Independent Directors during the financial year 2015/16 who met the criteria for independence as specified in this rule. Self-declarations were obtained from all Non-Executive Independent Directors confirming their suitability to be designated as "independent" in terms of the criteria in this rule.
4(5)	Alternate directors to meet the criteria for independency/executive status of the appointor	<i>Compliant</i> No alternate directors were appointed during the year.

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Rule Reference	Principle	Level of compliance
4(6)	Skills and experience of the non-executive directors to bring an objective judgment to bear on issues of strategy, performance and resources	<p><i>Compliant</i></p> <p>The Board comprises solely of Non-Executive Directors who possess academic and professional qualifications in diverse fields. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees.</p> <p>Refer: Board of Directors, Pages 138 to 141 for details on the skills and experience of the Board members.</p>
4(7)	Presence of Non-Executive Directors to satisfy the quorum for meetings of the Board	<p><i>Compliant</i></p> <p>Since all of the Directors of the Company during the year 2015/16 were non-executive directors, the required quorum was met at all meetings of the Board convened for the year.</p>
4(8)	Disclosure of independent non-executive directors, Board composition in corporate communications and in the annual corporate governance report	<p><i>Compliant</i></p> <p>The Independent Non-Executive Directors are identified as such in all corporate communications that contain the names of Directors of the Company.</p> <p>Refer: Directors, Attendance at Board and Board Committee Meetings, Page 152 for details of composition of the Board by category, including their names.</p>
4(9)	Availability of a formal, and transparent procedure for the appointment of new directors	<p><i>Compliant</i></p> <p>The Articles of Association of the Company and the Corporate Governance Charter provides for the general procedure applicable to selection and appointment of Directors of the Company. Upon the nominees being found to be "fit and proper" for appointment as Directors of the Company, approval of the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka is obtained for the same.</p> <p>All appointments made to the Board during the year 2015/16 complied with the above procedure.</p>
4(10)	Re-election of directors appointed to fill a casual vacancy at the first general meeting after their appointment	<p><i>Compliant</i></p> <p>In terms of Article 27(2) of the Articles of Association of the Company all Directors, including those appointed to fill casual vacancies, are subject to re-election by shareholders at the first Annual General Meeting following their appointment.</p> <p>During the year 2015/16, all members of the Board except, Mr. N. Vasantha Kumar and Dr. A. A. S. Gulamhusein offered themselves for re-election at the last Annual General Meeting of the Company held on 30th June 2015. Dr. A. A. S. Gulamhusein will offer himself for re-election at the forthcoming Annual General Meeting scheduled for 29th June 2016.</p>

Rule Reference	Principle	Level of compliance
4(11)	Disclosure of resignations/removal of directors to the shareholders and the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka	<i>Compliant</i> All resignations/removals and appointments of Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange, after approval for the same has been obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka in terms of the applicable regulations.
D. FITNESS AND PROPRIETY OF DIRECTORS		
The Board has diversity of skills and knowledge and each Director brings a particular range of skills and expertise to the deliberations of the Board which facilitates constructive and challenging debate around the boardroom table.		
5(1)	Directors over 70 years of age	<i>Compliant</i> There are no Directors who are over 70 years of age.
5(2)	Holding office in more than 20 companies	<i>Compliant</i> There are no Directors who hold office as a director of more than 20 companies. None of the Directors hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities. Refer: Directors' Attendance at Board and Board Committee Meetings and their other Directorships/Significant Positions, Page 152 for a schedule of Directors' other directorships/positions.
E. DELEGATION OF FUNCTIONS		
To discharge its stewardship and fiduciary responsibilities in an effective and timely manner, the Board delegates authority to Board committees and the management with clearly defined mandates and authorities, while preserving its accountability.		
6(1)	Delegation of Board functions	<i>Compliant</i> In terms of Article 29(2) of the Articles of Association of the Company, the Board is empowered to delegate to a committee of Directors or to any person it deems fit, any of the powers vested in the Board which are permissible for delegation in terms of the applicable law. Accordingly, the Board has delegated authority to the Board Committees and the Management with clearly defined mandates and authorities, while preserving its accountability.
6(2)	Review of delegation of Board functions on a periodic basis	<i>Compliant</i> The functions delegated by the Board to Board Committees and the Management and the applicable limits of authority are regularly evaluated by the Board to ensure that the same does not materially affect the ability of the Board as a whole in discharging its' functions and remains relevant to the needs of the Company.
F. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER		
The posts of Chairman and the Chief Executive Officer (CEO) are held separately by two individuals thereby ensuring the balance of power and authority. The Chairman provides leadership to the Board and is responsible for governance and the effective operations of the Board, whilst the CEO, as the apex executive, is responsible and accountable for day-to-day management of the affairs of the Company.		
7(1)	Division of the roles of the Chairman and Chief Executive Officer	<i>Compliant</i> The posts of the Chairman and the Chief Executive Officer (CEO) of the Company are separate ensuring the balance of power and authority.

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Rule Reference	Principle	Level of compliance
7(2)	Designation of an independent non-executive director as the Senior Director if the chairman is not an independent non-executive director	<i>Compliant</i> The Chairman is considered to be a Non-Independent Director by virtue of the fact that he also holds the office of Chairman of the parent company, People's Bank. Hence, Mr. M. P. Amirthanayagam, an Independent Non-Executive Director, functions as the present Senior Independent Director of the Company.
7(3)	Disclosure of relationship between the Chairman, Chief Executive Officer and members of the Board in the corporate governance report	<i>Compliant</i> As declared by them, there are no relationships whatsoever, including financial, business, family, or other material relationship between the Chairman/CEO and/or other members of the Board which will impair their respective roles. Refer: Board of Directors and Corporate Management, Pages 138 to 141 and Page 142 for the particulars of the Chairman and the CEO.
7(4)	Role of the Chairman	<i>Compliant</i> The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes leading the Board and ensuring its effective functioning. The annual self-assessment of the Board includes a criterion that evaluates the effectiveness of the Chairman in facilitating the Board's discharge of its responsibilities.
7(5)	Role of the Chairman in the preparation of the agenda for Board meetings	<i>Compliant</i> The Chairman has delegated the function of preparing the agenda to the Company Secretary.
7(6)	Duty of the Chairman to ensure that all directors are informed adequately and timely of the issues arising at Board meetings	<i>Compliant</i> The Chairman ensures, that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and board papers with sufficient time for their perusal prior to a meeting.
7(7)	Role of the Chairman in encouraging directors to make an active contribution to the Board's affairs	<i>Compliant</i> The Chairman sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision making thereby promoting active contribution by the individual Directors to the Board's affairs.
7(8)	Role of the Chairman in ensuring constructive relationships between executive and non-executive directors	<i>Compliant</i> The Company does not have any Executive Directors. Nevertheless, the Chairman ensures that a constructive relationship exists between the Board members as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs. This process is further strengthened through the annual self-evaluations of the Board where views of all Directors are canvassed in respect of the performance of the Board as a whole as well as of its committees.

Rule Reference	Principle	Level of compliance
7(9)	Avoidance of engaging in activities involving direct supervision of key management personnel or any other executive duties by the Chairman	<i>Compliant</i> The Chairman is a Non-Executive Director who does not get involved directly in any of the executive duties of the Company or the direct supervision of the Key Management Personnel.
7(10)	Role of the Chairman in maintaining effective communication with shareholders and communicating the views of shareholders to the Board	<i>Compliant</i> The Board attaches considerable importance to the maintenance of constructive relationships with the shareholders and considers the AGM and other General Meetings to be the formal opportunity for dialogue and communication between the Company and the shareholders. Accordingly, these meetings provide the principal opportunity for the Board to meet the shareholders and for the Chairman to explain the Company's progress and clarify matters that shareholders refer to the Board and the Management. To encourage shareholders to communicate their views and to seek assistance in matters that relate to them, a separate function on investor relations has been established at the Senior Management level.
7(11)	Role of the Chief Executive Officer	<i>Compliant</i> The Chief Executive Officer (CEO), the apex executive of the Company is delegated by the Board with the authority of detailed planning and implementation of the strategic objectives and policies of the Company and day to day operations of the Company in accordance with appropriate risk parameters. The role of the CEO is detailed in the Corporate Governance Charter of the Company.

G. BOARD APPOINTED COMMITTEES

The Board has delegated certain of its functions to Board sub-committees and provided them with sufficient resources enabling them to focus on their designated areas of responsibility and ensure independent oversight.

8(1)	Presence of at least two Board committees reporting directly to the Board	<i>Compliant</i> The Company has four (04) Board appointed Committees directly reporting to the Board, namely the Board Audit Committee (BAC), Integrated Risk Management Committee (IRMC), Remuneration and Nomination Committee (RNC) and Related Party Transactions Review Committee (RPTRC). Each committee has a secretary that arranges its meetings, maintains minutes, records and carries out other secretarial functions under the supervision of the chairmen of the respective committees. Refer: Corporate Governance, Page 151 for the composition and the functions of the above committees.
8(2)	Audit Committee	
	(a) The chairman of Audit Committee	<i>Compliant</i> Mr. J. P. Amaratunga, a Non-Executive Non-Independent Director serves as the Chairman of the Board Audit Committee. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Chartered Management Accountants, UK. He has over 30 years of extensive experience in finance and management. He was also a Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka.
	(b) Composition of the Audit Committee	<i>Compliant</i> All three members of the Board Audit Committee are Non-Executive Directors, two of whom are Independent.

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Rule Reference	Principle	Level of compliance
	<p>(c) Responsibility of the Audit Committee to recommend:</p> <p>(i) the appointment of the external auditor;</p> <p>(ii) implementation of the Central Bank guidelines issued to auditors;</p> <p>(iii) application of relevant accounting standards;</p> <p>(iv) the service period, audit fee and any resignation or dismissal of the auditor.</p>	<p><i>Compliant</i></p> <p>The Board Audit Committee has at its meetings recommended</p> <p>(i) That M/s Ernst & Young, Chartered Accountants be reappointed as the external auditors of the Company for the financial year 2015/16;</p> <p>(ii) The implementation of Central Bank guidelines issued to auditors from time to time;</p> <p>(iii) The application of International Financial Reporting Standards; and</p> <p>(iv) The Group Audit Fee for the financial year 2015/16.</p> <p>No resignation or dismissal of the auditor has taken place during the year 2015/16. The term of engagement of the present audit partner who was appointed during the financial year 2012/13, does not exceed five (05) years.</p>
	<p>(d) Responsibility of the Audit Committee to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes</p>	<p><i>Compliant</i></p> <p>The Board Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account the relevant professional and regulatory requirements.</p> <p>Company's External Auditors for 2015/16, M/s. Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Board Audit Committee in terms of the relevant rules.</p>
	<p>(e) Responsibility of the Audit Committee to develop and implement a Board approved policy on the engagement of an external auditor to provide non-audit services</p>	<p><i>Compliant</i></p> <p>The Board Audit Committee with the approval of the Board of Directors has developed and implemented a policy for engagement of external auditors to provide non-audit services to safeguard the auditors' independence and objectivity.</p>
	<p>(f) Responsibility of the Audit Committee to discuss and finalize with the external auditors the nature and scope of the audit</p>	<p><i>Compliant</i></p> <p>The Board Audit Committee meets with the external auditors to discuss their audit plan, nature and the scope of the audit before the commencement of an audit. Accordingly, the Board Audit Committee met the external auditors M/S Ernst & Young, Chartered Accountants twice during the year under review to discuss and finalise the scope of the audit.</p>
	<p>(g) Responsibility of the Audit Committee to review the financial information of the Company, in order to monitor the integrity of the financial statements, annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.</p>	<p><i>Compliant</i></p> <p>The Board Audit Committee periodically reviews the financial information of the Company in order to monitor the integrity of the financial statements of the Company and other financial disclosures.</p> <p>The Committee has reviewed the Company's Annual Report and Quarterly Financial Statements before submission thereof to the Board for approval.</p>

Rule Reference	Principle	Level of compliance
	(h) Responsibility of the Audit Committee to discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss	<i>Compliant</i> During the year under review, the Board Audit Committee met the External Auditors without the presence of the Key Management Personnel.
	(i) Responsibility of the Audit Committee to review the external auditor's management letter and the management's response thereto.	<i>Compliant</i> During the year, the Board Audit Committee reviewed External Auditor's Management Letter for the year 2014/15 and the Management's responses thereto.
	(j) Responsibility of the Audit Committee to take the following steps with regard to the internal audit function of the Company: (i) review the adequacy of the scope, functions and resources of the internal audit department; (ii) review the internal audit programme and results of the internal audit process; (iii) review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	<i>Compliant</i> The Board Audit Committee has reviewed and approved the Internal Audit Plan for the F/Y 2015/16 presented by the Internal Audit Department prepared based on overall risk assessment and the significant audit observations made during the previous year. This plan also includes the scope, functions and the resources of the Internal Audit Department. <i>Compliant</i> The findings of the internal audits carried out during the year and the evaluation by the Internal Audit Department of the Company's internal controls and compliances were reviewed by the Committee. <i>Compliant</i> During the year 2015/16, the Committee assessed the performance of the Internal Audit Department as a whole. At the end of the year, the Board as well as the Board Remuneration and Nomination Committee assessed the performance of the Head of Internal Audit in the promotion process. <i>Compliant</i> No such situation has arisen during the year 2015/16.
	(v) ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers; (vi) ensure that the internal audit function is independent of the activities it audits	<i>Compliant</i> No senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers have resigned during the year. <i>Compliant</i> Internal audit function is independent as the Internal Audit Department reports directly to the Board Audit Committee.

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Rule Reference	Principle	Level of compliance
	(k) Responsibility of the Audit Committee to consider the major findings of internal investigations and management's responses thereto;	<i>Compliant</i> Based on the reports submitted by the Internal Audit Department, the Board Audit Committee reviews and considers major audit findings and the management's responses thereto. However, no such major audit findings have been reported during the year 2014/15.
	(l) Participants at the Audit Committee meetings and the need to meet with the external auditors without the presence of the executive directors	<i>Compliant</i> Although the Board Audit Committee does not comprise any Executive Directors, the Committee met with the external auditors during the year under review.
	(m) Authority and resources of the Audit Committee	<i>Compliant</i> The Board approved Terms of Reference of the Board Audit Committee mandates explicit authority to investigate into any matter within its purview and take necessary action thereto. Refer: Board Audit Committee Report, Pages 204 to 205 for a summary of the Terms of Reference of the Board Audit Committee.
	(n) Meetings of the Audit Committee	<i>Compliant</i> The Board Audit Committee met six (06) times during the financial year under review.
	(o) Disclosure of activities of the Audit Committee and attendance of members at meetings thereof in the Annual Report	<i>Compliant</i> Refer: Board Audit Committee Report, Pages 204 to 205 for the activities of the Board Audit Committee during 2015/16 and attendance of members at meetings of the Committee.
	(p) Recording and maintenance of detailed minutes of the Audit Committee meetings	<i>Compliant</i> In accordance with the Terms of Reference, Head of Internal Audit functions as the Secretary to the Board Audit Committee. The Secretary to the Committee records and maintains minutes of all Committee meetings in sufficient detail.
	(q) Responsibility of the Audit Committee to review the process by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters	<i>Compliant</i> On the recommendation of the Board Audit Committee, the Board has adopted a whistle blower policy that enables the employees to, in confidence, report violations of laws, rules, regulations or unethical conduct to the Board Audit Committee. Information routed through the whistleblower channel is verified carefully and appropriate actions are taken by the Committee. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory action. The policy has been published in all three languages in the Company's intranet for information of all employees. The Committee intends to review the adequacy of the whistle blower policy in the ensuing year with the objective of aligning it with the current trends.

Rule Reference	Principle	Level of compliance
8(3)	Integrated Risk Management Committee	
	<p>(a) Composition of the Integrated Risk Management Committee and the duty of the committee to work with key management personnel closely and make decisions on behalf of the Board within the framework of authority</p>	<p><i>Compliant</i></p> <p>The Integrated Risk Management Committee comprises two (02) Non-Executive Directors, Chief Executive Officer and three (03) Deputy General Managers supervising broad risk categories such as credit, market, liquidity, operational and strategic risk.</p> <p>Head of Internal Audit, key risk owners of subsidiaries, the compliance officer and secretary to the Assets & Liability Committee of the Company attended Integrated Risk Management Committee meetings on invitation.</p>
	<p>(b) Responsibility of the Integrated Risk Management Committee to assess all risks to the Company both on individual basis as well as group basis, monthly through appropriate risk indicators and management information</p>	<p><i>Compliant</i></p> <p>The Integrated Risk Management Committee assesses all risks, i.e., credit, market, liquidity, operational and strategic risks through appropriate risk indicators. In the case of subsidiary companies, risk management is carried out, both on a finance company basis and group basis using the indicators to maintain consistency within the group.</p> <p>Integrated Risk Management Committee Reviews the risk dash board reports of the Company and its subsidiaries that have commenced commercial operations and takes prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the established risk tolerance levels.</p> <p>During the year 2015/16, stress testing procedures were implemented and stress testing activities and the results thereof were incorporated into the overall risk management and decision making process.</p>
	<p>(c) Responsibility of the Integrated Risk Management Committee to review the adequacy and effectiveness of all management level committees</p>	<p><i>Compliant</i></p> <p>Assets and Liability Committee (ALCO) of the Company reviews and monitors the liquidity risk and the market risk based on the risk tolerance levels (risk limits) established by Integrated Risk Management Committee. The Committee review the annual assessment on the effectiveness of the performance of the ALCO against its scope set out in the Terms of Reference.</p> <p>The Company has established credit authority levels with prescribed credit approval limits to evaluate the customer applications based on the risk and the amount of the facility. The Company adopts this credit authority levels for credit approvals instead of a Credit Committee.</p> <p>During the year 2015/16, the Risk Tolerance Statement was adopted by the Board on the recommendation of the Integrated Risk Management Committee.</p> <p>Refer: Integrated Risk Management Committee Report, Pages 209 to 211 for the scope of the Integrated Risk Management Committee and its activities during 2015/16.</p>

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Rule Reference	Principle	Level of compliance
	(d) Responsibility of the Integrated Risk Management Committee to take prompt corrective action to mitigate the effects of specific risks which are at levels beyond the prudent levels decided by the committee	<i>Compliant</i> The Integrated Risk Management Committee has determined risk tolerance levels which are being timely updated considering the factors such as strategic objectives of the Company, changes in regulatory requirements, competitiveness in the business environment and future economic conditions. Each risk category in the risk profile of the Company has been reviewed against the risk tolerance levels by the Committee at their meetings.
	(e) Responsibility of the Integrated Risk Management Committee to meet at least quarterly to assess all aspects of risk management	<i>Compliant</i> The Integrated Risk Management Committee met five (05) times during the financial year 2015/2016.
	(f) Responsibility of the Integrated Risk Management Committee to take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka	<i>Compliant</i> Risks are identified collectively by the Integrated Risk Management Committee and Assets and Liabilities Committee (ALCO) and such decisions are taken collectively.
	(g) Responsibility of the Integrated Risk Management Committee to submit a risk assessment report within a week of each meeting to the Board	<i>Compliant</i> Risk assessment reports are submitted by the Integrated Risk Management Committee at the Board meeting immediately following the Integrated Risk Management Committee meeting.
	(h) Responsibility of the Integrated Risk Management Committee to establish a compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations	<i>Compliant</i> Committee has established a compliance function to assess the Company's compliance with laws, regulations and regulatory guidelines. In the year 2015/16, the compliance scope was expanded to periodically assess the Company's compliance with internal controls and approved policies on all areas of business operations. The compliance function is headed by an Attorney-at-Law in the senior managerial cadre who directly reported to the Integrated Risk Management Committee on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and internal controls.
	Requirement for the compliance function to be a key management personnel	<i>Non-Compliant</i> However, the compliance officer is not currently designated as a Key Management Personnel. Refer: Compliance Management, Pages 212 to 213 for the framework and activities of the compliance function.

Rule Reference	Principle	Level of compliance
H. RELATED PARTY TRANSACTIONS		
The Code of Business Conduct and Ethics of the Company requires the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment.		
9 (2)	Responsibility of the Board to take necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with related parties	<p><i>Compliant</i></p> <p>The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified. In accordance with the RPT Policy self-declarations are obtained from each Director and Key Management Personnel for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company has developed a system that enables the Company to retrieve data on related party transactions throughout the Company's network.</p> <p>The Code of Business Conduct and Ethics of the Company ("the Code") requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it.</p> <p>The Board Related Party Transactions Review Committee established in 2014 further strengthen the effective management and oversight of related party transactions.</p> <p>Refer: Related Party Transactions Review Committee Report, Page 208 for the details of the Related Party Transactions Review Committee.</p>
9(3)	Nature of transactions with related parties to which the Corporate Governance Directions apply	<p><i>Compliant</i></p> <p>The Related Party Transaction Policy as updated during 2013/14 covers all transactions with related parties irrespective of their nature and value.</p>
9(4)	Responsibility of the Board to ensure that the Company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" proprietary, confidential	<p><i>Compliant</i></p> <p>The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favorable treatment" as defined in this rule.</p> <p>During the year 2015/16, the Company implemented an on-line preventive system to ensure that no favourable treatment is accorded to related parties. This system will also enable the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network.</p>

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Rule Reference	Principle	Level of compliance
I. DISCLOSURES		
The Company respects the equal information rights of all stakeholders and is committed to the practice of fair, transparent and timely disclosure.		
10(1)	Responsibility of the Board on disclosure of financial statements	
	(a) Preparation and publication of annual audited financial statements and periodical financial statements in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards	<i>Compliant</i> The Board ensured that the annual audited financial statements and periodical financial statements of the Company for the year 2015/16 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.
	(b) Publication of abovementioned statements in the newspapers in an abridged form, in Sinhala, Tamil and English	<i>Compliant</i> The Board ensured that the financial statements referred to in rule 10(1) (a) above were published in an abridged form in Sinhala, Tamil and English languages.
10(2)	Responsibility of the Board to ensure appropriate disclosures in the Annual Report	
	(a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	<i>Compliant</i> Refer: Statement on Directors' Responsibility for Financial Reporting, Page 238 and Independent Auditors' Report, Page 241 wherein the confirmation on preparation of the annual audited financial statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is given.
	(b) A report by the Board on the Company's internal control mechanism confirming that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	<i>Compliant</i> Refer: Directors' Statement on Internal Control over Financial Reporting, Page 239 for the report of the Board on the effectiveness of the Company's internal control mechanism over financial reporting.
	(c) External auditor's certification on the effectiveness of the internal control mechanism	<i>Compliant</i> The Board has obtained the certification from the External Auditor on the Internal Control over Financial Reporting. Refer: Directors' Statement on Internal Control over Financial Reporting, Page 239
	(d) Details of directors, including names, transactions with the Company	<i>Compliant</i> Refer: Board of Directors, Pages 138 to 141 for the details of the Directors and Financial Statements, Pages 303 to 304 for the details of Directors' transactions with the Company.

Rule Reference	Principle	Level of compliance
	(e) Fees/remuneration paid by the Company to the directors in aggregate	<i>Compliant</i> Refer: Financial Statements, Page 303 for the details of remuneration paid to the Board of Directors.
	(f) Total net accommodation outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds	<i>Compliant</i> Refer: Financial Statements, Pages 303 to 306 for the details of total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds.
	(g) Aggregate values of remuneration paid by the Company to its key management personnel and the aggregate values of the transactions of the Company with its key management personnel during the financial year	<i>Compliant</i> Refer: Financial Statements, Pages 303 to 306 for the details of the aggregate values of remuneration paid by the Company to its key management personnel and the aggregate values of the transactions of the Company with its key management personnel during the financial year 2015/16.
	(h) A report containing details of compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance	<i>Compliant</i> Refer: The Annual Report of the Board of Directors on the Affairs of the Company, Pages 199 to 202 and The Corporate Governance Report, Page 148 for the details on Company's compliance with prudential requirements, regulations, laws and internal controls during the year 2015/16. Other than to the extent disclosed in this report and the Report of the Directors on the Affairs of the Company referred to above there was no material non-compliance to prudential requirements, regulations, laws and internal controls during 2015/16 affecting the Company.
	(i) a statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance (if any) with the Finance Business Act, and rules and directions that need to be disclosed to the public as directed by the Monetary Board	<i>Compliant</i> There were no supervisory concerns on lapses in the Company's risk management system or non-compliance with the Finance Business Act and rules and directions thereunder that have been required by the Monetary Board to be disclosed to the public.
	(j) External auditor's certification of the compliance with the Corporate Governance Directions	<i>Compliant</i> The external auditors have performed procedures set out in Sri Lanka Standards on Related Service 4750 issued by the Institute of Chartered Accountants of Sri Lanka (SLSRS 4750), to meet the compliance requirement of the Corporate Governance Directions. Their findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any material inconsistencies to those reported above by the Board. The recommendations made by the Auditors where relevant will be implemented in 2016/17 as done previously.
11	The Company has complied with the transitional provisions contained in this rule.	

CORPORATE GOVERNANCE

GOVERNANCE REPORT

OUR COMPLIANCE WITH THE REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 AND REQUIREMENTS ON CORPORATE GOVERNANCE IN RULE 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (LISTING RULES)

COMPLIANCE WITH REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 OF THE LISTING RULES

Rule Reference	Information required to be disclosed	Status of Compliance	Page Reference
7.6(i)	Names of persons who were directors of the Company during the financial year	√	138 to 141
7.6(ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	√	48 to 132, 249
7.6(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held as at the end of the year	√	80
7.6(iv)	The public holding percentage	√	79
7.6(v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	√	81
7.6(vi)	Information pertaining to material foreseeable risk factors	√	210
7.6(vii)	Details of material issues pertaining to employees and industrial relations	During the year 2015/16, there were no material issues pertaining to employees and industrial relations of the Company.	
7.6(viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties as at the end of the year	√	282 to 285
7.6(ix)	Number of shares representing the stated capital as at the end of the year	√	298
7.6(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings as at the end of the year	√	79
7.6(xi)	Ratios and market price information on:	√	76
	➤ Equity: Dividend per share, Dividend payout ratio, Net asset value per share, Market value per share		
	➤ Debt : Interest rate of comparable government security, Debt/equity ratio, Interest cover, Quick asset ratio, market prices & yield during the year	√	76, 78
	➤ Changes in credit rating	√	336
7.6(xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value as at the end of the year	√	282 to 285
7.6(xiii)	Details of funds raised through a public issue, Rights Issue and a private placement during the year	√	289 to 290
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	The Company does not have any Employee Share Ownership or Stock Option Schemes at present	
7.6(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	√	147 to 211
7.6(xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	The Company did not have any related party transaction exceeding this threshold during the year 2015/16.	

COMPLIANCE WITH REQUIREMENTS ON CORPORATE GOVERNANCE REQUIREMENTS IN RULE 7.10 OF THE LISTING RULES

Rule Reference	Requirement	Compliance Status	Details
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	✓	The Board of Directors of the Company comprised only Non-Executive Directors.
7.10.2 (a)	Two or one third of Non- Executive Directors, whichever is higher, should be independent	✓	Of the eight Non-Executive Directors of the Company as at 31st March 2016, five were Non-Executive Independent Directors.
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	✓	All Non-Executive Directors submitted the requisite declarations during the year under review.
7.10.3 (a)	Names of independent Directors should be disclosed in the annual report	✓	Refer: Corporate Governance, Pages 138 to 141
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report	N/A	No such determination was required to be made by the Board, as the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the annual report including the areas of expertise	✓	Refer: Board of Directors, Pages 138 to 141
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	✓	All new appointments to the Board during the year were announced to the Exchange together with the profiles of the individual Directors.
7.10.5	A listed company shall have a Remuneration Committee	✓	Refer: Remuneration and Nomination Committee Report, Pages 206 to 207
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non- Executive Directors or a majority of Independent Non- Executive Directors, whichever is higher	✓	During the year 2015/16, Remuneration and Nomination Committee comprised three Non-Executive Directors of whom two were Independent. The Chairman of the Committee was a Non-Executive, Non-Independent Director.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	✓	Refer: Remuneration and Nomination Committee Report, Pages 206 to 207
7.10.5 (c)	The annual report shall set out:		
	(i) The names of the Directors that comprise the Remuneration Committee	✓	Refer: Remuneration and Nomination Committee Report, Pages 206 to 207
	(ii) A statement of remuneration policy	✓	Refer: Remuneration and Nomination Committee Report, Pages 206 to 207
	(iii) Aggregate remuneration paid to Executive and Non- Executive Directors	✓	Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 199 to 203
7.10.6	A listed company shall have an Audit Committee	✓	Refer: Board Audit Committee Report, Pages 204 to 205

CORPORATE GOVERNANCE

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Rule Reference	Requirement	Compliance Status	Details
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	✓	The Audit Committee comprised three Non-Executive Directors of whom two were Independent. The Chairman of the Committee was a Non-Executive, Non-Independent Director.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	✓	Both the Chief Executive Officer and the Chief Financial Officer attended the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	✓	The Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow Member of the Institute of Chartered Management Accountants,UK.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	✓	Refer: Board Audit Committee Report, Pages 204 to 205
7.10.6 (c)	The annual report shall set out; The names of the Directors who comprise the Audit Committee	✓	Refer: Board Audit Committee Reports, Pages 204 to 205
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination	✓	Refer: Board Audit Committee Report, Pages 204 to 205
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules	✓	Refer: Board Audit Committee Report, Pages 204 to 205

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

G4-13

Annual Report of the Board of Directors on the affairs of the Company is presented as required by section 168 of the Companies Act No. 7 of 2007.

GENERAL

The Board of Directors of People's Leasing & Finance PLC has pleasure in presenting the Integrated Annual Report to the shareholders, together with the Audited Financial Statements and the Audited Consolidated Financial Statements for the year ended 31st March 2016 of the Company and the Group and the Auditors' Report on these Financial Statements conforming to all statutory requirements.

This report provides the information as required by the Companies Act No.07 of 2007, Finance Business Act No.42 of 2011 and Directions issued thereunder, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and Listing Rules of the Colombo Stock Exchange. This report was approved by the Board of Directors on 18th May 2016.

As per the Section 168 of the Companies Act No.07 of 2007, the following information is disclosed in this the Annual Report.

Reference	Information required to be disclosed
Section 168 (1) (a)	The nature of the business of the Company and its subsidiaries together with any change thereof during the accounting period
Section 168 (1) (b)	Completed and signed Financial Statements of the Company and the Group for the accounting period completed
Section 168 (1) (c)	Auditors' Report on Financial Statements of the Company and the Group
Section 168 (1) (d)	Any changes made to the Accounting policies during the year under review
Section 168 (1) (e)	Particulars of the entries in the Interests Registers of the Company and its subsidiaries during the accounting period
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company and its subsidiaries during the period
Section 168 (1) (g)	Total amount of donations made by the Company during the period
Section 168 (1) (h)	Information on Directorate of the Company and its subsidiaries during and at the end of the accounting period
Section 168 (1) (i)	Separate disclosure on amounts payable by the Company and its subsidiaries to the Auditor as Audit Fees and fees for other services rendered during the accounting period
Section 168 (1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries
Section 168 (1) (k)	Acknowledgement of the contents of this report/signatures on behalf of the Board by two Directors and the Secretary of the Company

REVIEW OF BUSINESS

Vision, Mission and Corporate Conduct

The Company's vision and mission are provided on Page 18 of this Annual Report. In achieving the vision and mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity as set out in the Code of Business Conduct and Ethics.

Principal Business Activities

The Company's principal business activities comprise finance leases, term loans, Islamic finance, margin trading, factoring and issuance of debt instruments and mobilization of public deposits. The Company has five subsidiaries and one associate as at 31st March 2016 and nature of business activities of these subsidiaries and associate is described in Subsidiary Review (Pages 128 to 132) and in Accounting Policies (Page 249). The Company or its subsidiaries/associate has not engaged in any activities, which contravene any laws or regulations during the year under review.

Changes to the Group Structure

Changes to Subsidiaries

People's Insurance PLC a subsidiary of the Company, listed on the CSE during the financial year 2015/16. People's Merchant Finance PLC (PMF) became the associate of the Company, consequent to the joint mandatory offer made by People's Bank and the Company to acquire all the remaining shares at People's Merchant Finance PLC. Following the share purchase, the Company's shareholding in PMF aggregated to 37.06% as at 28th August 2016 (Page 306). A comprehensive Group structure is available in the Our Value Proposition section (Page 22).

Changes to Branch Network

Following three branches opened during the year, total branch network of the Company as at 31st March 2016 reached 92.

Review of Operations

An overall assessment of the Company's financial position and performance during the year 2015/16, with comments on financial results and special events that took place is contained in the Chairman's Message (Pages 14 to 16), the Interview with CEO (Pages 40 to 45), the Management Discussion and Analysis (Pages 39 to 136) of this Annual Report. These reports form an integral part of the report of the Directors and together with Audited Financial Statements reflect the state of affairs of the Company and the Group. Segment wise contribution to Group revenue,

CORPORATE GOVERNANCE

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

results, assets and liabilities is disclosed in Notes to the Financial Statements on (Pages 249 to 331) of this Annual Report.

Future Outlook

The Company's outlook based on the challenges, opportunities and developments in the global market as well as Sri Lankan market set out in Future Outlook on Pages 133 to 136 of this Annual Report.

Financial Statements

The Financial Statements of the Company and the Group duly certified by the Chief Financial Officer and the Chief Executive Officer with the approval of the Chairman and the Deputy Chairman, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs) laid down by the Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 7 of 2007 are appearing on Pages 243 to 245 of the Annual Report.

Auditor's Report

The Company's Auditors performed the audit on the Consolidated Financial Statements for the year ended 31st March 2016 and the Auditor's Report issued thereon is given on Page 241 of this Annual Report.

Accounting Policies and Changes during the Year

An alternative format has been used in presenting Accounting Policies to minimise the disclosure overload and clutter in the Financial Statements. These Financial Statements comply with the requirements of Lanka Accounting Standards 01 on "Presentation of Financial Statements" (LKAS 01) and comply with Section 168 (1) (d) of the Companies Act No. 7 of 2007.

The Board of Directors wishes to confirm that there were no changes to the Accounting Policies used by the Group and the Company during the year under review. Significant Accounting policies together with the notes adopted in preparation of the Financial Statements of the Group and the Company is given on the Pages 249 to 331.

FINANCIAL RESULTS AND APPROPRIATIONS

Interest Income

The total interest income of the Company and the Group interest income was Rs. 17,876.08 million (Rs. 19,247.62 million in 2014/15) and Rs. 18,301.17 million (Rs. 19,595.09 million in 2014/15) respectively for the year ended 31st March 2016. A more descriptive analysis of the interest income is given in Note 5 to the Financial Statements on Page 256.

Profit and Appropriations

The Company and the Group recorded a net profit of Rs. 4,347.35 million and Rs. 4,741.55 million respectively for the financial year 2015/16 (Rs. 3,752.96 million and Rs. 4,101.54 million in 2014/15). This represents net profit growth of the Group and the Company by 15.60 percent and 15.84 percent respectively compared to the previous year.

Details of the Company's performance and appropriation of profit are tabulated as follows.

Company	2015/16 Rs.'Mn	2014/15 Rs.'Mn
Profit before taxation	6,143.08	5,375.11
Taxation	(1,795.73)	(1,622.15)
Profit after taxation	4,347.35	3,752.96
Profit brought forward from previous year	6,489.59	4,001.93
Transfers from reserves	-	1,175.82
Profit available for appropriation	10,836.94	8,930.71
Super Gain Tax	(741.07)	-
	10,095.87	8,930.71
Appropriations		
Redemption of preference shares	(200)	(200.00)
Dividend paid for previous/current year	(1,974.83)	(1,974.83)
Other comprehensive income	(21.45)	0.27
Transfer to reserves	(217.37)	(266.56)
Total appropriation	(2,413.65)	(2,441.12)
Un-appropriated profit carried forward	7,682.23	6,489.59

Provision of Taxation

The income tax rate applicable on the profits earned during the year is 28 percent and the rate of VAT on financial services is 11 percent. Accordingly, the current year income tax expense of the Company is Rs. 1,795.73 million and a comprehensive note on income tax charged and deferred tax liability of the Company and the Group are disclosed in Notes 14 and 38 respectively.

Dividends

Dividends on Ordinary Shares

An interim dividend of Rs. 0.75 per share was paid on 07th January 2016 to the ordinary shareholders and the Directors recommended a final dividend of Rs. 0.50 per share for the year ended 31st March 2016.

The Board of Directors ensured that the Company would meet the requirement of the solvency test in terms of the Section 56 (3) of the Companies Act No. 7 of 2007 immediately after the payment of the said interim dividend and would ensure the

compliance with the Solvency Test after the payment of the said final dividend as well. Accordingly, the Board of Directors provided the Statement of Solvency to the Auditors and obtained a certificate of solvency from the auditors in respect of each dividend payment conforming to the above statutory provision.

Dividends on Preference Shares

During the year the Company redeemed Rs. 200 million preference shares issued to People's Bank. Thus, the outstanding balance of the Preference shares as at 31st March 2016 amounted to Rs. 103.41 million. Dividend paid with respect to these preference shares amounted to Rs. 38.39 million during the financial year.

Property, Plant and Equipment and Intangible Assets,

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) of the Company and the Group in the year ended 31st March 2016 amounted to Rs. 280.64 million and Rs. 697.95 million respectively (Rs. 457.66 million and Rs. 1,040.61 million in 2014/15).

Expenditure incurred to acquire intangible assets of the Company and the Group in the year ended 31st March 2016 amounted to Rs. 5.44 million and Rs. 5.35 million respectively (Rs. 5.53 million and Rs. 5.53 million in 2015).

The Directors confirm that there were no other significant changes in the Company's or its subsidiaries' fixed assets and market value of land which substantially differs from book value.

The details of property, plant and equipment and intangible assets are presented in note 28 and 29. (Pages 282 to 285) to the Financial Statements.

Freehold Land and Building of the Company

Extents, locations, valuations and the number of buildings of the Entity's land holding are detailed on note 28.4 in Page 285 of this Annual Report and the net book values of freehold land and buildings owned by the Company and the Group as at 31st March 2016 are

included in the Financial Statement at Rs. 681.84 and Rs. 2,733.51 respectively.

Investments

Details of investments held by the Company are disclosed in note 19, 20, 23, 24, 25 and 26 on Pages 266 to 280 to the Financial Statements.

EQUITY

Stated Capital

The Stated Capital of the Company and the Group as at 31st March 2016 amounted to Rs. 13,136.07 million compared to Rs. 12,936.07 million as at 31st March 2015.

Reserves

The total Reserves of the Company and the Group as at 31st March 2016 stood at Rs. 9,635.80 million and Rs. 10,531.16 million respectively. During the financial year Rs. 217.37 million was transferred from retained earnings to the reserves. Information on the movement of reserves is given in the 'Statement of Changes in Equity' on Pages 246 to 247 and in notes 41 to 43 respectively to the Financial Statements on Pages 298 to 300.

Debt Capital

During the financial year 2015/16 the Company issued 60 million senior, unsecured, redeemable, rated Debentures with par value of Rs. 100/- each. These were listed on the Main Board of the CSE. The details of Debt Capital are given in note 33 and a more comprehensive analysis of the Company's debentures is set on 33.1.1 to the Financial Statements.

Capital Adequacy

Core Capital Ratio and Total Risk Weighted Capital Ratio of the Company stood at 19.56 percent and 18.14 percent respectively as at 31st March 2016.

SHARE INFORMATION

Significant shareholder information along with substantial shareholder details and other share related information are presented in detail under the title Relationship Capital - Investor on Pages 72 to 81 of this Annual Report.

BOARD OF DIRECTORS

Profiles

Names of the Board of Directors together with their profiles including skills and experiences are set out in Pages 138 to 141 of this report.

Appraisal of Board Performance

Method used to appraise the performance of Board of Directors is presented in the 'Corporate Governance' section on Page 166.

Other Directorship/Significant Positions of Directors

Information of the other Directorships/significant positions of the present Directors of the Company are given on Pages 138 to 141.

Resignations and Appointments

Mr. Rathnayake Mudiyanseelage Jayasena and Dr. Ali Asgar Shabbir Gulamhusein were appointed to the Board of the Company as Independent Non-Executive Directors on 7th May 2015 and 23rd July 2015 respectively.

Directors' Remuneration

Directors' fees and emoluments paid by the Company and Group as at the year ended 31st March 2016 was Rs. 3,015,000 and Rs. 4,093,000 respectively. Comparative figures are given in note 49 on Page 303.

Interests Register/ Directors' Interest in Transactions

In compliance with the Companies Act No. 7 of 2007, the Company maintains an interest's register which is available for inspection. The Directors of the Company have made general declarations of their interests in transactions of the Company as per the section 192 (2) of the Act. Details of the transactions disclosed therein are given on Pages 303 to 306 under related party transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there is no financial, business, family or other material/relevant relationship (s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

CORPORATE GOVERNANCE

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Directors' Interest in Shares

The Directors have disclosed to the Board of their shareholding in the Company and any acquisitions or disposals thereof in compliance with section 200 of the Companies Act. The Directors' individual shareholdings along with Chief Executive Officer's individual shareholding in the Company are given on the Relationship Capital - Investor in Page 81 of this Annual Report.

Director's Meetings

The details of Directors' meetings are presented in the Corporate Governance report on Page 152 of this Annual Report.

Board Sub Committees

Details of all the Board Sub Committees are presented in the 'Corporate Governance' section on Page 152.

Directors' Responsibility for Financial Reporting

The "Statement of Director's Responsibility for Financial Reporting" is provided on Page 238 forms an integral part of this report.

DONATIONS

During the financial year 2015/16, the Company made donations amounting to Rs. 79.60 million (Rs. 72.86 Mn in 2014/15) in terms of the Resolution passed at the last Annual General Meeting. The Company's Corporate Social Responsibility Department handle CSR initiatives and activities, except CSR initiatives carried out through the Islamic Charity Fund. The CSR initiatives of the Company are presented in 'Social Capital' and 'Natural Capital' given on Pages 95 to 104 and Pages 105 to 115 respectively.

RELATED PARTY TRANSACTIONS

There are no related party transactions which exceed 10 percent of the Equity or 5 percent of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. However, the Directors have disclosed the transactions that could be classified as related party transactions which

are adopted in the presentation of the Financial Statements and accordingly given in note 49 on Pages 303 to 306.

CORPORATE GOVERNANCE

The Board of Directors is committed to develop the corporate governance principles of the Company and furthermore has adopted a Corporate Governance Charter including therein the procedures and processes governing the different participants in the organisation – such as the Board, Managers, Shareholders and other Stakeholders to ensure that the highest principles of Corporate Governance is maintained across the Board.

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is compliant with the recommendations and proposals of the Code of Best Practices on Corporate Governance issued jointly by the Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Direction No. 3 of 2008, No. 4 of 2008 and No. 6 of 2013.

The Directors declare that

- The Company has not engaged in any activity which contravenes laws and regulations.
- The Company has made all endeavors to ensure the equitable treatment of shareholders.
- The business is a going concern.
- Effectiveness and successful adherence of internal controls and risk management is practices by the Company.
- The measures taken in this regard are set out in the Corporate Governance Report on Pages 147 to 198 of the annual report.
- To the best of their knowledge there has not been any violation of the Code of Business Conduct and Ethics of the Company.

Board Audit Committee, Integrated Risk Management Committee, Remuneration & Nomination committee, Related Party Transaction Review committee and

Board Strategic Evaluation Committee function as board sub committees with Directors who possess the requisite qualification and experience. The Composition of the said committees is set out in Pages 151 to 152 of the annual report.

STAKEHOLDER MANAGEMENT AND INTEGRATED REPORTING

The Company has taken several measures to manage its valued stakeholders including customers, employees, investors, suppliers, community in portraying its value creation process. Aspects of economy, environment, and social impacts have also been addressed adequately in the reporting process. These capital management and impact management reports are presented under Management Discussion and Analysis on Pages 40 to 136 of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of knowledge and belief of the Directors, the Company/Group has not engaged in any activity contravening any laws and regulations.

STATUTORY PAYMENTS

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

OUTSTANDING LITIGATION

In the opinion of the Directors formed in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on note 45 to the Financial Statements on Page 300.

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are reflected in note 53 Page 314 to the Financial Statements.

GOING CONCERN

After reviewing the Company's business plans, the Board of Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

AUDITORS**Company's Auditors**

The Company's auditors during the year under review were M/s. Ernst & Young, Chartered Accountants. Based on the declaration made by M/s. Ernst & Young, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this paragraph.

Auditors' Remuneration

M/s. Ernst & Young, Chartered Accountants were paid following sums for audit and related services as well as for non-audit services including tax related services by the Company:

Audit Fees	Group		Company	
	2015/16 Rs. Mn	2014/15 Rs. Mn	2015/16 Rs. Mn	2014/15 Rs. Mn
Audit and related services	7.72	7.33	4.66	4.56
Non-Audit Fees	7.00	3.36	4.86	2.35

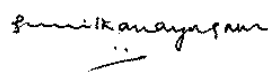
Re-Appointment

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the People's Bank Staff Training College Auditorium 38, D. R. Wijewardhana Mawatha, Colombo 10 on the 29th of June 2016 at 2.00 pm. Notice of the meeting relating to the 20th Annual General Meeting is provided on Page 356 of this Annual Report.

By order of the Board of Directors



M. P. Amirthanayagam
Deputy Chairman



Hemasiri Fernando
Chairman



Rohan Pathirage
Company Secretary

18th May 2016
Colombo

CORPORATE GOVERNANCE

BOARD AUDIT COMMITTEE REPORT

THE COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee ("the Committee"), appointed by the Board of Directors of People's Leasing & Finance Plc comprises of three Non-Executive Directors with two of them are Independent.

As of the financial year ended 31st March 2016, the Board Audit Committee comprised the following Directors:

Mr. J. P. Amaratunge - Chairman
Mr. M. P. Amirthanayagam
Mr. M. A. M. Rizwan

The Chairman of the Committee, Mr. J. P. Amaratunge is a Non-Executive Director, who is a Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow of Chartered Management Accountants. He has over 30 years of extensive experience in finance and management. He was also a Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka.

Other members of the committee, namely Mr. Michael Pradeep Amirthanayagam and Mr. Mohamed Anise Mohamed Rizwan are Independent Non-Executive Directors.

The Profiles of the members are given on Pages 138 to 141.

Mr. Udesh Gunawardena, Head of the Internal Audit is acting as the Secretary to Board Audit Committee.

CHARTER OF THE COMMITTEE

The Committee Charter was reviewed on 31.08.2015 and revised with the concurrence of the Board during the year under review.

The Terms of Reference of the Committee are clearly defined in the Charter of the Audit Committee. This process ensures that new development and concerns are adequately addressed. The Committee is responsible to the Board of Directors and reports on its activities regularly. The functions of the Committee are geared to assist the

Board of Directors in its general oversight on financial reporting, internal & external audit, compliance with legal and regulatory requirements and risk management.

THE OBJECTIVE AND ROLE

The Committee is expected to ensure;

- The integrity of the financial reporting of the Company and the compliance with financial reporting requirements, information requirements of the Company's Act and other related financial reporting regulations.
- The effectiveness of the internal control system and the Company's Risk Management function.
- The company's ability to continue as a going concern in the foreseeable future.
- Independence and performance of the company's external auditors.
- Performance of the company's internal audit function.
- The Company's compliance with legal and regulatory requirements including the performance of the Company's compliance function.

AUTHORITY

The committee has the explicit authority to investigate into any matter, including call any employee to be questioned at a meeting of the committee, full access to information; and authority to obtain external professional advice, at the company's expense.

BAC MEETING

The Committee held six meetings during the financial year under review. The attendance of the Committee Members at the meetings was as follows;

Name of the Member	Number of Committee Meetings Held	Number of Committee Meetings Attended
Mr. J. P. Amaratunga	6	6
Mr. M. P. Amirthanayagam	6	6
Mr. M. A. M. Rizwan	6	6

On the invitation of the Committee, any officer of the company, external auditors and any outsider may attend all or part of any meeting. The proceedings of the Audit Committee meetings are recorded with adequate details and reported to the Board of Directors.

SUMMARY OF ACTIVITIES

Financial Reporting

The committee reviews the financial statements of the company before submission to the Board, in order to monitor the integrity of the financial statements of the company prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the financial statements prior to their release, the committee focuses particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; (v) the compliance with relevant accounting standards and other legal requirements

The committee assesses the Company's compliance with financial reporting requirements, information requirements of the Companies Act, Finance Business Act and other relevant financial reporting related regulations and requirements.

Internal Controls, Risk Management function and Going Concern

The committee keeps under review the company's internal controls and risk management systems ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards. The Committee also assesses the Company's ability to continue as a going concern in the foreseeable future. The Committee reviewed and approved the director's statements on internal controls system over financial reporting to be included in the annual report.

External Audit

The Committee monitors independence and objectivity of the audit processes of external audit in accordance with applicable standards of best practice. The Committee with the approval of the Board of Directors developed and implemented a policy for engagement of external auditors to provide non-audit services to safeguard the auditors' independence and objectivity.

The Audit Committee met the external auditors MS. Ernest & Young during the year and discussed the audit proposal and the scope and also provided the opportunity to the external auditors to discuss the issues, problems and reservations arising from audits including those matters that may need to be discussed in the absence of KMP.

The Committee also reviews the external auditors Management Letter and management responses thereto.

Internal Audit

The Committee reviews the adequacy of the scope, functions and resources of the internal audit department, and satisfied itself that the department has the necessary authority to carry out its work. The Committee also monitors & reviews the effectiveness of the company's internal audit function in the context of the company's overall risk management system. The Committee ensured that the

internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;

The Committee also reviews and monitors management's responsiveness to the significant audit findings and recommendations of the internal auditor.

Oversight on Regulatory Compliance

The Committee with the assistance of internal audit closely scrutinizes the compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

Ethics and Good Governance

The Committee promotes the good governance among the internal audit staff by reviewing the internal audit policy charter and among all staff by introducing the whistleblower policy.

Highest standards of Corporate Governance and adherence to the company's Code of Ethics are ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means.

Whistle Blowing and Fraud

The company's whistle blower policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee.

The policy has been published in all three languages in the company intranet. The policy guarantees the maintenance of strict confidentiality of the whistleblowers.

Re-Appointment of the External Auditors

The Audit Committee recommended to the Board that M/s Ernst & Young; Chartered Accountants be re-appointed as External Auditors of People's Leasing & Finance PLC for the financial year ending 31st March 2017, subject to the required approvals including from the shareholders at the next AGM.



J. P. Amaratunga

Chairman – Board Audit Committee



Udesh Gunawardena

Secretary – Board Audit Committee

18th May 2016

Colombo

CORPORATE GOVERNANCE

REMUNERATION AND NOMINATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Remuneration and Nomination Committee is appointed by the Board of Directors of the Company. As at 31st March 2016 it comprised of three Non-Executive Directors.

Name of the member	Directorship status	Membership status
Mr. J. P. Amaratunga	Non-Executive, Non-Independent Director	Chairman
Mr. M. P. Amirthanayagam	Non-Executive, Independent Director	Member
Mr. J. A. Fernando	Non-Executive, Independent Director	Member

Mr. D. P. Kumarage, Chief Executive Officer attended meetings of the Committee by invitation, other than in instances where matters relating to him have been discussed. The Company Secretary functions as the Secretary of the Committee.

Brief profiles of the members of the Remuneration and Nomination Committee are given on Pages 138 to 141.

TERMS OF REFERENCE

The Committee operates within Board approved terms of reference and assists the Board of Directors in ensuring that remuneration arrangements in the Company align reward with performance and supports and advises the Board on selection of Board members.

The Committee is empowered by its terms of reference to review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes that needs to be introduced.

Terms of Reference of the Committee precludes its members from participating in decisions relating to his/her own appointment.

AUTHORITY OF THE COMMITTEE

The Committee has the authority to discuss issues under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter.

The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

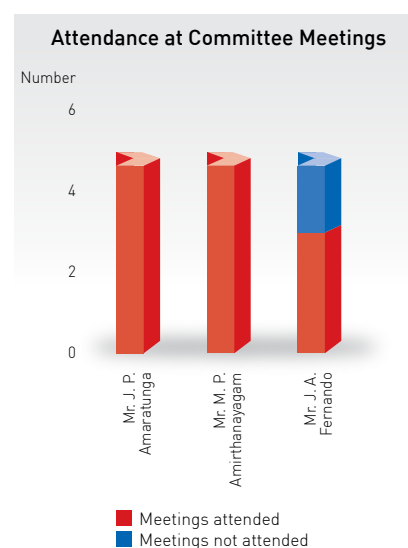
Key activities in 2015/16

- Commissioning an industry remuneration survey through an independent professional party
- Reviewing and re-aligning the employee remuneration package based on the industry survey
- Reviewing the director's remuneration
- Evaluating and approving the candidates in the Senior Management cadre for promotions

MEETINGS OF THE COMMITTEE

The Committee met five times during the year under review. The quorum for a meeting is two (2) members. The members of the Senior Management were invited to participate in the meetings of the Committee as and when required. The proceedings of the Committee were duly reported to the Board.

ATTENDANCE AT COMMITTEE MEETINGS



EVALUATION OF THE COMMITTEE PERFORMANCE

Refer: Corporate Governance Report, Pages 147 to 199

As part of the annual self-assessment of the Directors, the performance and effectiveness of the Committee was also assessed by the Board as a whole.

REMUNERATION POLICY

64-51, 52

Refer: Human Capital, Pages 82 to 94

Our reward strategies and remuneration structure is designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Accordingly, a key feature of our remuneration policy is pay for performance. The skills, experience of the individual and his/ her

level of responsibility are also taken into account in deciding on the remuneration.

REMUNERATION POLICY PRINCIPLES

The following objectives are the guiding principles that underpin our remuneration strategy,

- To enable the attraction and retention of high-calibre people, with the right mix of experience, skills and knowledge to deliver on the strategy
- To support and reinforce our desired culture and encourage behaviour consistent with our values
- To create an appropriate balance and alignment between the needs and expectations of our stakeholders to ensure the creation of long-term value for them
- To incentivise employees to deliver and sustain high levels of performance and the execution of our strategic priorities
- To align with the principles of good corporate governance

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

FEES

Refer: Report of the Board of Directors on the Affairs of the Company, Pages 199 to 203

The Board as a whole decides the remuneration of the Non-Executive Directors based on the recommendation of the Committee. The Non-Executive Directors receive a fixed fee for attending meetings of the Board and its committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable. There are no contractual arrangements for compensation for loss of office for any of the Directors.

REMUNERATION AND OTHER BENEFITS OF EMPLOYEES

Refer: Human Capital, Pages 82 to 94

REMUNERATION PACKAGE

The remuneration package of employees consist of a fixed component and a variable component and is influenced by factors such as performance of the business and the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants.

Employee performance appraisals are conducted twice a year and increments and promotions are granted solely based on results of such exercises.

OTHER BENEFITS

Other benefits provided to employees include, travelling allowances, vehicle loans and insurance benefits including the Staff Health Insurance Cover, Critical Illness Cover and the Personal Accident Cover.

RETIREMENT BENEFITS

Gratuity, Employees Provident Fund (EPF) and Employees Trust Fund (ETF) comprise the retirement benefits of employees.

EMPLOYEE SHARE SCHEME

The Company does not have a share option scheme for employees.



J. P. Amaratunga

Chairman

Remuneration & Nomination Committee

18th May 2016

Colombo

CORPORATE GOVERNANCE

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company. As at 31st March 2015 it comprised the following Directors,

Name of the member	Directorship status	Membership status
Mr. M. P. Amirthanayagam	Non-Executive, Independent Director	Chairman
Mr. J. A. Fernando	Non-Executive, Independent Director	Member
Mr. M. A. M. Rizwan	Non-Executive, Independent Director	Member

Mr. D. P. Kumarage, Chief Executive Officer attended meetings of the Committee by invitation. The Company Secretary functions as the Secretary of the Committee.

Brief profiles of the members of the Related Party Transactions Review Committee are given on Pages 138 to 141.

TERMS OF REFERENCE

The Board approved Terms of Reference (TOR) of the Committee sets out the purpose of the Committee, which is to review in advance all proposed related party transactions other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules of the Colombo Stock Exchange.

In terms of the TOR, the functions of the Committee includes,

- reviewing in advance all proposed related party transactions of the Company except those explicitly exempted by the TOR;
- adopting policies and procedures to review related party transactions of the Company and overseeing existing policies and procedures;
- determining whether related party transactions that are to be entered into by the Company require the approval of the Board or the Shareholders of the Company;
- establishing guidelines to be followed by the senior management in respect of ongoing related party transactions;
- ensuring that no director of the Company shall participate in any

discussion of a proposed related party transaction for which he or she is a related party, unless such director is requested to do so by the Committee for the express purpose of providing information thereon to the Committee;

- ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner.

POLICIES AND PROCEDURES

The Company has in place a Board approved Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified.

RPT Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favorable treatment".

During the year 2015/16, the Company implemented an on-line preventive system to ensure that no favourable treatment is accorded to related parties. This system will also enable the Company to monitor and report related party transactions and retrieve data thereof throughout the Company's network.

In accordance with the RPT Policy, self-declarations are obtained from each Director and Key Management Personnel of the Company for the purpose of identifying parties related to them.

The Code of Business Conduct and Ethics of the Company, which sets out internal policies applicable to conflicts of interests, also plays a key role in managing related party transactions. It requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. Directors who have such a potential or actual conflict of interests are required to immediately disclose such conflict to the Board of Directors as soon as he/she becomes aware of it.

MEETINGS OF THE COMMITTEE

The Committee met once during the year under review. The quorum for a meeting is two (2) members. The members of the Senior Management were invited to participate in the meeting of the Committee as required.

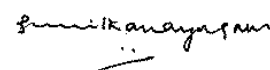
RELATED PARTY TRANSACTIONS DURING 2015/16

Refer: Financial Statements, Pages 303 to 306.

Details of all transactions with the related parties during the year 2015/16 were reviewed by the Committee. There were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

DECLARATION

Refer: Annual Report of the Board of Directors on the Affairs of the Company, Pages 199 to 203 for the declaration by the Board of Directors that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2015/16.



M. P. Amirthanayagam
Chairman
Related Party Transactions Review Committee

18th May 2016
Colombo

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of People's Leasing & Finance PLC which is primarily responsible for the integrated risk management initiatives has delegated its authority to the Integrated Risk Management Committee (IRMC) to review and assess the adequacy and effectiveness of the risk profile of the Company and PLC Group, in terms of Directions issued under the Finance Business Act No. 42 of 2011.

The Committee was set up to have an overview and input into People's Leasing's efforts relating to the Integrated Risk Management. The Composition, Scope of the work and the Committee proceedings were based on the Terms of Reference of IRMC adopted by the Board of Directors for the functioning of the Committee.

TERMS OF REFERENCE (TOR)

The TOR clearly set out the Objectives, Risk Management Framework, Authority/Delegations, Responsibilities, Composition, Meeting Frequency & Quorum, Agenda & Minutes, and Reporting Procedures of the Committee.

A detailed approach to the Company's key Integrated Risk Management process has been dealt with in the Pages from 214 to 233 of this report.

COMPOSITION

Upon the reconstitution of Board of Directors at the beginning of the financial year, the members to the IRMC were re-appointed on 8th of April 2015. Accordingly, The Integrated Risk Management Committee for the financial year 2015/16 comprised of the following members:

Name of the Committee Member	Directorship Status	Membership Status
Mr. M.P. Amirthanayagam	Non-Executive, Independent Deputy Chairman	Chairman
Mr. N. Vasantha Kumar	Non-Executive, Non-Independent Director	Member
Mr. D.P. Kumarage <i>(Chief Executive Officer/GM)</i>	Non-Director	Member
Mr. Sanjeewa Bandaranayake <i>(DGM-Finance & Administration)</i>	Non-Director	Member
Mr. Lionel Fernando <i>(DGM- Operations)</i>	Non-Director	Member
Mr. Rohan Tennakoon <i>(DGM- Operations)</i>	Non-Director	Member

Please refer Pages 138 and 146 for the profiles of the Board Members and the Corporate Management.

Following officers participated in IRMC meetings by invitation.

- Compliance Officer
- Key Management Personnel from PLC Subsidiaries
 - Chief Operating Officer- People's Insurance PLC
 - DGM-Branch Operations/Head of People's Microfinance Limited
 - DGM-Branch Operations/Head of People's Leasing Fleet Management Limited

MEETINGS

The Committee held five meetings during the year under review. The attendance of the members of the Committee was as follows.

Name of the Directors/KMPs	Number of Meetings Held	Number of Meetings Attended
Mr. M. P. Amirthanayagam	5	5
Mr. N. Vasantha Kumar	5	5
Mr. D.P. Kumarage	5	5
Mr. Sanjeewa Bandaranayake	5	4
Mr. Lionel Fernando	5	5
Mr. Rohan Tennakoon	5	4

Mr. Andy Ratnayake- Senior Manager-Risk Management and Control functioned as the Secretary of the IRMC.

Minutes of the Committee which include the discussions and conclusions reached were submitted to the subsequent IRMC meeting for the confirmation and adoption. All minutes of the meetings were formally approved by the Committee Chairman. Approved Minutes were also submitted to the Board seeking their views, concurrence and/or specific directions.

CORPORATE GOVERNANCE

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

ACTIVITIES

The IRMC focused on the following activities during the year under review.

Stress Testing Framework

- Stress testing is the process of determining the ability of the Company to withstand plausible severe adverse conditions. Upon IRMC's recommendation, the Board adopted the stress testing framework as part of integrated risk management strategy.
- Stress testing provides rigorous and forward-looking assessment of risk and facilitates the Company to develop risk mitigation strategies, contingency plans for stressed conditions.
- Stress tests under various stressed scenarios were performed for credit, market and liquidity risks and the test results reviewed by the IRMC on a quarterly basis.

Risk Appetite and Risk Tolerance Levels

- The Committee reviewed the risk appetite and tolerance levels, and the same were approved by the Board in the reporting year.
- Reviewed the risk profile of PLC which included in the risk dash-board report, against the Board approved risk tolerance levels on a quarterly basis.
- In reviewing the risk appetite, the factors such as strategic objectives of the Company, changes in regulatory requirements, competitiveness in the business environment and future economic conditions were considered by the Committee.

Credit Risk

- Reviewed the credit risk strategy based on detail reports submitted to the Committee and assessed the effectiveness of the recovery strategies in minimizing credit risk.

- Reviewed the portfolio quality covering Non-performing loan analysis based on assets and products, the sector wise credit concentration, compliance with the Single Borrower Limits etc.
- Reviewed the stress test results performed for credit risk.

Liquidity & Market Risk

- Reviewed the adequacy of liquid assets maintained and the maturity mismatch, sensitivity analysis, net interest margin including the stress test results.
- Reviewed the highlight reports of Assets and Liability Management Committee (ALCO) meetings submitted by its Secretary on a quarterly basis in assessing the effectiveness of liquidity and market risk management.

Operational Risk

- Made recommendations to the Board, emphasizing the requirement of developing comprehensive Business Continuity Plan (BCP).
- Reviewed the BCP Risk Assessment and Monitored the progress of BCP development process.
- Reviewed Key Risk Indicators (KRIs) established to assess the operational risks.

Regulatory & Compliance Risk

- Reviewed the Company's compliance with the regulatory requirements and monitored against the risk tolerance levels.
- Reviewed compliance reports submitted by the Compliance Officer to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of Company operations.

Strategic Risk

- Reviewed the effectiveness of strategies implemented in response to the changes in the business environment.
- Reviewed strategic risk indicators against the risk tolerance levels.

Assessing the Risk Profile of Subsidiary Companies

During the year under review, in line with the Finance Companies (Corporate Governance) Direction, No 3 of 2008, Section 8 (3) (b), the following subsidiary companies that are in operation, submitted risk dash-board/key risk indicator reports to the IRMC enabling the Committee to review the risk profile of each subsidiary company and the overall risk profile of PLC Group. Highlights of subsidiary company reviews are given below.

➤ People's Insurance PLC (PI)

- PI was listed in Colombo Stock Exchange in January 2016. Upon the listing, the Company status changed as a Public Listed Company which resulted to change the Company name as "People's Insurance PLC".
- The Committee reviewed the PI's Compliance to the Risk Based Capital Model regulated by the Insurance Board of Sri Lanka.

➤ People's Microfinance Limited (PML)

- PML, the Microfinance arm of PLC involves in the business of providing microfinance facilities to ensure financial inclusivity of the under privileged, rural and urban population and operates with a different risk profile.
- In view of improving the effective risk monitoring, the risk tolerance levels were established in the reporting year based on Company's historical performance, future strategic objectives and industry best practices etc.
- The Company's risk profile was quarterly reviewed by the Committee against those risk tolerance limits.

➤ Other Subsidiaries

- IRMC quarterly reviewed the risk dash-board reports and risk indicator reports submitted by People's Leasing Fleet Management Limited and People's Leasing Property Development Limited respectively.
- The construction work of People's Leasing Havelock Properties Limited (PLHPL) is being carried out and the Company has not commenced its commercial operations. However, the briefing on the status of construction work is provided to the Committee by the Managing Director of PLHPL.

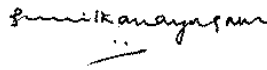
The Risk Management & Control Department co-ordinated with all subsidiaries of PLC and briefed the Committee with the relevant information through various risk indicators and additional information.

Others

- Worked closely with the Corporate Management, Senior Management and Key Management Personnel supervising broad risk categories (credit, market, liquidity, operational and strategic risks) and made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
- Reviewed the KRIs of the risk dash-board reports designed to monitor the level of specific risks, with a view of determining the adequacy and appropriateness of such indicators.
- Supervised the procedures of Integrated Risk Management responsibilities pertaining to risk management strategies, policies and processes.

- Reviewed the adequacy and effectiveness of management level committees such as ALCO.
- Recommended corrective action to mitigate the effects of specific risks at levels beyond the risk tolerance levels approved by the Board and on the basis of Company's policies and regulatory and supervisory requirements.

The Committee has reviewed the process for identification, evaluation and management of all significant risks throughout the People's Leasing Group. During the year under review, the IRMC provided the necessary guidance in line with the risk appetite, in the execution of the business strategy emphasizing the upside and downside risks which can have an impact on the Company.



M. P. Amirthanayagam
Chairman
Integrated Risk Management Committee



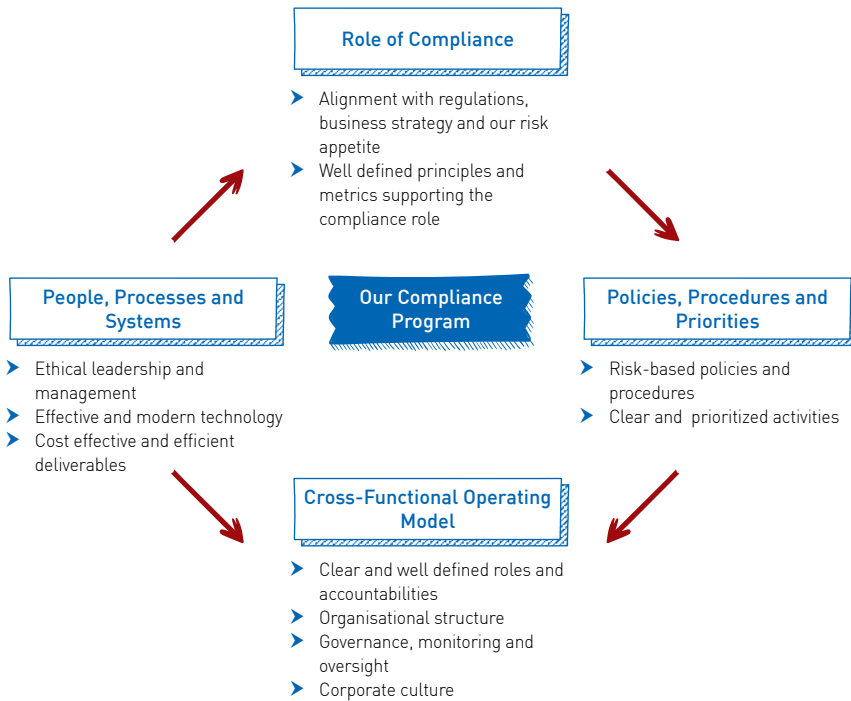
A. Ratnayake
Secretary
Integrated Risk Management Committee

18th May 2016
Colombo

COMPLIANCE MANAGEMENT

G4-S04

Our compliance culture is based on transparency, responsiveness and an emphasis on respecting both the letter and spirit of the law and regulations applicable to our businesses. Our Board and the management are fully committed to ensure that we have appropriate and effective procedures to ensure that we meet all our legal and regulatory obligations. We have in place a robust compliance framework which clearly defines roles and responsibilities with regard to compliance. We have empowered our managers to be responsible for ensuring that we meet our obligations and that they take corrective action when they become aware of any non-compliance issues.



PREVENTIVE APPROACH

Compliance forms an important part of governance and risk management. Therefore, the basis of our compliance management mechanism is a comprehensive analysis of the compliance risks to which we are exposed. Our business activities are examined in terms of potential compliance risks that can arise, including from our structures, processes and market conditions. Accordingly, our approach towards compliance is a preventive approach which aims to create a corporate culture that stops potential breaches before they occur by raising awareness and educating employees. To achieve this objective, the Internal Audit regularly performs the necessary investigative activities, monitor compliance and carry out random checks. Recommendations

pursuant to these activities are implemented by the head of the respective division. Recommendations leading to disciplinary action are dealt with by the HR Department. These processes are closely interrelated, in line with the concept of a comprehensive compliance management system.

Compliance Function

Compliance Officer is an integral part of our internal control structure whose tasks include,

- developing compliance policies and procedures (including best practices);
- monitoring and reporting on compliance-related activities across the Company;
- assisting in the conduct of internal investigations, where required;

- ensuring that employees are given adequate training on compliance related activities

The Compliance Officer reports to the Integrated Risk Management Committee (IRMC) on a quarterly basis. In the year under review the Compliance Officer presented status reports on compliance activities of the Company to IRMC at each of its five (05) meetings.

Compliance risk management

Refer: Risk Management, Pages 214 to 233

Our compliance risk assessment process requires that the heads of all business divisions of the Company together with the Compliance Officer systematically determine and assess the compliance risks to their units on a periodical basis. Relevant risks are reported to the Integrated Risk Management Committee, and measures to reduce the risks are drawn up and implemented.

Business partners and suppliers

Our mandatory process for business partner and supplier compliance due diligence is designed to help all our divisions to conduct a risk-based integrity checks. We require our suppliers to comply with our Code of Conduct, which includes compliance with all applicable laws and, in particular, the prohibition of corrupt activities.

HUMAN RESOURCE RELATED APPROACH

We have put in place a range of measures to foster a culture of integrity at the Company and prevent corruptive practices.

Code of Business Conduct and Ethics

Refer: Corporate Governance, Pages 147 to 198

Our Code of Business Conduct and Ethics explains how employees are expected to fulfil their responsibilities by acting in the best interests of the Company and in line with its corporate and financial objectives. This includes compliance with laws and regulations; acting fairly in dealing with customers, suppliers and other stakeholders;

maintaining integrity; treating people with respect and operating within a control framework.

Our Code of Business Conduct and Ethics is well internalised amongst the employees through training, employee meetings, staff circulars, emails and the intranet. The induction programme for new recruits also entails a session on the Code. In addition, the members of the Board are also provided with a copy of the Code and apprised of their responsibility to promote anti-corruptive, ethical business environment within the organisation.

The Whistle Blower Policy

Refer: Corporate Governance, Page 157

Our Whistle Blower Policy also seeks to proactively promote ethical behaviour in all our business activities and serves as a valuable source of information on possible risks and specific violations of rules. It sets out a procedure by which employees may report suspicion of fraud, financial irregularity or other malpractice. No reports of any matters falling within the scope of the policy have been received during the year under review.

Compliance Audits

The Internal Auditors conduct audits on a regular basis in the areas which are susceptible to the occurrence of fraud and unethical practices. The findings of these audits are reported to both the Board Audit Committee and Integrated Risk Management Committee for evaluation and recommendation of corrective measures where relevant.

HR Policy

Refer: Human Capital, Page 82

Our HR Policy too lays the foundation for inculcating an ethical work culture in the Company by recruiting employees with high level of integrity and adopting a policy for periodically rotating staff.

Staff Induction and Ongoing Awareness

As part of our preventive approach to compliance, we provide adequate training to employees, which include a combination of internal and external

training opportunities as well as foreign exposure. During the year 2015/16, the Company provided specific training to the compliance staff members to ensure that they remain up to date on the repeated changes made to laws and regulations and international best practices.

In 2015/16, over 330 employees participated in a variety of training events covering topics of compliance, Code of Business Conduct and Ethics, anti-corruption, human rights and anti-money laundering.

OUR FUTURE COMPLIANCE PRIORITIES

Our compliance priorities each year and the outcome thereof have provided the focus for our future compliance-related activities and the basis for the ongoing development of our compliance program. Our ultimate aim is to make our compliance program support our employees in making risk-based decisions with integrity.



- Creating tangible ownership of compliance at all management levels.



- Continue to improve our compliance processes



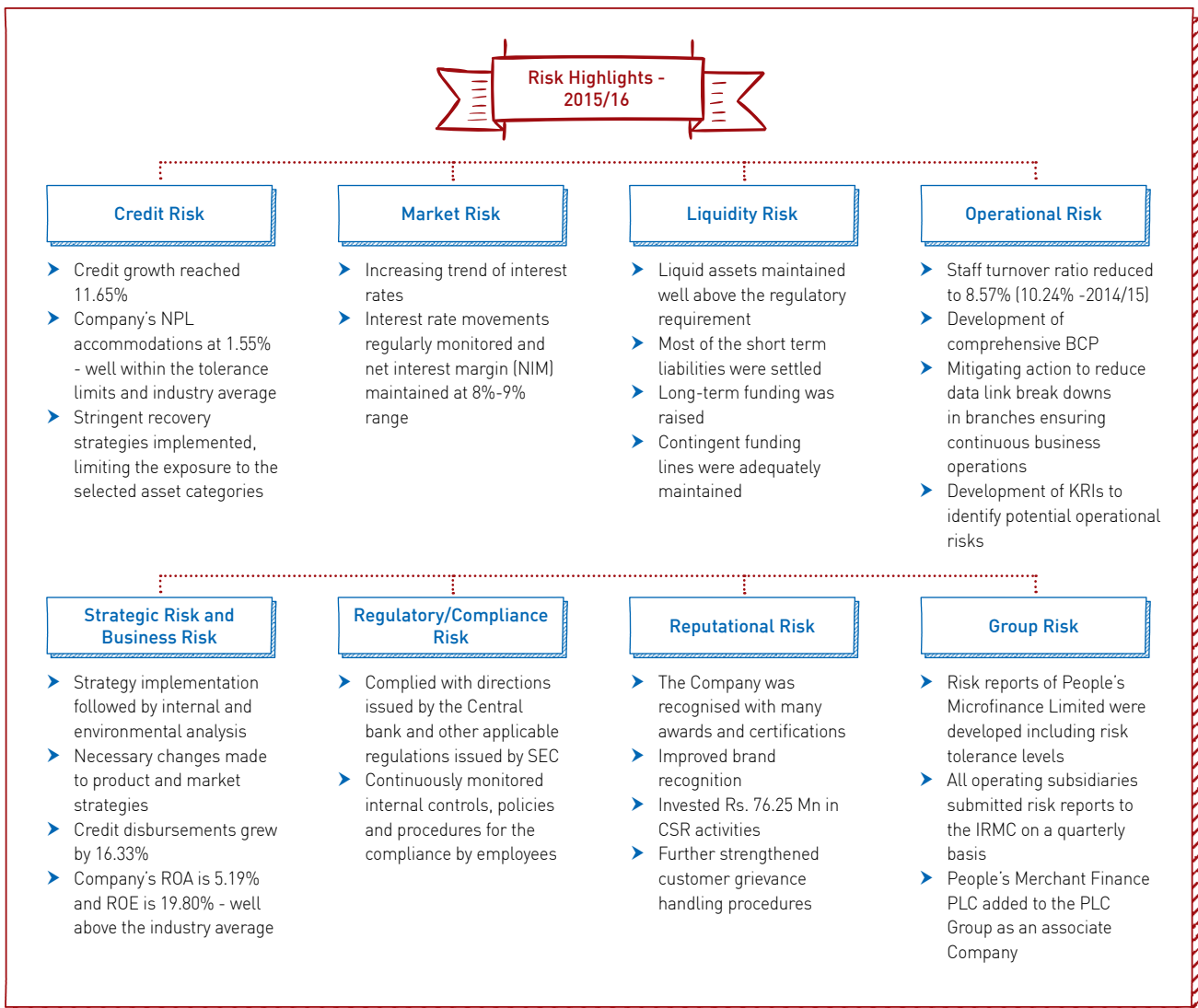
- Building an excellent compliance team through continuous training and development

RISK MANAGEMENT

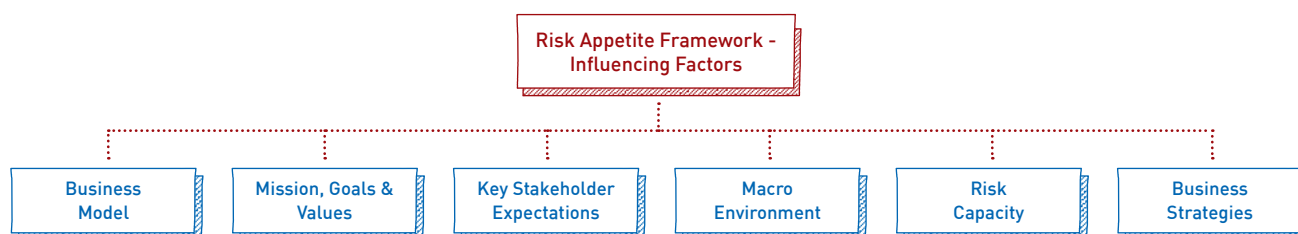
OVERVIEW

Sustaining our positioning as a top-tier non-bank financial institution, it is crucial that we stand committed and proactive to address and manage the myriad of risks prevalent in today's business environment, which may erode our value creation process. Our risk management framework is well geared to support the organisation to effectively manage these risks whilst paving the way to take on the emerging opportunities to progress and gain market share. Our Board and the management are well aware of the significance and stand firm in their responsibilities to set the tone at the top to ensure that an effective risk culture is nurtured across the organisation—laying emphasis that at all strategic, tactical and operational decisions are taken based on our structured risk management framework.

The trending volatilities within the political and socio-economic environment in the reporting year posed a challenging business backdrop, particularly for financial institutions. As was the case across the industry, we had to reckon with the higher tariff imposed on motor vehicle imports and the loan-to-value direction which had a direct impact on our lending activities. Yet, in this context, we revisited and initiated positive steps to strengthen our risk management framework and thereby, reinforced our capabilities to successfully navigate through these challenges and support operations to record an outstanding year. Further measures are currently being deliberated to facilitate the business to make better and well-informed decisions to cope with the evolving backdrop in the future years. At PLC, we firmly believe that developing and improving our risk management process is a 'constant journey, rather than a mere destination'.



RISK APPETITE FRAMEWORK



Risk Management Objectives

- Identify and understand emerging risks
- Determine the risk appetite/ tolerance levels aligned with the strategic objectives
- Ensure business operations and operational decisions are shaped by the risk appetite framework
- Perform risk management function as a decision-support-tool in decision making
- Strengthen risk culture at each decision making level

The Board is responsible for setting the risk appetite for the business and the implementation thereon comes under the purview of the senior management. Integrated Risk Management Committee (IRMC), delegated authority of the Board, is responsible to establish an effective risk appetite framework within the Company. The risk appetite is determined on the level of risk that the Company is willing to accept in reaching for its business objectives.

We are conscientious in our efforts to ensure that our operational performance is in line with the risk tolerance levels stipulated within the risk appetite framework. The risk-dash-board links the tolerance levels with key performance indicators for each major risk category which is closely monitored by our risk department. The risk-dash-board is presented to the IRMC on a quarterly basis for their review and deliberations. In the event of a tolerance

limit breach, necessary and prompt management action is taken to address the downside risks and bring the risk levels back within the tolerance limits.

In the reporting year, we reviewed our risk appetite and the tolerance levels to be more reflective of the Company's strategic objectives along with the trends in the regulatory framework and the business environment.

Risk Tolerance Levels		
Risk Category	Risk Indicator	Tolerance limit
Credit Risk	Non Performing Ratio (Gross)	Below 5%
	Three Months Overdue Ratio	Below 10%
	NPL/Impairment Coverage Ratio	Above 75%
	P&L Charge Ratio	Below 5%
Credit Concentration Risk	Industry Concentration Ratio	Below 50%
	Single Borrower Limit (Individual)	As per CBSL
	Single Borrower Limit (Group)	As per CBSL
Liquidity Risk	Liquid Asset Ratio	Above 100%
	Maturity Mismatch Ratio (up to 1 year)	Below -45%
	Facilities Granted to Stable Sources	Below 150%
	Long-term Funding Concentration	Above 40%
Market Risk	Interest Rate Sensitivity	Below 10%
	Net Interest Margin	Above 4%
Operational Risk	Frauds Detected (Value as a % of Operational Expenses)	Below 0.5%
	Unsatisfactory Audits (as a % Total Audit Reviews)	Below 15%
	Cost to Income Ratio	Below 50%
	Staff Turnover Ratio	Below 15%
Regulatory Risk	Capital Adequacy Ratio	
	➤ Core Capital	Above 5%
	➤ Total Risk Weighted Capital	Above 10%
	Capital Funds Ratio	Above 12.5%
Strategic Risk	Return on Equity Ratio	Above 10%
	Return on Assets Ratio	Above 2%
	Gearing Ratio	Below 7 times

RM Table - 1

RISK MANAGEMENT

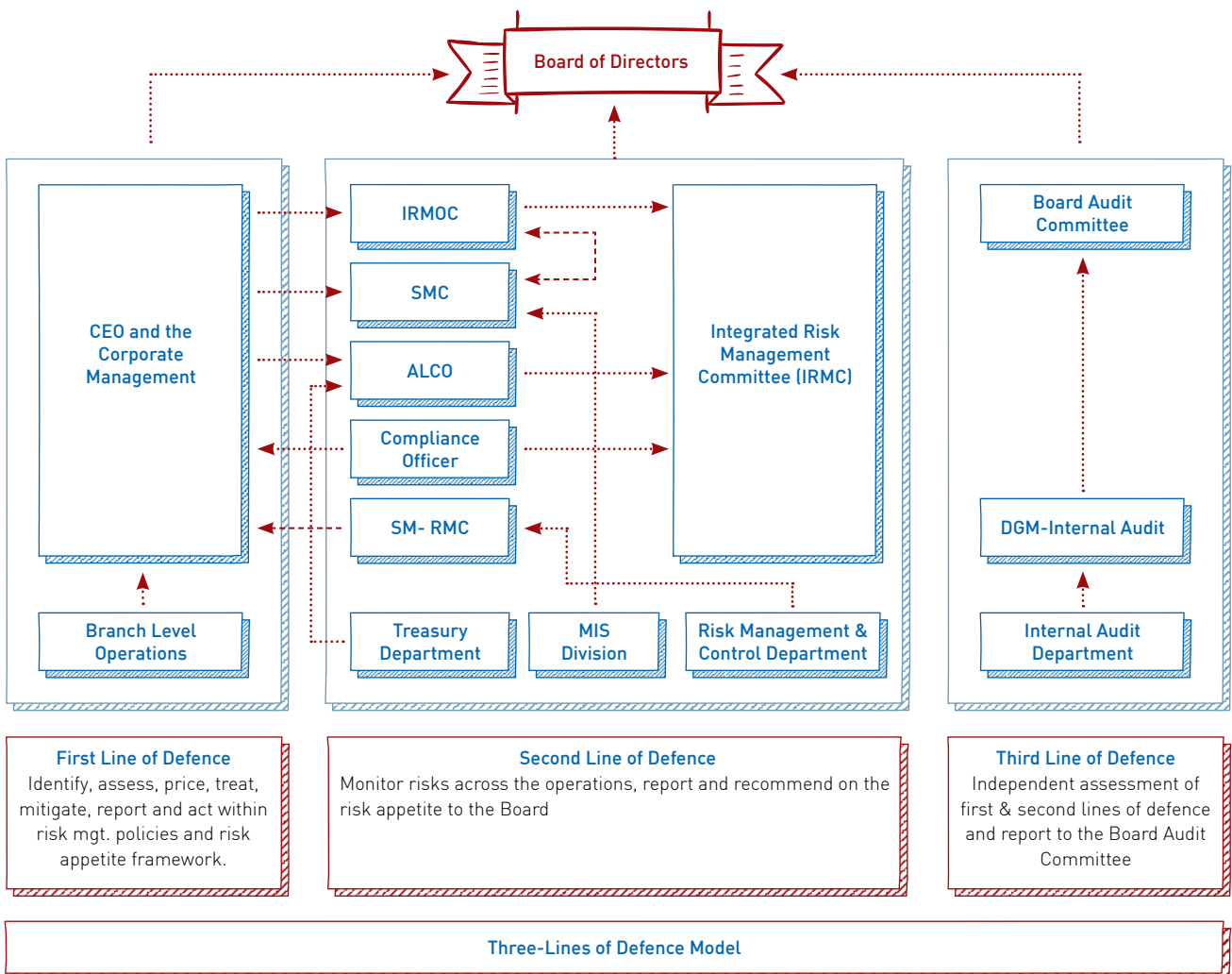
STRESS TESTING FRAMEWORK

Stress Testing Policy – Salient Features

- Objectives
- Methodology
- Process of setting stress tolerance limits
- Frequency of stress testing and reporting
- Interpretation of stress testing results
- Necessary remedial/trigger actions
- Monitoring and reviewing of stress testing framework

Stress Testing has become an integral part of risk management strategy of financial institutions. Our Company has set in place a structured stress testing framework along with a Board approved policy to evaluate our potential vulnerability to certain unlikely, but plausible events or movements in financial variables. Stress-testing is currently performed for credit, liquidity and market risks which are duly reported to the IRMC on a quarterly basis for their review.

RISK GOVERNANCE



IRMOC- Integrated Risk Management Operating Committee
 SMC- Senior Management Committee
 ALCO- Assets and Liability Management Committee
 SM-RMC- Senior Manager-Risk Management & Control

RESPONSIBILITIES OF THREE-LINE DEFENCE

We have adopted the “three lines of defence model” which facilitates the accountability and transparency through clear identification and segregation of roles with respect to risk management and governance activities.

Three Lines of Defence	
First Line	The first line of defence is the operational management with day-to-day, responsibilities and accountability for assessing, controlling and managing risks. Business operations of the Company are shaped by the risk management policies and risk appetite framework set centrally at the head office.
Second Line	The risk management function works as second line of defence, providing guidance to branches and operational departments and determining on the adequacy of risk mitigation. The IRMC and other managerial level committees such as the Integrated Risk Management Operating Committee (IRMOC), Asset and Liability Management Committee (ALCO) and Senior Management Committee (SMC) review on the risk management practices at the operational level and recommend necessary action based on their deliberations. <i>Details of committees are set out below.</i>
Third Line	The third line of defence is provided by the Internal Audit which independently reports to the Board Audit Committee (BAC). The Internal Audit is responsible for providing independent assurance on the first and second lines and determining the appropriateness and effectiveness of policy implementation and internal controls.

RM Table - 2

The Board of Directors is assisted by the Board sub-committee and the management level committees to ensure the adequacy and effectiveness of the Company’s risk management framework and capabilities to achieve strategic objectives. At PLC, these committees make an integral part of risk governance.

Details of Committees			
Committee	Key Objectives	Representation	Chaired by
Integrated Risk Management Board Sub-Committee (IRMC) <i>[Detailed report on the operations of this committee is given on Pages 209 to 211]</i>	<ul style="list-style-type: none"> ➤ Responsible for monitoring the implementation of risk management strategies ➤ Review and oversight of the risk profile of PLC and its subsidiary and associate companies 	<ul style="list-style-type: none"> ➤ Non-Executive, Independent Deputy Chairman ➤ Non-Executive, Non-Independent Director ➤ Chief Executive Officer/General Manager ➤ Deputy General Manager- Finance & Administrations ➤ Deputy General Managers-Operations ➤ Senior Manager-Risk Management Control <p>By Invitation</p> <ul style="list-style-type: none"> ➤ Compliance Officer ➤ Key risk owners of subsidiary companies 	Non-Executive, Independent Deputy Chairman
Board Audit Committee (BAC) <i>[Detailed report on the operation of this committee is given on Pages 204 to 205]</i>	<ul style="list-style-type: none"> ➤ To assist the Board in the oversight of financial reporting, internal controls, risk management systems and going concern, whistle blowing and fraud, internal audit and external audit. 	<ul style="list-style-type: none"> ➤ Non-Executive, Independent Deputy Chairman ➤ Non-Executive, Non-Independent Director ➤ Non-Executive, Independent Director ➤ DGM-Internal Audit <p>By Invitation</p> <ul style="list-style-type: none"> ➤ Key Management Personnel ➤ External Auditors 	Non-Executive, Non-Independent Director

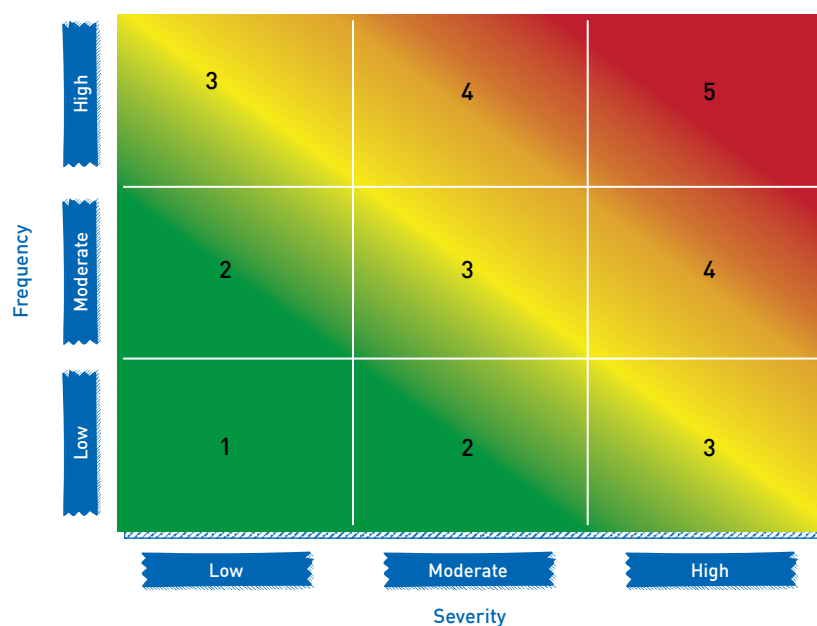
RISK MANAGEMENT

Details of Committees			
Committee	Key Objectives	Representation	Chaired by
Asset and Liability Management Committee (ALCO)	<ul style="list-style-type: none"> Review asset and liability functions of the Company. 	<ul style="list-style-type: none"> Chief Executive Officer/ General Manager Corporate management Treasury Finance 	Chief Executive Officer/ General Manager
Integrated Risk Management Operating Committee (IRMOC)	<ul style="list-style-type: none"> Strengthen the risk governance structure of the Company at the senior management level. 	<ul style="list-style-type: none"> Key risk owners Key management personnel 	Chief Executive Officer/ General Manager
Senior Management Committee (SMC)	<ul style="list-style-type: none"> Review overall policy matters and decide on corrective measures. Communicate salient policy decisions to the staff by way of staff circulars, letters etc. 	<ul style="list-style-type: none"> Chief Executive Officer/General Manger Corporate and senior management 	Chief Executive Officer/ General Manager

RM Table - 3

MANAGEMENT OF RISK

Each risk to which the Company is exposed is assessed based on its severity and frequency as depicted in the guiding map below. With this map, we seek to understand the wider connotations of risk on the Company's operations and in achieving its objectives. This risk mapping is done based on quantitative as well as qualitative information related to each risk. The major categories of risks, the assessment of those risks and the risk mitigatory action taken during the year are discussed in detail below.



Risk Assessment Map			
Risk Category/Sub Category	Frequency	Severity	Risk Position
Credit Risk	M	L	2
Credit Concentration Risk	L	L	1
Liquidity Risk	L	M	2
Market Risk – Interest Rate	L	L	1
Market Risk – Foreign Currency	L	L	1
Market Risk – Equity Investment	L	L	1
Strategic Risk	M	M	3
Business Risk	M	L	2
Operational Risk	M	M	3
➤ Information & Communication Technology Risk	L	H	3
➤ Human Resources Related Risk	L	L	1
➤ Fraud Risk	L	L	1
➤ Compliance and Regulatory Risk	L	H	3
➤ Legal Risk	L	L	1
Other risks			
➤ Reputational Risk	L	H	3
➤ Socio-economic and Political Risk	H	M	4
➤ Risk of Unforeseen Events	L	M	2
➤ Group Risk	M	L	2

RM Table - 4 L -Low M- Moderate H-High

CREDIT RISK

Credit risk addresses the financial losses that may arise in the event the counterparty to a financial transaction fails to discharge his/her obligations. Credit risk may result in the loss of the principal amount and interest with adverse implications on profits due to the impairment provisions or write-offs of non-performing facilities. At PLC, the credit risk is applicable for leases, hire purchases and loan receivables, which in effect account for over 86.07 percent of the total assets.

Assessment

Credit Appraisal

Our lending products, such as leases and loans are originated at the branch level. The credit proposals are evaluated based on the credit policy and guidelines of the Company. When evaluating, the customer criteria including the purpose, vehicle/equipment category, second-hand market value, credit history and repayment capacity are considered. During the appraisal stage, the marketing officer who is identified to be the principal risk owner, assesses the credit risk based on the risk appetite framework.

Credit Approval

Credit approvals are in line with the delegated authority. The Board of Directors is the highest authority to approve credit facilities at upper-limits of exposure. The Chief Executive Officer (CEO), Deputy General Managers (DGMs) - Operations, and Chief

Manager - Operations at the head office have the authority to approve credit facilities forwarded by the branches. At branch level, Branch Manager is the highest authority level to approve credit facilities subject to the prescribed credit limits. The highest approving authority for other products—margin trading and factoring—rests with the CEO and DGM - Finance & Administration.

In addition to the delegated authority, other controlling mechanisms are also in place to mitigate the credit risk. Manual controls require additional documentation relating to the customer and the asset—such as vehicle inspection report. IT driven system controls ensure the adherence to procedures set at different levels, segregation of duties and escalation of credit facilities to required authority levels to further minimise the credit risk.

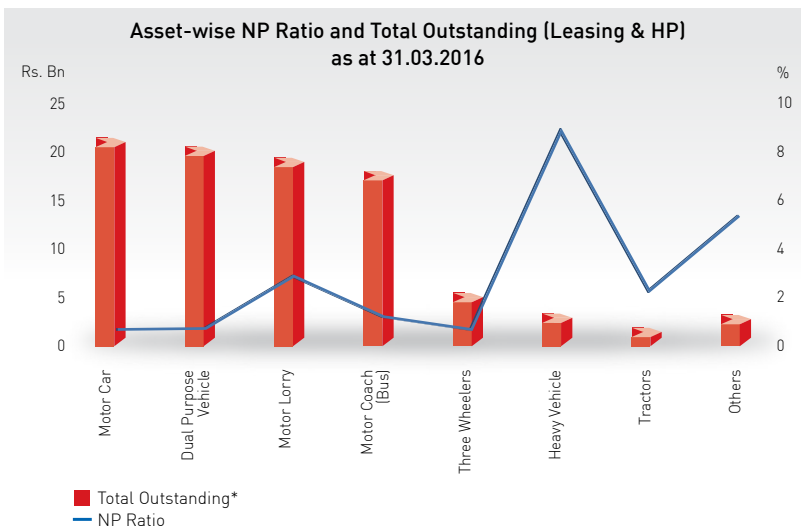
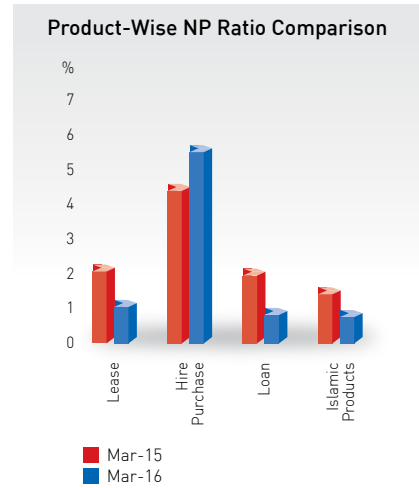
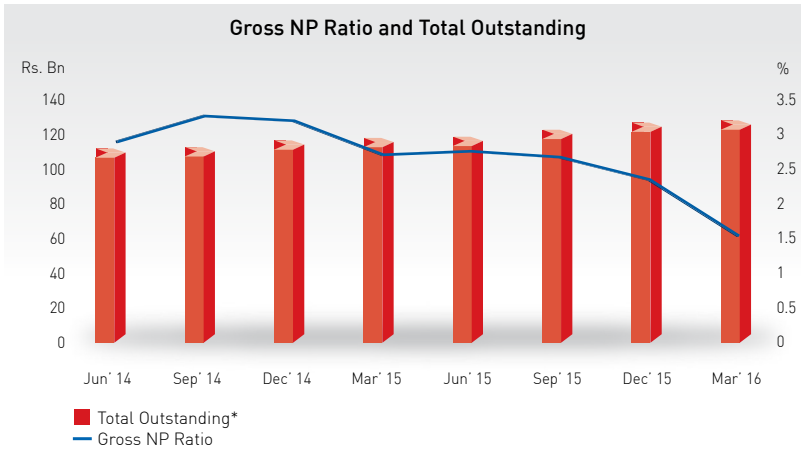
Credit Disbursement

The documentation department which operates centrally at the head office, ensures that all security documents related to the facilities are completed and in order; whilst the finance department is entrusted to release all disbursement funds.

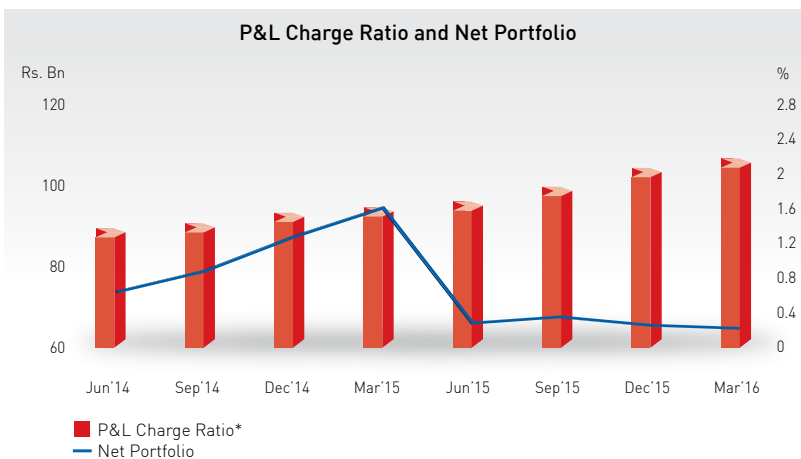
Credit Risk Measurement and Monitoring

The branch operations department, measure and track the risk status of the credit portfolio, undertake impact studies and detect early warning signals on any deterioration in the credit quality of the facility. Comprehensive management information reports are prepared on a monthly basis and submitted to the senior management. The risk department provides required direction to operations to maintain the credit risk indicators within the stipulated tolerance levels. The IRMC assesses the credit portfolio performance against risk tolerance levels and reviews the risk-dash-board papers to capture negative trends in the credit portfolio on a quarterly basis.

RISK MANAGEMENT



* Total outstanding = future rentals + arrears rentals



* P&L charge ratio = (impairment charge + disposal losses + write-offs) / net portfolio

Impairment Stress Test

Impact to the capital adequacy and the profitability under different impairment stress scenarios

Scenario	1	2	3
Magnitude of Shock (%)	10	15	20
Capital Adequacy Ratio (%)	19.43	19.39	19.35
Return on Assets Ratio (%)	5.08	5.02	4.96

Credit Recovery

We have a well-established post-sanction monitoring process in place coupled with a continuous review process at the branch level and at the head office. Recovery officers at the branches are geared to monitor the collection of rentals and identify post-disbursement recovery issues. Special recovery and legal recovery units at the head office further facilitate recovery action for the identified non-performing facilities. Legal action is initiated for non-performing facilities above 6-9 months.

Impairment Process

In determining impairment allowances, at each reporting date, the Company assesses whether there is objective evidence for specific loss events. Asset specific loss events that constitute objective evidence are:

Impairment Assessment Factors

- Significant financial difficulty of the customer
- Breach of payment obligations - default or negligence in interest or principal payments
- Granting a concession to a customer for economic or legal reasons in relation to his/her financial difficulties
- High probability of bankruptcy or other financial re-organisation
- Loss of an active market for the financial asset.

On an individual basis, an appropriate impairment allowance is determined for each significant loan or advance in the event there is evidence as a loss event. Key factors that are considered at an individual level include the sustainability of the counterparty's business plan; ability to improve performance if it is in a financial difficulty; projected receipts and expected payout should bankruptcy ensue; availability of other financial support; and the realisable value of collateral and the timing of the expected cash flows.

From a collective standpoint, impairment is assessed considering both portfolio factors and macro environmental factors. Portfolio factors relate to information that would indicate adverse changes in the payment status of the borrowers. The portfolio factors include credit utilisation; loan to collateral ratio; death of borrower; risk-profile of borrower; and age of loan portfolio. Macro factors are also considered if there is a direct correlation between the conditions and the incidents of defaults in a particular grouping. Key factors considered are unemployment; interest rates; inflation; and significant decrease in the price of a good related to the customer's revenue source.

New Product Development

During the period under review, the Company launched the factoring product, diversifying its lending portfolio. The risk department assessed the

risks related to the factoring product recommending controlling action to mitigate those risks.

Mitigation

Credit Risk Awareness

The credit policies, processes and procedures in place are well suited to curb the credit risk. All credit exposure limits are approved within a defined credit approval authority framework. Suitable exposure limits for borrowers including the single-borrower-limit, credit approving officers and sectors are established and monitored regularly.

Marketing officers in the credit team at the branch level who are the front-line risk-owners are well trained on identifying possible problem credits in advance during the appraisal stage. This assumes greater significance for high-risk short term products such as 'Fast-Track'. Customers are well evaluated to ensure that they have a higher repayment capacity. Lending officers are advised to limit granting to identified problem asset categories and take adequate risk mitigating action in terms of pricing or securities for such facilities.

We have in place well-established and streamlined recovery processes to support the recovery teams at the branch level, special and legal recovery units at head office. The processes in the reporting year were further strengthened. This underpinned our efforts to manage the disposal losses and write-offs during the year and thus, minimise the negative impact. Recovery officers were encouraged to take up their responsibilities effectively to follow-up on problem credits as a continuous process.

Credit Documentation

The documentation department at head office ensures that all legal and related documents required to complete the credit transaction are in order prior to disbursements. The operations and legal departments provide necessary support to ensure that the documentation has included all the requisite terms, conditions and covenants in a comprehensive and legally enforceable manner.

Prudential Limits

We ensure that we comply with the single borrower and group borrower limits as stipulated by our regulator, the Central Bank of Sri Lanka. Industry/sector limits are also established to ensure that our operations are not overly exposed to one sector. IT controls are in place within the core system to notify these credit limits. The compliance status in this regard is duly reported to the IRMC on a quarterly basis. We have also made the necessary adjustments to ensure that our credit grantings are in line with the limit imposed by the loan-to-value ratio direction which came into effect in the reporting year.

Collateral

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

Social and Environmental Risk

G4-14

The environmental and social policies demonstrate the commitment to address environmental and social risks to which it might be exposed as a result of the operations of customers in the lending portfolio. Accordingly, the Company will refrain from financing customers who are engaged in certain types of unethical activities which have adverse impacts on the environment and the society. At the portfolio level, the Company monitors the advances at the highest possible granularity to effectively capture portfolio characteristics and possible correlations between portfolios and environmental and social factors.

Improper operation or maintenance of the vehicle/equipment financed by the Company may impact the community or worker safety and result in potential environmental pollution. Emissions from leased assets will contribute to air pollution and lead to climate change.

RISK MANAGEMENT

Also, the Company may be impacted by the legal issues from unethical activities which could have a social impact.

The lending facilities granted by PLC are mainly channeled to the small and medium enterprises (SME) sector. SMEs play a critical role in job creation, income generation, economic empowerment, and the economic growth of the country. At PLC, we are aware of the challenges that restrict the growth and development of SMEs and hence, remain committed to creating an enabling environment that provides opportunities for businesses to become sustainable and job-creating enterprises.

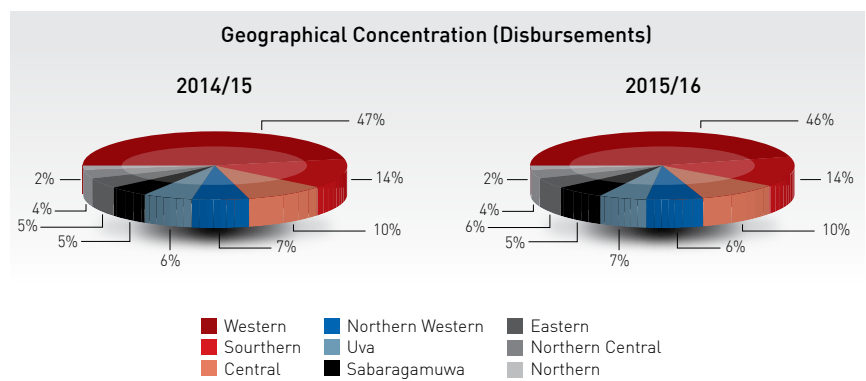
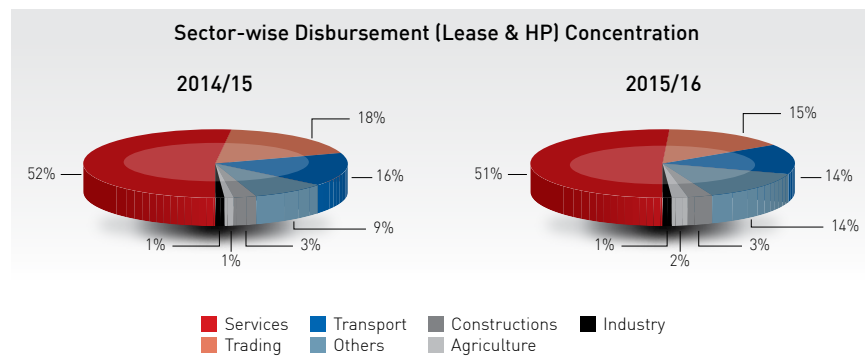
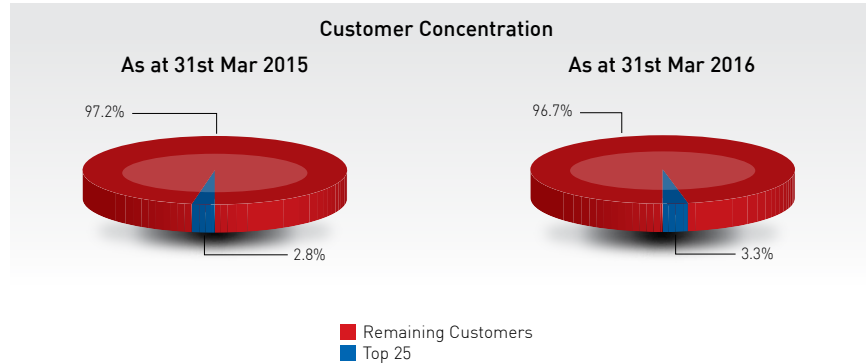
CREDIT CONCENTRATION RISK

The concentration risk arises from the uneven distribution of exposures to sectors in the industry with unique risk features. Therefore, the Company will be exposed to the risk of dependence by over concentrating on few sectors. By diversifying the credit concentration, the Company would be able to maintain a safety cushion as any unfavourable movement in one sector could be offset by a favourable movement of another.

Assessment

Industry exposure on disbursement is prepared on a monthly basis to identify the level of exposure to each sector in the economy. This is reported to the IRMC on a quarterly basis. Additionally, the report on sector concentration is submitted to the Central Bank of Sri Lanka on a monthly basis.

The monitoring of credit concentration is an integral part of the credit risk monitoring process. Key ratio analysis and risk tolerance levels are used to measure and monitor credit concentration in the Company's lending portfolio. We also monitor the single name concentration and as discussed above, compliance to the prescribed single and group borrower limits by the regulator.



Mitigation

Monitoring Concentration Limits

The concentration limits have been set under different criteria to support prudent portfolio management—industry/service sectors and product. The concentration limits are consistently monitored by the risk management department on a monthly basis and reported to the IRMC on a quarterly basis.

Single and group borrower limits are calculated as prescribed by the Central Bank of Sri Lanka. Requisite controls are established as in-built features in the core IT system; which in turn, blocks any disbursement beyond these limits.

The compliance office also monitors the compliance to these limits reviewing the top 20 exposures on a monthly basis.

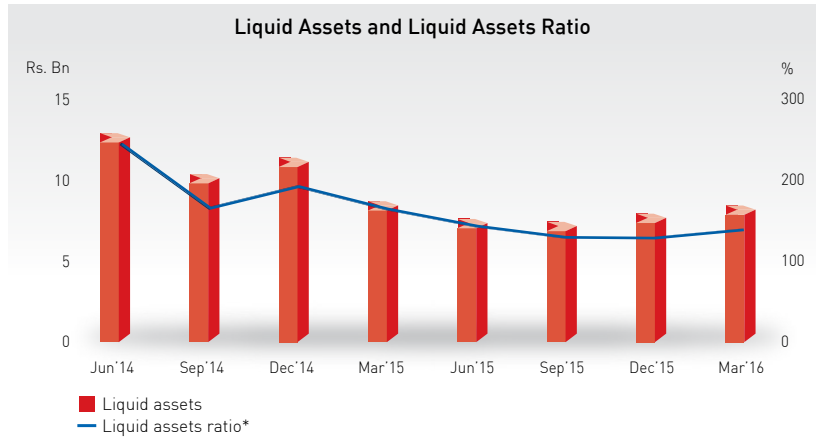
LIQUIDITY RISK

Liquidity risk may arise due to insufficient financial resources to meet the Company’s obligations as and when they fall due or will have to do so, at an excessive cost. This risk arises from mismatches in the timing of cash flows. This risk signifies that the cushion provided by the Company’s liquid assets is insufficient to meet its obligations. Effective management of liquidity is significant to ensure confidence and smooth operations to generate working capital under any circumstance.

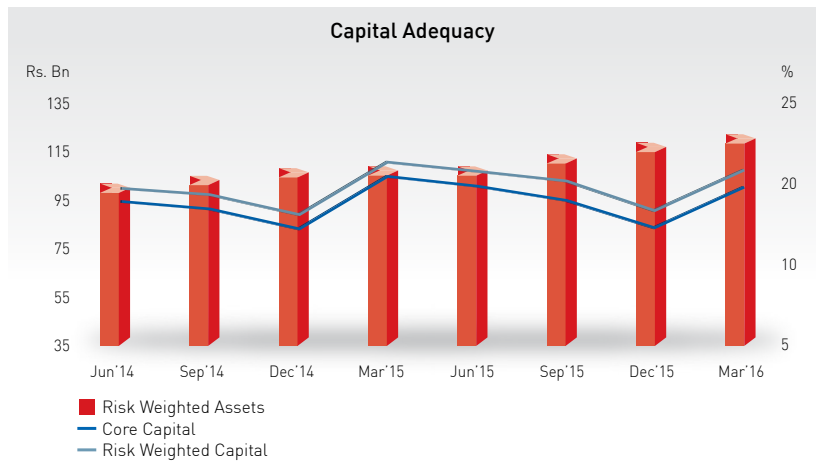
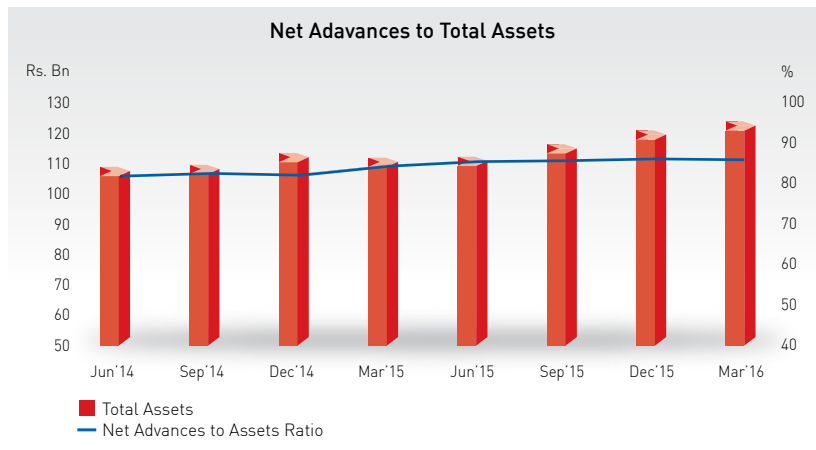
Assessment

The treasury plays a key role in assessing and managing liquidity risk in day-to-day operations. The treasury projects cash flow needs based on the scenario analysis and determines the level of liquidity required in response to the findings. As per its assessment of the current risks and the funding needs, the treasury proposes necessary changes to the organisation’s capital structure, including the availability of alternative lines of funding. The treasury is responsible to monitor the daily liquidity requirement and manage and control the overall liquidity position. The treasury also monitors the asset and liability maturities, movement of deposits and equity investment portfolio. The treasury is tasked for preparing comprehensive reports on assets and liabilities which in turn, is reviewed and assessed for liquidity risk by the ALCO.

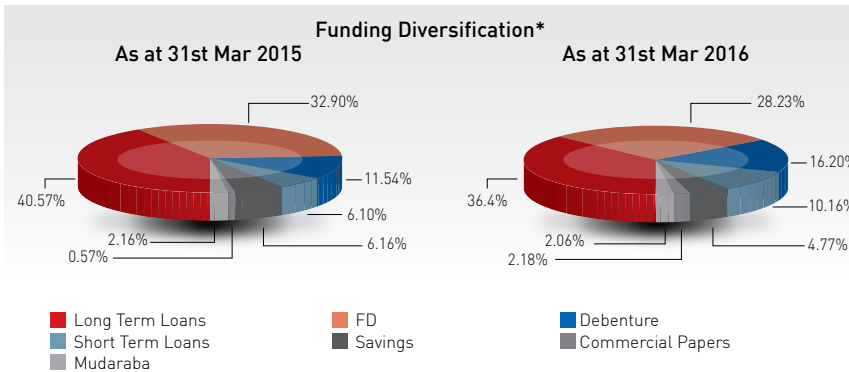
The ALCO reviews key liquidity risk indicators—liquidity asset ratio, liquidity gap analysis and capital adequacy ratio to ensure that assets and liability portfolios are geared to maintain a healthy liquidity position. A comprehensive internal reporting system on the organisation’s liquidity position and funding lines provides detailed information to the ALCO. This enables the ALCO to make timely decisions and amend the asset and liability management policies, as required. The ALCO also reviews the Company’s compliance to the relevant policies or rules issued by the regulators viz. the Central Bank of Sri Lanka and Securities Exchange Commission of Sri Lanka.



*Liquid assets ratio: Liquid assets available/Liquid assets required as per CBSL Directions



RISK MANAGEMENT



*Based on capital outstanding value

Liquid Assets Stress Test			
Immediate withdrawal of deposits			
Scenario	1	2	3
Magnitude of Shock (%)	10	15	20
Liquid Asset Ratio*(%)	84.73	54.76	22.61
Liquid Asset Ratio* -after adjusting contingent funds (%)	244.94	220.58	194.45

*Liquid asset ratio: Liquid assets available/ Liquid assets required as per CBSL Directions

Mitigation

Policy Framework

The responsibility for the liquidity risk management rests with the ALCO and in turn, the Committee reports to the IRMC which reviews factors affecting market and liquidity risks. The ALCO also reports to the Board and recommends actions it deems necessary to limit or mitigate and to manage such risks. The treasury department is tasked with executing day-to-day liquidity management within the parameters set by ALCO. The treasury reports to the ALCO and implements the necessary policy changes as corrective measures.

Diversified Funding Sources

We seek to be diversified in our funding strategy—sourcing funds from multiple sources whilst considering

the competitive environment, market conditions and regulatory facets. Our objective is to maintain a healthy funding mix at any given time. Deposits and long term loans are the largest funding sources of the Company. In addition, we also resort to foreign funding.

Deposit Concentration

Deposit concentration is low. However, the treasury and the ALCO monitor the deposit portfolio and deposit movements periodically. The treasury monitors daily disbursements and collections to assess cash flow balances.

Contingent Funding Lines

We maintain adequate unutilised facilities to honour all cash outflow commitments as and when they fall due to mitigate the liquidity risk. This ensures the availability of liquidity to meet our obligations and act as a buffer to support any deficiency in liquidity.

Stress Testing

Stress testing is performed and reported to the IRMC on a quarterly basis. Cash flows are consistently projected under various stress scenarios, supporting to determine the requisite level of liquid assets. The IRMC reviews the level of liquidity required to comply with the directions set by the Central Bank of Sri Lanka.

MARKET RISK

Market risk is the potential risk that the value or earnings of a company may decline due to the exposure levels to systematic risk factors. Under this risk category, there are three sub categories—interest rate risk, foreign

exchange risk and equity investment risk which are discussed below.

Interest Rate Risk

Interest rate risk is the volatility in interest sensitive products and the susceptibility of the future income and expense levels to the changes in line with the market interest rates. The Company always prefers to obtain long term funds at favourable rates subject to market conditions. The funds are obtained at both fixed and floating rates; therefore, the interest rate margin is subject to volatility, given the changes in market rates. We are also exposed to the basis risk where the internal rate of return (IRR) is affected due to the changes in different liability interest rates.

Assessment

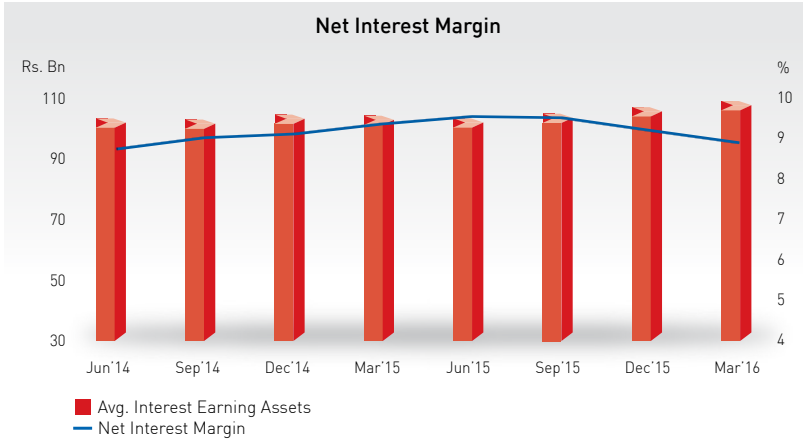
The treasury negotiates for favourable rates when raising short-term funds and thereby, expects to reduce the interest cost. Maturity gap analysis is prepared considering interest rate sensitive assets and liabilities which enable to assess the impact on net interest income—resulting from interest rate movements in the market. The net interest position and the maturity gap are evaluated periodically.

The ALCO reviews the current interest rate environment and the movement of key interest rate indices such as the Average Weighted Prime Lending Rate (AWPLR), Sri Lanka Inter Bank Offered Rate (SLIBOR), and rates of government securities; and thereby, decides the organisation’s competitive lending rates and deposit rates.

Sensitivity analysis is carried out by the risk department on interest rate scenarios to decide on the risk exposure and to assess the impact on net interest income. These interest rate risk indicators are reported to the IRMC on a quarterly basis for their review.

Basis risk results from differences in the relative movements of rate indices which are used for pricing instruments with similar characteristics. The ALCO assesses the potential contribution of basis risk towards interest rate

risk by monitoring movements in indices such as the AWPLR, SLIBOR and rates of government securities thereby, making appropriate decisions to re-price or rebalance the portfolios, as necessary.



enables the treasury to negotiate for favorable low rates in obtaining funds. The treasury also resorts to sources such as securitisations for favourable rates as the quality of the Company's receivable portfolio is high.

On-Going Monitoring

The treasury closely monitors the current macroeconomic trends and seeks to identify and understand the market behavior. The relevant status reports are made available to the ALCO for its review, enabling the Committee to make effective decisions.

Foreign Currency Risk

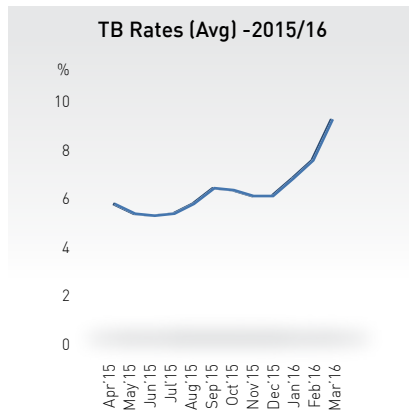
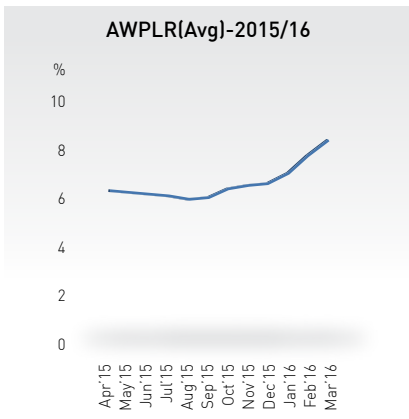
Foreign exchange rate risk relates to the losses from adverse exchange rate movements during a period in which it has an open position in a currency. During the period under review, foreign loans were not raised or and there were no transactions entered in foreign currencies by the Company. The only transaction subject to foreign currency risk is the US Dollar 50 million loan obtained in the year 2013. The foreign loan outstanding was USD 3.5 million as at 31st March 2016.

Assessment

The treasury is held responsible for managing the foreign currency exposure. In order to minimise the possibility of financial loss, it is essential to identify, measure and manage the foreign currency risk effectively. The entire foreign exposure has been hedged against foreign currency risk. Accordingly, no foreign currency exposure was held in open position during the year.

Mitigation

PLC has already entered into a SWAP and forward rate agreements with two counter-parties on the foreign currency exposure to mitigate the foreign exchange risk. The ALCO reviews the USD/LKR exchange rate fluctuations and considered the risk appetite in evaluating and deciding hedging options of foreign currency exposure.



Mitigation

Interest Spread

The ALCO regularly reviews the interest rate environment, the movement of key interest rate indices and competitor rates. These reviews support to form the basis for determining the lending and deposit rates for the future. In arriving at such rates, the ALCO ensures that the minimum average interest rate spread is maintained at all times—sustaining healthy interest margins.

Low Cost Funding

Our organisation has the highest rating at AA-lka (outlook stable) by Fitch Ratings within the non-bank financial sector and we have two international credit ratings. This credit rating status

Stress Test on Interest Rate Movement

Impact of increasing interest rate on capital adequacy and the profitability

Scenario	1	2	3
Magnitude of Shock (%)	1	3	5
Capital Adequacy Ratio (%)	19.54	19.52	19.50
Return on Assets (%)	5.18	5.16	5.13

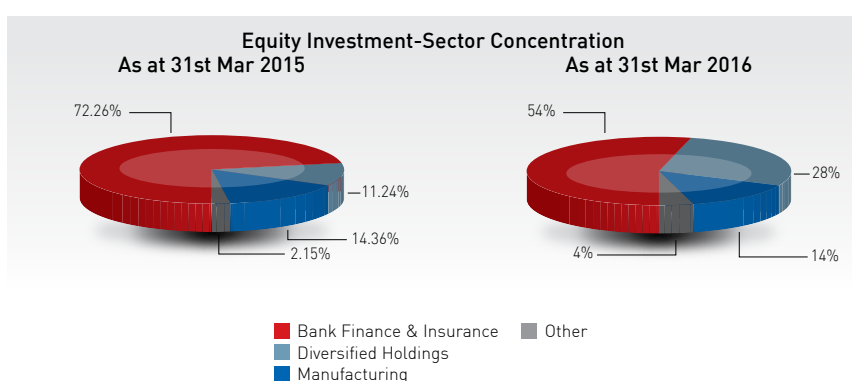
RISK MANAGEMENT

Equity Investment Risk

This relates to the losses arising from adverse movement in the value of any equity investment held by the Company. The stock market prices can decline due to multiple reasons, including deterioration in performance or net asset value of particular company.

Assessment

The ALCO assesses the impact from adverse movements in the equity investment held by the Company.



Mitigation

Movement in stock market prices, broader economic conditions and political environment which could potentially have impacts on share prices are monitored on a regular basis. Any risk mitigation decisions are made by the ALCO. The equity portfolio recorded a market value of Rs. 211.65 million as at the year-end, which is insignificant compared to the size of the Company.

STRATEGIC RISK

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. Therefore, it is important to be mindful in formulating the corporate strategy as a wrong strategy will have an adverse impact on the operations. Even if it is the right strategy, improper implementation will also lead to unfavourable results to the Company. Accordingly, the strategic risk impacts earnings as well as the capital base. This is more pronounced in a highly competitive environment; pragmatic strategy and effective implementation are essential to ensure the sustainability of profits. The key drivers of strategic risk are competition, customer changes, industry trends, technological innovation and regulatory changes.

Assessment

Our risk department independently carries out an assessment of the corporate strategy against the business environment and the findings are duly reported to the senior management for their deliberations. At the SMC meetings which are held weekly, the corporate strategy is assessed through brainstorming and sharing experiences and knowledge on the market, industry and competitor behaviour.

Comprehensive competitor analysis is carried out periodically to identify the competitive position and to decide on future strategies required to compete and outperform the competitors. Risks pertaining to the market share and market leadership position are reviewed in order to take proactive counter-measures. Further, the effectiveness and performance of subsidiaries are also assessed in order to mitigate the strategic risk of diversification.

Strategic risk is assessed based on quantitative and qualitative information gathered on a quarterly basis by the IRMC and remedial measures are taken at the top management level. The achievement and adequacy of budgetary targets are reviewed each month at the SMC and at the Board level. In

addition, the Company ensures to align the medium-term strategic planning process with the long term mission of the Company.

Mitigation

Strategy Formulation

All strategic decisions—including entering different market segments, geographical locations and different business activities—are made through a well-structured process. The decisions are based on in-depth studies and due diligence in terms of the external environment, industry, market, product portfolio, internal capabilities and core competencies of the Company. The strategy is always directed to be aligned with the corporate mission.

Strategy is also checked for its feasibility. Factors such as availability of financial resources, competency, availability of IT resources and historical experience in similar strategy are considered before strategy implementation. For this purpose, series of discussions and meetings are held in arriving at and endorsing successful strategies. This is formally documented within the three-year strategic business plan.

Performance Reviews

The Company's performance is reviewed monthly against budgets/targets and corrective action is taken to meet the gaps. A market, product portfolio and competitor analysis are carried out to implement policies and to review business strategy in an attempt to retain or increase profitability and market share.

BUSINESS RISK

Business risk is a part of strategic risk which arises from the competitiveness within the financial services industry. As is the case in the present context, intense competition in the industry together with the volatilities in the macroeconomic environment, particularly, the changes in policy interest rates and import duty levels, adversely impact business volumes and market share, in turn, the profitability of the Company.

Assessment

Business volume risk is assessed based on the variance between budgeted disbursements and actual disbursements. Monthly disbursements with regard to set targets are assessed regularly to identify any deviations and remedial measures are taken, where necessary.

At PLC, we value and seek to instill high-performance based culture. Performance of employees/business units are conscientiously monitored against the pre-agreed operational targets. The business plan is aligned with the corporate mission and targets are set to achieve those objectives. These targets have been appropriately communicated to the branches and operational departments through structured meetings; and required instructions are given by way of staff circulars. Currently, the performance of branches in terms of marketing and recovery targets are monitored and reviewed by branch operations on a monthly basis.

Mitigation

Empowered Work Place

Refer: *Human Capital, Pages 82 to 94*

We promote an enabling work-place with recognition and rewards for performance in line with the business targets. The 'PLC Premier Awards' which is held annually recognises top performers and they are awarded for their efforts and achievements. We also encourage our employees to work as a team towards meeting the strategic objectives of the Company. We ensure that there are adequate resources to support organisational objectives. This promotes cooperation and integration over internal competition; proactively identifies and re-aligns resources to meet strategic business priorities.

Training programmes are carried out in alignment with the business strategy. Marketing staff is trained to provide a customer oriented service. A comprehensive orientation programme is conducted by the HR department for the new recruits including a familiarisation session on corporate policies, code of conduct and operations.

Service Quality Improvements

Refer: *Relationship Capital - Customer Pages 54 to 68.*

Key measures are adopted to ensure that we extend a quality service to our customers. This includes inter-alia, a versatile product offer, flexible working hours, rewarding customer loyalty and proactively addressing and seeking to resolve customer grievances. Our employees are well trained and empowered to support customer needs whilst our processes are planned and streamlined to enable efficiency and responsiveness in operations.

On-going Monitoring

The Company performs a comprehensive analysis on the market and identifies the best performing products in the portfolio to infuse funds to maximise the profitability. The management team is responsive and flexible and seeks to take proactive measures to improve the level of customer satisfaction in response to aggressive competitor moves.

OPERATIONAL RISK

64-503

Operational risk arises due to inadequate and inappropriate internal processes, systems and people or from external events. When operational risk materialises, it often causes other risks such as reputational, compliance, credit, market and liquidity risks etc. We

recognise that operational risk is inherent in all business activities and can bring unprecedented losses or damages to its business through direct or indirect financial loss, brand or reputational damage, customer dissatisfaction, or legal or regulatory penalties, if such risks are not objectively managed. The management of operational risk is therefore prioritised within the Company's strategy.

Assessment

Our operational risk management mechanism enables identification, measurement, monitoring, controlling and reporting of inherent and emerging operational risks. Operational risk assessment is a process of identifying and evaluating events that could hinder corporate objectives. Such events can be identified both externally as well as within the internal environment. Identification is the primary component of operational risk management and PLC adopts several techniques to identify such risks. Once the risk events are clearly identified, a combination of qualitative and quantitative assessments are carried out to evaluate the potential impact of such risks. Tools such as key risk indicators (KRIs) and audit findings are used to identify and assess these risk events. KRIs are categorised as per operational risk causes: process, people, systems and external events. The KRIs are objective risk measurements which allow trends to be monitored and can be used to anticipate problems in advance.

Operational Risk Indicators	
Operational Risk Category	Key Risk Indicators
People	Staff turnover ratio
	Number of internal frauds
	Number of disciplinary actions taken against employees
Processes	Number of unsatisfactory audits as a percentage of total audit reviews
	Number of instances with inadequate legal documentation of securities
	Value of penalties, fines or claims
	Number of law suits by the customers
Systems	Number of system failures
	Number of cyber attacks
	Number of data link breakdowns
External Events	Number of external frauds committed by customers
	Number of operational delays of outsourced services

RM Table - 5

RISK MANAGEMENT

The Internal Audit is held responsible for reviewing the operational processes through audit reviews held annually both at the head office and at the branches. Internal Audit reports directly to the BAC on a quarterly basis whilst each branch level audit is reviewed by the corporate management. The Company assesses and responds to factors impacting operational risks by applying a broad-based approach that seeks to regularly monitor errors or operational failures and respond to them with solutions and improvements to internal procedures.

Mitigation

Segregation of Duties

In mitigating operational risk, we have established robust controls with well-defined segregation of duties, policies and procedures. Accordingly, 'real-time' escalation mechanism is set with pre-defined thresholds to refer loss incidents to higher levels of authority.

Internal Control Framework

Refer: Board Audit Committee, Pages 204 to 205

Directors Statement on Internal Control over Financial Reporting, Page 239

Upon identification and assessment of operational risks, the management decides the course of action to be taken to mitigate such risks. In most of the cases, key controls will be introduced for mitigation. In managing operational risks, other options available to the management are, transferring the residual risk and accepting or avoiding risk faced by the Company. As an operational risk mitigatory measure, PLC has given continuous focus on training programmes to the operational staff to create the awareness, including high standards of ethics and integrity.

Security Improvements

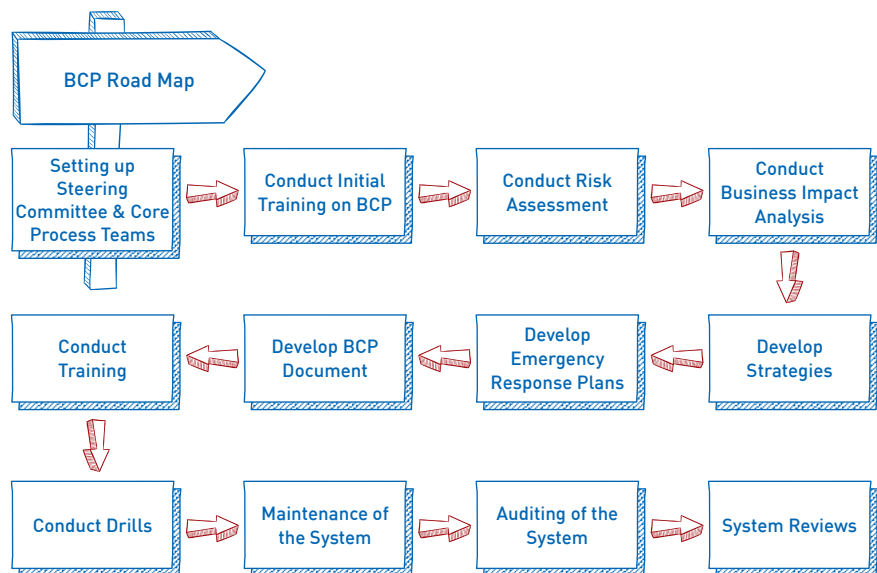
Branch security is well looked into and there are CCTV cameras fixed as a security measure due to the increase in robberies taking place in financial institutions. PLC has comprehensive insurance policies as a measure to mitigate operational risk. These insurance policies cover areas such as property, money, electronic equipment, etc.

Business Continuity Planning

G4-14

Seeking to further strengthen the existing plans we entered into an agreement with M/s Somaratna Consultants (Pvt) Ltd in the reporting year, to develop comprehensive business continuity plans to establish the correct preparedness for low probability, but, high impact disaster situations (worst case scenarios). These business continuity plans (BCP) will be developed in compliance to the professional practices prescribed by the Disaster Recovery Institute International of USA—one of the apex organisations in the world. The IRMOC consisting of all executive management members will act as the steering committee to make policy decisions on BCP.

During the period in review, PLC improved its processes and necessary steps were taken to reduce the probabilities of threats highlighted in the BCP Risk Assessment. Further, IRMOC will be responsible to monitor the implementation of any action plans related to BCP. The status of the same will be reported to IRMC for its review.



New Product Reviews

During the period under review, the risk department reviewed the processes and systems of new products and advised on risks associated with products prior to launch or implementation.

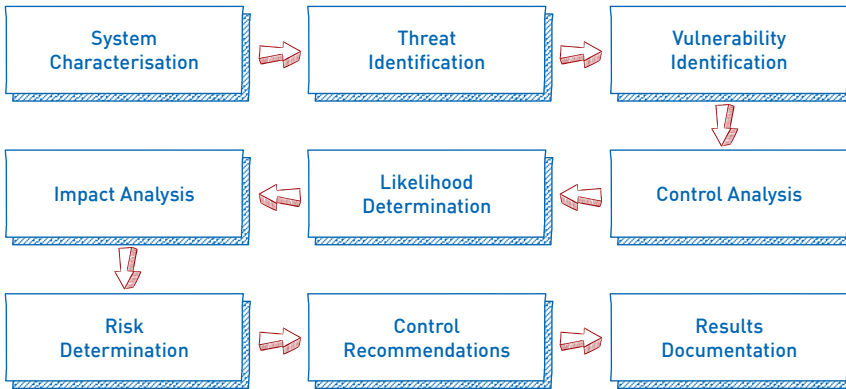
OPERATIONAL RISK – SUB CATEGORIES

Information and Communication Technology (ICT) Related Risk

Although technology enables and extends vast opportunities to grow the business, it also poses serious risks which need to be identified and well-managed. Breakdowns and failures in information systems and the use of obsolete systems will adversely affect the smooth operations of the Company. Use of obsolete technology will erode the efficiency of the business operations and ultimately, affect the good reputation nurtured over the years. Cyber risks such as hacking and theft of information with losses on monetary terms, arising from disruption of business or system failures, or from failed transaction processing etc., can disrupt operations of the Company.

Assessment

We have in place a structured assessment process to identify and address potential threats to our IT systems—hardware and software. This process—entailing nine steps—supports to identify appropriate controls for reducing or eliminating such risks.



Disaster recovery replication is tested twice a day (8.00 am - 8.30 am) and (3.00 pm - 3.30 pm) on 13 days per month. A separate Vulnerability Assessment and Penetration Test (VAPT) is conducted annually in compliance with ISO/IEC 27001:2013 to safeguard against any malicious threat of gaining access to the Company’s computer system.

Mitigation

The Company maintains a well-established IT governance structure. In an attempt to avoid risk of data loss, the Company maintains a separate back-up at an off-site location.

During the period under review, the ISO 27001: 2005 certification was renewed to the new standard ISO 27001: 2013. These process changes will be more aligned with the principles and guidance given in ISO 31000 (risk management).

Password and access control policies have been implemented to authenticate the user access and necessary validation and verification functions are activated at the information entry level. The Company has installed a fire protection-GSM controller and smoke detectors for heat detection at the server rooms and UPS rooms. Also, biometric controls have been installed for the entrances of the ICT department premises at the head office and have provided 24-hour security to the disaster recovery site. Logical controls such as Unified Threat

Management and Sophos Endpoint Security and Control, IP-VAN are also implemented. During the period under review, data links in the branches were further strengthened to ensure continuous and quality service to the customers.

Disaster Recovery Plan (DRP)

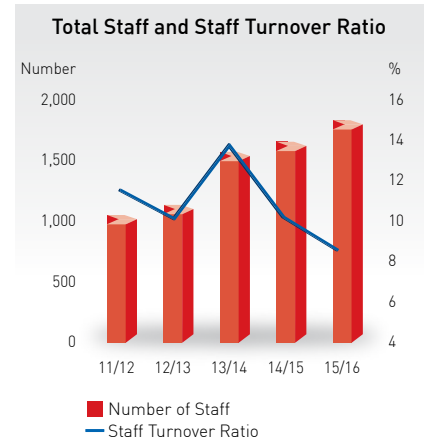
The DRP mainly focuses on the technical environment and it describes how the continuity of IT systems will be achieved in a disaster. A disaster recovery site has been established in a separate geographical area which has capabilities to continue operations in the event the primary site becomes unavailable. The disaster recovery site and other facilities are compliant with the ISO 27001:2013 Information Security Management System Standard and it is annually reviewed and audited by external auditors (DNV).

Human Resources Related Risk

Employees’ talent, knowledge and experience underscore the organisational success. In a competitive business backdrop, hiring qualified and experienced candidates and retaining top performers with high level of skills within the organisation is a challenging task. The turnover of trained and skilled staff especially the higher/middle management staff will lead to deterioration in the competency of the Company and deliverable productivity.

Assessment

This is assessed based on the qualifications and skills possessed by the staff and the annual staff turnover ratio. The effectiveness of the performance appraisal system and employee morale and motivation are taken into account in assessing this risk profile.



Mitigation

Talent Sustainability

Refer: Human Capital, Pages 82 to 94

Our focus is on talent sustainability—where we seek to attract, develop, and retain employees with the capabilities and commitment needed for current and future organisational success. The talent sustainability entails recruiting skilled employees; rewards and recognition; executive commitment and engagement; learning and development and performance management. The Company conducts performance appraisals bi-annually and pays bonuses/incentives based on performance merits.

Lack of effective training on identified talent areas has a negative impact on talent sustainability. Therefore, the Company is focused on meeting training needs that are required to retain high performing employees within the organisation and ensure sustainable growth. Accordingly, as an integral part of continuous improvement, employees are provided with in-house or external training for their career development.

RISK MANAGEMENT

Working Environment

Steering the Company towards performance, we are committed to create a working environment where employees can collaborate to meet their targets, both individually and collectively as a team. Premier Awards as discussed above promotes and recognises outstanding performance and commitment of staff including the marketing and recovery officers at the branch level and at the head office.

The Company always recognises employees with potential to formulate a management succession plan and provide them with financial assistance for their higher studies as a capacity building measure. All staff members are free to meet their senior managers at any time, in discussing their work related matters or address their grievances.

Employee Health & Safety

PLC has identified the importance of health and safety concerns of employees as a part of people risk. Health and safety awareness programmes are conducted periodically, addressing health issues ranging from work related stress, working patterns with computers and safety measures such as awareness on occupational accidents and work place safety. The Company has established required safety measures to minimise work related injuries.

Fraud Risk

As a part of operational risk, fraud risk arises due to weaknesses in the internal controls, which could result in financial losses. Any bottleneck within operations could create an opportunity for malpractices. Therefore, regular and consistent reviews are warranted to avoid fraud risk including a future occurrence or repetition.

Assessment

Refer: Director's Statement on Internal Control Over Financial Reporting, Page 239.

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

Mitigation

Internal Controls

Internal audits are carried out to check the effectiveness of the internal control framework of the Company. As the outcome of audits, they can determine the adequacy of existing controls to prevent or detect operational risks. The internal auditors conduct audits on a regular basis in the areas which are susceptible to the occurrence of fraud.

Authority and approval limits are implemented for all functions of the Company including for payment approval and thus, making employees accountable for their actions. The Company ensures the appropriate segregation of duties to prevent a single person being allowed to carry out a given process from the beginning to the end; thus, prevent fraudulent practices.

Anti-fraud Culture

The anti-fraud culture and code of ethics govern the behavior of employees. Improving the awareness on the code of ethics, Company's policies including risk management practices are highly sought after to inculcate integrity and professionalism within the workplace. All key functions are subject to the scrutiny of another suitably skilled and authorised employee. As per the Company's HR Policy, employees with high level of integrity are recruited. The management takes appropriate measures to rotate staff in an attempt to discourage malpractices. If and when frauds are detected, immediate remedial disciplinary action is taken with zero tolerance standpoint.

Whistle Blower Policy

Employees are encouraged to report on their concerns regarding fraud and mis-conduct through the whistleblower link—which is also included in the PLC intranet—whilst the anonymity of the whistleblower is strictly maintained.

Compliance and Regulatory Risk

Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Company. Non-compliance could lead to sanctions by regulatory bodies,

penalties and reputational damage, which could have a material adverse effect on the Company's operations and financial conditions or could even lead to the discontinuation of operations. This could adversely impact the operations, good reputation, financial performance and position and future prospects. Regulators may also tighten the supervision over the Company's compliance on laws and regulations, particularly in the areas of funding, liquidity, capital adequacy and prudential regulations.

Assessment

Refer: Compliance Management, Pages 212 to 213

In evaluating compliance risk, timely reviews are carried out to assess the extent of compliance with the regulations applicable to the Company. The management and the Compliance Officer consistently review the changes in the regulatory environment to ensure compliance with all applicable rules, regulations and directives. In order to ensure that the required weekly reports are duly submitted, all computations are carried out on a daily basis and reviewed by the Compliance Officer before submission to the Central Bank of Sri Lanka and to other regulatory bodies.

Mitigation

A dedicated officer is designated as the Compliance Officer to oversee the compliance status of the Company with the relevant rules, regulations and directions set by the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka, The Companies Act and other relevant agencies. The Compliance Officer reviews the changes in regulations and takes necessary action to ensure that the Company is in compliance with the regulatory requirements. A sound regulatory monitoring mechanism is adopted to monitor reporting and compliance with all mandatory reporting requirements, with the intention of establishing a fully compliant corporate governance and risk mitigating culture. In addition, the Compliance Officer reports to the IRMC on a quarterly

basis. The Audit Committee is also held responsible for the compliance with regulations and the risk based practices. Moreover, the Company also consults and obtains advice and opinions from experts and specialists on the current rules and regulations, including issues relating to taxation.

Legal Risk

Legal risk can be defined as the risk of loss due to non-enforceability of contracts or documents. PLC's legal risks arises from inadequate legal documentation of securities, penalties, fines, claims or customers filing law suits against the Company.

Assessment

The Legal department prepares monthly management information reports for the management's review. The department also reports to the risk department on unenforceability of contracts due to incomplete documentation, any penalties and fines paid, details of law suits against the Company. This information is monitored by the risk department.

Mitigation

Legal risks faced by the Company are managed by the legal department. The legal department consists of experienced lawyers with the capability of handling legal issues. Required third party consultations are also obtained, whenever required, in order to mitigate any legal risk exposed by the Company.

OTHER RISKS

REPUTATIONAL RISK

Reputational risk is an event or incident that could adversely impact on the corporate brand. Reputation is always linked to how the Company operations are carried out. But the negative impact of risk seems low for PLC as it has a superior record of a decade being the market leader and the most preferred financial service provider and also the flagship subsidiary of People's Bank.

Assessment

Refer: Intellectual Capital, Pages 116 to 121

Relationship Capital – Customer, Pages 54 to 68

Corporate Governance, Pages 148 to 198

The SMC plays a major role in assessing reputational risk of the Company. The Committee members are competent and well experienced to know how different business activities would impact the stakeholders' perception of the Company and thereby, the reputation. The SMC determines the adequacy and effectiveness of action to reduce potential impacts in such instances.

Customers can forward their grievances by informing branches, calling the hotline number or through formal correspondence. Significant customer grievances are escalated from branch level to the branch operations department. An in-depth study is carried out on each grievance, liaising with the respective branch.

The ICT department monitors the data link connection between the head office and the branches on a daily basis to ensure the continuous online real-time operations. A summary report on data link breakdowns is forwarded to the IRMC on a quarterly basis for their review. PLC's whistle-blower policy enables employees to inform any malpractices anonymously and information will be directly reported to the BAC.

Being the largest non-bank financial Institution, PLC has been able to manage its reputational risk successfully which is evident from awards and local and international ratings conferred on the Company.

Mitigation

Understanding Risk Interdependency

Effective management of key risks such as credit, market and operational reduces the reputational risk that PLC is exposed to. Most importantly, risks arising at operational level can have significant impacts on the Company's reputation. Therefore, careful handling

of operational matters is vital. Customer grievance handling procedure of PLC ensures that all grievances are reported and addressed immediately.

Code of Conduct and Ethics

As a part of the corporate governance process, the employee code of conduct and code ethics are in place and it is expected to be followed by all employees. Necessary processes support all employees to comply with internal policies and procedures of the Company.

Service Excellence

The Company motto emphasizes on delivery excellence to reach beyond the promise. Therefore, the Company manages its reputational risk by promoting strong corporate governance including risk management practices at all levels of the organisation to improve the reputation of the Company.

Corporate Communication

PLC ensures that the regular communication takes place with key stakeholders through the official website and in the form of financial reports etc.

CSR Initiatives

The Company promotes corporate social responsibility (CSR) initiatives as part of the corporate strategy. Ethical business practices and commitment to the local community and the environment are part-and-parcel of the operations. CSR initiatives on waste management, environmental sustainability, enterprise development, education upliftment, road safety and other community projects are carried out through the islandwide branch network. The Company also maintains its media presence to improve its brand visibility.

SOCIO-ECONOMIC AND POLITICAL RISK

Socio-economic and political factors have a direct impact on the operational and investment activities of the Company. This is more pronounced as PLC is a flagship subsidiary of the People's Bank, a state owned entity.

RISK MANAGEMENT

Assessment

Socio-economic and political risks are assessed based on the possible changes in the regulatory requirements, trends in inflation, monetary policy, exchange rate movement and taxation. Reports and policy guidelines issued by the Central Bank of Sri Lanka, combined with other economic reports are reviewed periodically to identify the opportunities in the market and to safeguard the Company in advance from possible risk elements.

The severity of the socio-economic and political variables is evaluated during the corporate planning sessions on an annual basis. The management is keen on improving the awareness of macroeconomic changes in order to take timely action on emerging opportunities.

Mitigation

We carry out the PEST analysis and closely monitor the changes in the macro environment. PEST analysis supports us to identify any emerging risks as well as opportunities arising

from the external environment. It helps to identify changes required to the Company's product and processes to mitigate any risk or capture the opportunities.

In the case of any changes in the economic and political parameters, the related issues and concerns are discussed at the SMC level in order to formulate a suitable strategy in response to these changes.

RISK OF UNFORESEEN EVENT

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

Assessment

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

Mitigation

The Company lays much emphasis on the Business Continuity Plan (BCP) to ensure the smooth flow of operations including ICT disaster recovery plan. Please refer Page 228 for more details on the Business Continuity Planning.

GROUP RISK

Group risk relates to the loss (financial or non-financial) incurred by PLC through its wholly owned subsidiaries and associates. There are five subsidiaries and one associate company, People's Merchant Finance PLC with a 37.06 percent stake.

Assessment

Group risks are reviewed by the IRMC through risk dash-board reports and other reports submitted by the subsidiary companies. The representatives from each of the subsidiary company participate at the IRMC meetings which are held on a quarterly basis.

Group Risk Review				
Company	Relationship	Business Operations	Reports submitted to IRMC	Reporting Interval
People's Insurance PLC	Subsidiary	Non-life (general) insurance business	Risk dash-board report and comparison report	Quarterly
People's Leasing Fleet Management Limited	Wholly owned subsidiary	Operating leases, Valuation services, Vehicle service facilities, rent-a-car unit, Fleet Management unit	Risk dash-board report	Quarterly
People's Microfinance Limited	Wholly owned subsidiary	Providing microfinance facilities to the under privileged, rural and urban population and providing hire purchase facilities	Risk dash-board report	Quarterly
People's Leasing Property Development Limited	Wholly owned subsidiary	Property development	Risk indicator report	Quarterly
People's Leasing Havelock Properties Limited	Wholly owned subsidiary	Property development	Brief on operations	Quarterly
People's Merchant Finance PLC	Associate	Finance business	Minutes of risk meetings held	Quarterly

RM Table - 6

People's Leasing Havelock Properties Ltd commenced its construction project of a new office complex in Havelock city. Risk factors relating to the construction project are comprehensively discussed at the SMC and a briefing is provided to the IRMC.

People's Insurance PLC was listed on the Colombo Stock Exchange in January 2016. The risk dash-board report of the Company was updated including new regulatory compliance requirements of the Insurance Board of Sri Lanka related to the risk based capital regime. The Committee reviews its compliance status on a quarterly basis.

During the year under review, People's Merchant Finance PLC's risk management function including the Risk Management Committee was restructured. The Company submits minutes of the meetings held to the IRMC on a quarterly basis.

In addition to the separate reports mentioned above, common key risk indicators are also presented wherever possible, in PLC's risk dash-board report to give a rounded understanding on the Group to the IRMC.

Mitigation

Risk profile of each subsidiary is different as they are operating in different industries with different business models. Therefore, risks should be assessed and mitigated separately. People's Insurance PLC is the largest subsidiary by size which is regulated by the Insurance Board of Sri Lanka.

Two deputy general managers of branch operations have been appointed to oversee People's Microfinance Ltd and People's Leasing Fleet Management Ltd. CEO of PLC represents the Boards of all subsidiary companies. DGM - Finance and Administration who is a member of PLC's IRMC, acts as the Acting CEO of People's Merchant Finance PLC and also represents the Company's Risk Committee. This ensures full and sufficient knowledge of subsidiaries' operations and risk profiles. All inter-company transactions are carried out at

arms-length. The PLC is the holding company and owns the largest balance sheet. i.e. over 90 percent of the total assets and liabilities of the Group.

PLC ensures its awareness on changes in the business environment in finance, insurance, microfinance and property development industries in mitigating the group risk.

WAY FORWARD

We are well aware of the necessity to be committed to risk management to ensure continued success in our corporate journey in the years ahead. PLC will give precedence to effective risk policies and measures to adopt and proactively respond to the on-going changing status-quo within the non-bank financial arena.

Synopsis - Risk Management Measures & Future Plans		
Element	Progress to date	Way forward
Stress Testing Framework	<ul style="list-style-type: none"> Stress testing framework has been adopted with a Board approved stress testing policy. Stress testing is performed for credit risk, market and liquidity risk on a quarterly basis. 	<ul style="list-style-type: none"> Development of management information system enabling to perform stress tests for various scenarios.
Business Continuity Plan	<ul style="list-style-type: none"> Comprehensive Business Continuity Plan (BCP) is being developed in consultation with M/s Somaratna Consultants (Pvt) Limited. Action plans to minimize vulnerabilities are executed and monitored by IRMC. 	<ul style="list-style-type: none"> Development of the BCP with recovery strategies. Conduct training sessions and drills. Conduct annual BCP review.
Integrated Risk Management Operating Committee (IRMOC)	<ul style="list-style-type: none"> IRMOC acts as the BCP Steering Committee to review Risk Assessment, Business Impact Analysis reports submitted. 	<ul style="list-style-type: none"> Strengthen the role of IRMC in relation to BCP.
Risk Reports	<ul style="list-style-type: none"> Risk dash-board report of PLC was updated with the risk tolerance levels approved by the Board. Additional reports related to risks were made available for IRMC's review. 	<ul style="list-style-type: none"> Review and update the risk dash-board report to be more responsive to business growth and to introduce more stringent controls to mitigate risks prevailing in the business.
Risk Awareness	<ul style="list-style-type: none"> Risk department submitted reports to the IRMC and management to initiate a dialogue to meet emerging risk. 	<ul style="list-style-type: none"> Continuous monitoring of identified risks and submit status report at regular intervals.

RM Table - 7

**OUR INVINCIBLE
SPIRIT WAS
INCULCATED
20 YEARS AGO AND
OUR ACCOLADES
HAVE PAVED
THE WAY TO
OUR SUCCESS.**



COMPANY PROFITS TOP OVER
RS. 4 BILLION FOR THE FIRST TIME



SECTOR GOLD AWARD FOR THE
BEST ANNUAL REPORT FOR THE 8TH
CONSECUTIVE YEAR



PLC SETS A NEW NBFI SECTOR
RECORD WITH OVER RS. 8 BILLION
MONTHLY DISBURSEMENTS



IN A SPAN OF 20 YEARS, WE HAVE SET THE PLATFORM FOR SUCCESS AND ETCHED OUR PRESENCE AS A TOP-NOTCH CORPORATE IN THE FINANCIAL SERVICES SECTOR. WE ARE NOW WELL PREPARED TO STEER AHEAD, TRANSCENDING THE CHALLENGES THAT MAY UNFOLD IN A DIFFICULT MARKETPLACE. WE ARE COMMITTED TO DO WHAT IT TAKES—BE DISCIPLINED IN CAPITAL MANAGEMENT AND ENSURE SUSTAINABILITY IN CREATING AND SHARING VALUE WITH OUR STAKEHOLDERS.



FINANCIAL INFORMATION

“DETAILS OUR FINANCIAL ACTIVITIES IN A STRUCTURED AND CLEAR MANNER FOR BETTER UNDERSTANDING OF THE FINANCIAL STABILITY OF THE COMPANY.”

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FINANCIAL CALENDAR

2015/2016

Authorisation of issue of financial statements for the year ended 31st March 2015	29-Apr-15
Publication of interim financial statements for the quarter ended 31st March 2015	29-Apr-15
Publication of Annual Report for the financial year ended 31st March 2015	05-Jun-15
19th Annual General Meeting of the Company	30-Jun-15
Payment of final dividend of Rs 0.50 per share for the financial year ended 31st March 2015	10-Jul-15
Appointment of People's Leasing & Finance PLC as the Managing Agent of People's Merchant Finance PLC	14-Jul-15
Publication of interim financial statements for the quarter ended 30th June 2015	07-Aug-15
Publication of interim financial statements for the quarter ended 30th September 2015	20-Oct-15
Issue of listed debenture to raise Rs. 4.0 billion with an option to raise further Rs. 2.0 billion	05-Nov-15
Allotment of Debentures- 2015	13-Nov-15
Listing of Debenture- 2015	20-Nov-15
Announcement of principle approval for listing of 200,000,000 shares of People's Insurance in the Colombo Stock Exchange	20-Nov-15
Payment of interim dividend of Rs 0.75 per share for the financial year ended 31st March 2016	07-Jan-16
Publication of interim financial statements for the quarter ended 31st December 2015	29-Jan-16

2016/2017

Publication of interim financial statements for the quarter ended 31st March 2016	27-Apr-16
20th Annual General Meeting of the Company	29-Jun-16
Approval of final dividend of Rs 0.50 per share for the financial year ended 31st March 2016	29-Jun-16
Publication of Annual Report for the financial year ended 31st March 2016 to be released on or before	03-Jun-16

Publication of Interim Financial Statements

Publication of Interim Financial Statements (Unaudited) for the quarter ending 30th June 2016 to be released on or before	15-Aug-16
Publication of Interim Financial Statements (Unaudited) for the quarter ending 30th September 2016 to be released on or before	15-Nov-16
Publication of Interim Financial Statements (Unaudited) for the quarter ending 31st December 2016 to be released on or before	15-Feb-17

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors, in relation to the Financial Statements of the Company and its subsidiaries (Group) in accordance with the provisions of the Companies Act No. 7 of 2007 is set out in this statement.

The Directors confirm that the Financial Statements of the Company and Group give a true and fair view of the financial position as at 31st March 2016 and the financial performance for the financial year then ended and place the same before the Annual General Meeting.

These Financial Statements comprise of:

- Statement of Financial Position
- Statement of Profit or Loss
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash flows
- Notes to the Financial Statements

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

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

The Directors of the Company and the Group have responsibility for ensuring that the Company and the Group keeps proper books of accounts of all the transactions as per sections 150 (1), 151, 152 and 153(1) & (2) of the Companies Act No. 7 of 2007,

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

The Financial Statements of the Company and the Group have been certified by the Company's Chief Financial Officer and Chief Executive Officer, officers responsible for their preparation as required by the section 150 (1) (b) and 152 (1) (b) of the Companies Act. In addition, the Financial Statements of the Company and the Group have been signed by two Directors on Date 18th May 2016 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements.

In compliance with section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of Financial Statements, in accordance with the Companies Act and further enabling the Financial Statements to be readily and properly audited.

The Financial Statements for the year 2015/16 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards (SLFRS), Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereto, the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company and Group and in this regard to give proper consideration to the establishment of appropriate internal control systems in managing significant risks in the Company and Group.

As required under Section 56 (2) of the Companies Act. No. 7 of 2007 the Board of Directors wish to confirm that, they have authorised the distribution of the interim dividend paid in January 2016

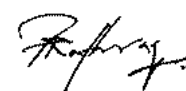
as well as the proposed final dividend after being satisfied the solvency test immediately after such distributions are made in accordance with section 57 of the Companies Act No. 7 of 2007 and have obtained in respect of dividends paid and proposed in respect of which approval is now sought, certificates of solvency from External Auditors.

The Board of Directors also wish to confirm that as required under sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable relating to employees of the Company and the Group, and the Government and other statutory bodies that were due in respect of the Company and its subsidiaries as at the reporting date have been paid or, where relevant provided for.

By order of the Board



Rohan Pathirage
Secretary to the Board

18th May 2016
Colombo

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the section 10 (2) (b) of the Finance Companies Direction No. 3 of 2008 as amended by the Direction No. 6 of 2013, the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at People's Leasing & Finance PLC. ("Company").

The Board has established an on going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is in the process of continuously enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS, progressive improvements on processes to comply with requirements of recognition, measurement, classification

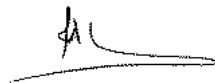
and disclosure were made whilst further strengthening of processes namely review of disclosures with regard to financial risk management, fair value, impairment, Related Party transactions and management information are being progressively improved. The assessment did not include subsidiaries of the Company.

CONFIRMATION

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

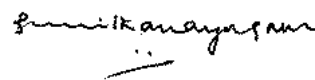
The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.



J. P. Amarathunga
Chairman – Board Audit Committee



Hemasiri Fernando
Chairman



M. P. Amirthanayagam
Deputy Chairman

18th May 2016
Colombo

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of People's Leasing & Finance PLC (the Company) and the Consolidated Financial Statement of the Company and its subsidiaries (the Group) as at 31st March 2016 are prepared and presented in conformity with the following requirements;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007,
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995,
- Directions issued to Finance Companies by the Central Bank of Sri Lanka (CBSL) under the Finance Business Act No. 42 of 2011,
- Listing Rules of the Colombo Stock Exchange, and
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka. The Group on a quarterly basis presents financial results to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with External Auditors and the Board Audit Committee.

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

the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. We also confirm that the Group has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.

To ensure this, the Company and the Group has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The internal audit department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control systems and procedures, the quality of accounting policies and their adherence to statutory and regulatory requirements, the external audit plan and the management letters and also followed up on any issues raised during the statutory audit, the details of which are given in the "Board Audit Committee Report" on pages 204 and 205 of this Annual Report.

The Financial Statements of the Company and the Group were audited by Messrs Ernst & Young Chartered Accountants and their report is given on page 241 of this Annual Report.

We confirm that;

- the Group has complied with all applicable laws, regulations and prudential requirements, there is no material non compliance

- there are no material litigations that are pending against the Group other than those disclosed in Note 45 of the Financial Statements of this Annual Report,
- All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group as at 31st March 2016 have been paid, or where relevant provided for.

D.P. Kumara
Chief Executive Officer

Sanjeewa Bandaranayake
Chief Financial Officer

18th May 2016
Colombo

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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eysl@k.ey.com
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TO THE SHAREHOLDERS OF PEOPLE'S LEASING & FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of People's Leasing & Finance PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss and statement of comprehensive income, statements of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 243 to 331 of the annual report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial

statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- (a) The basis of opinion, scope and limitations of the audit are as stated above.

(b) In our opinion:

- ▶ We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- ▶ The financial statements of the Company give a true and fair view of its financial position as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- ▶ The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

18 May 2016
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

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STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Page No.	Company			Group		
			2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Income	4	256	19,186,228	20,541,628	(6.60)	22,579,702	23,578,871	(4.24)
Interest income			17,876,083	19,247,619	(7.13)	18,301,167	19,595,091	(6.60)
Less: Interest expenses			7,941,063	9,247,594	(14.13)	8,006,050	9,350,272	(14.38)
Net interest income	5	256	9,935,020	10,000,025	(0.65)	10,295,117	10,244,819	0.49
Net earned premium	6	257	-	-	-	3,283,171	2,949,902	11.30
Fee and commission income	7	257	952,351	874,034	8.96	528,304	576,592	(8.37)
Net trading income	8	258	[40,355]	57,985	(169.60)	[71,903]	120,741	(159.55)
Other operating income	9	258	398,149	361,990	9.99	538,963	336,545	60.15
Total operating income			11,245,165	11,294,034	(0.43)	14,573,652	14,228,599	2.43
Less: Impairment charges for loans and receivables and other losses	10	259	258,350	1,644,876	(84.29)	290,703	1,670,681	(82.60)
Net operating income			10,986,815	9,649,158	13.86	14,282,949	12,557,918	13.74
Less:								
Personnel expenses	11	259	1,807,017	1,565,226	15.45	2,070,552	1,802,013	14.90
Depreciation of property, plant and equipment	28	283	197,097	201,261	(2.07)	280,493	280,116	0.13
Amortisation of intangible assets	29	287	13,127	15,807	(16.95)	17,817	18,804	(5.25)
Benefits, claims and underwriting expenditure	12	260	-	-	-	2,249,778	2,120,331	6.11
Other operating expenses	13	260	2,280,450	2,129,180	7.10	2,361,268	2,077,112	13.68
Total operating expenses			4,297,691	3,911,474	9.87	6,979,908	6,298,376	10.82
Operating profit before value added tax (VAT) on financial services			6,689,124	5,737,684	16.58	7,303,041	6,259,542	16.67
Less :Value added tax (VAT) on financial services			546,036	362,571	50.60	559,964	372,121	50.48
Operating profit after value added tax (VAT) on financial services			6,143,088	5,375,113	14.29	6,743,077	5,887,421	14.53
Share of loss of an associate (net of tax)	26.2	280	-	-	-	[36,170]	-	-
Profit before income tax			6,143,088	5,375,113	14.29	6,706,907	5,887,421	13.92
Less : Income tax expense	14	261	1,795,734	1,622,153	10.70	1,965,361	1,785,879	10.05
Profit for the year			4,347,354	3,752,960	15.84	4,741,546	4,101,542	15.60
Profit attributable to								
Equity holders of the Company			4,347,354	3,752,960	15.84	4,708,130	4,101,542	14.79
Non controlling interests			-	-	-	33,416	-	-
Profit for the year			4,347,354	3,752,960	15.84	4,741,546	4,101,542	15.60
Earnings per Share								
Basic earnings per share (Rs.)	15	263				2.98	2.60	14.79
Dividend per ordinary share (Rs.)	16	263	1.25	1.25	-			

The above Statement of Profit or Loss should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 249 to 331.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Page No.	2016 Rs. '000	Company 2015 Rs. '000	Change %	2016 Rs. '000	Group 2015 Rs. '000	Change %
Profit for the year			4,347,354	3,752,960	15.84	4,741,546	4,101,542	15.60
Other comprehensive income/(expenses)								
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>								
Cash flow hedges								
Gains/(losses) on derivative financial investments			(6,971)	6,318	(210.34)	(6,971)	6,318	(210.34)
Financial assets - Available-for-sale								
Gains/(losses) on re-measuring	23.2	276	50,316	155,131	(67.57)	32,855	154,040	(78.67)
Recycling to Statement of Profit or Loss	23.2	276	(24,565)	-	-	(24,565)	-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods			18,780	161,449	(88.37)	1,319	160,358	(99.18)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>								
Actuarial gains and losses								
on retirement benefit obligation	39.1.3	297	(26,951)	375	(7,286.93)	(26,893)	(23)	116,826.09
Deferred tax effect on above	14.2	262	7,546	(105)	(7,286.67)	6,968	69	9,998.55
Deemed cost adjustment on transfers			7,302	-	-	-	-	-
Deferred tax effect on above	14.2	262	(2,045)	-	-	-	-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods			(14,148)	270	(5,340.00)	(19,925)	46	(43,415.22)
Other comprehensive income for the year, net of tax			4,632	161,719	(97.14)	(18,606)	160,404	(111.60)
Total comprehensive income for the year			4,351,986	3,914,679	11.17	4,722,940	4,261,946	10.82
Attributable to:								
Equity holders of the Company			4,351,986	3,914,679	11.17	4,727,319	4,261,946	10.92
Non controlling interests			-	-	-	(4,379)	-	-
			4,351,986	3,914,679	11.17	4,722,940	4,261,946	10.82

The above Statement of Comprehensive Income should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 249 to 331.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Page No.	Company			Group		
			2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Assets								
Cash and cash equivalents	18	266	3,206,733	3,139,139	2.15	3,555,643	3,413,951	4.15
Balances with banks & financial institutions	19	266	847,448	326,321	159.70	2,543,016	1,830,668	38.91
Financial assets - Held-for-trading	20	266	211,651	196,193	7.88	527,438	503,268	4.80
Loans and receivables	21	268	109,872,415	98,411,195	11.65	111,156,437	97,996,856	13.43
Insurance and reinsurance receivables	22	274	-	-	-	206,303	187,300	10.15
Financial assets - Available-for-sale	23	275	500,357	939,199	(46.73)	1,739,956	2,043,342	(14.85)
Financial assets - Held-to-maturity	24	276	4,930,236	5,266,407	(6.38)	4,930,236	5,266,407	(6.38)
Investments in subsidiaries	25	277	1,875,000	1,875,000	-	-	-	-
Investments in associates	26	279	586,427	-	-	550,257	-	-
Investment property	27	280	90,752	-	-	-	-	-
Property, plant and equipment	28	282	1,120,600	1,108,681	1.08	4,209,533	3,804,706	10.64
Goodwill and intangible assets	29	286	329,963	337,647	(2.28)	333,175	345,641	(3.61)
Other assets	30	287	764,066	723,197	5.65	1,334,274	1,768,840	(24.57)
Total assets			124,335,648	112,322,979	10.69	131,086,268	117,160,979	11.89
Liabilities								
Due to banks	31	288	26,431,628	21,228,600	24.51	28,059,677	22,391,144	25.32
Due to customers	32	289	33,836,428	34,093,762	(0.75)	33,677,260	34,001,411	(0.95)
Debt securities issued	33	289	34,387,677	28,619,004	20.16	34,283,621	28,514,996	20.23
Other financial liabilities	34	290	2,730,484	3,234,445	(15.58)	2,888,399	3,165,912	(8.77)
Derivative financial instruments	35	290	-	92,193	(100.00)	-	92,193	(100.00)
Insurance liabilities and reinsurance payable	36	292	-	-	-	3,181,588	2,894,358	9.92
Current tax liabilities	37	293	937,999	550,042	70.53	1,017,694	618,198	64.62
Deferred tax liabilities	38	294	1,821,897	1,949,490	(6.54)	1,840,724	1,976,418	(6.87)
Other liabilities	39	295	1,417,667	1,419,655	(0.14)	1,467,033	1,453,490	0.93
Total liabilities			101,563,780	91,187,191	11.38	106,415,996	95,108,120	11.89
Equity								
Capital	40	297	13,136,073	12,936,073	1.55	13,136,073	12,936,073	1.55
Statutory reserve fund	41	298	1,421,483	1,204,116	18.05	1,421,483	1,204,116	18.05
Retained earnings	42	298	7,682,230	6,489,599	18.38	8,600,098	7,403,781	16.16
Other reserves	43	299	532,082	506,000	5.15	509,575	508,889	0.13
Total shareholders' equity			22,771,868	21,135,788	7.74	23,667,229	22,052,859	7.32
Non -controlling interest	44	300	-	-	-	1,003,043	-	-
Total equity			22,771,868	21,135,788	7.74	24,670,272	22,052,859	11.87
Total liabilities and equity			124,335,648	112,322,979	10.69	131,086,268	117,160,979	11.89
Contingent liabilities and commitments	45	300	2,351,810	4,400,063	(46.55)	2,950,490	5,308,209	(44.42)
Net asset value per share (Rs.)			14.41	13.38	7.70	14.98	13.96	7.31

We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Sanjeewa Bandaranayake
Chief Financial Officer

D.P. Kumarage
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board by:

Hemasiri Fernando
Chairman

M.P. Amirthanayagam
Deputy Chairman

The above Statement of Financial Position should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 249 to 331.

18th May 2016
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2016
COMPANY

	Capital Rs.'000	Reserve Fund Rs.'000	General Reserves Rs.'000	Tax Equalisation Rs.'000	Other Reserves			Cash Flow Hedge Reserve Rs.'000	Retained Earnings Rs.'000	Total Equity Rs.'000
					Investment Fund Rs.'000	Revaluation Reserve Rs.'000	Available for Sale Reserve Rs.'000			
Balance as at 01.04.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	-	653	4,001,931	19,195,936	
Total comprehensive income for the year										
Profit/(loss) for the year	-	-	-	-	-	-	-	3,752,960	3,752,960	
Other comprehensive income (net of tax)	-	-	-	-	-	155,131	6,318	270	161,719	
Total comprehensive income for the year						155,131	6,318	3,753,230	3,914,679	
Transactions with equity holders, recognised directly in equity										
Transfer from preference shares on redemption	200,000	-	-	-	-	-	-	(200,000)	-	
Transfers to reserves	-	187,649	-	-	78,909	-	-	(266,568)	-	
Transfers from reserves to retained earning	-	-	-	-	(1,175,823)	-	-	1,175,823	-	
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)	
Total transactions with equity holders	200,000	187,649	-	-	(1,096,914)	-	-	(1,265,562)	(1,974,827)	
Balance as at 31.03.2015	12,936,073	1,204,116	300,000	100,000	-	99,029	6,971	6,489,599	21,135,788	
Balance as at 01.04.2015	12,936,073	1,204,116	300,000	100,000	-	99,029	6,971	6,489,599	21,135,788	
Super gain tax paid (Note 37.1)	-	-	-	-	-	-	-	(741,079)	(741,079)	
Balance after super gain tax	12,936,073	1,204,116	300,000	100,000	-	99,029	6,971	5,748,520	20,394,709	
Total comprehensive income for the year										
Profit/(loss) for the year	-	-	-	-	-	-	-	4,347,354	4,347,354	
Other comprehensive income (net of tax)	-	-	-	-	-	7,302	(6,971)	(21,450)	4,632	
Total comprehensive income for the year						7,302	(6,971)	4,325,904	4,351,986	
Transactions with equity holders, recognised directly in equity										
Transfer from preference shares on redemption	200,000	-	-	-	-	-	-	(200,000)	-	
Transfers to reserves	-	217,367	-	-	-	-	-	(217,367)	-	
Transfers from reserves to retained earning	-	-	-	-	-	-	-	-	-	
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)	
Total transactions with equity holders	200,000	217,367	-	-	-	-	-	(2,392,194)	(1,974,827)	
Balance as at 31.03.2016	13,136,073	1,421,483	300,000	100,000	-	7,302	124,780	7,682,230	22,771,868	

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 249 to 331.

For the year ended 31st March 2016
GROUP

	Other Reserves							Non-controlling Interest Rs. '000	Total Equity Rs. '000
	Capital Rs. '000	Reserve Fund Rs. '000	General Reserves Rs. '000	Tax Investment Fund Rs. '000	Available for Sale Reserve Rs. '000	Cash Flow Hedge Reserve Rs. '000	Retained Earnings Rs. '000		
Balance as at 01.04.2014	12,736,073	1,016,467	300,000	100,000	(52,122)	653	4,569,825	19,767,810	19,767,810
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	-	4,101,542	4,101,542	4,101,542
Other comprehensive income (net of tax)	-	-	-	-	154,040	6,318	46	160,404	160,404
Total comprehensive income for the year	-	-	-	-	154,040	6,318	4,101,588	4,261,946	4,261,946
Transactions with equity holders, recognised directly in equity									
Share issue expenses	-	-	-	-	-	-	(2,070)	(2,070)	(2,070)
Transfer from preference shares on redemption	200,000	-	-	-	-	-	(200,000)	-	-
Transfers to reserves	-	187,649	-	78,909	-	-	(266,558)	-	-
Transfers from reserves to retained earnings	-	-	-	(1,175,823)	-	-	1,175,823	-	-
Dividend paid	-	-	-	-	-	-	(1,974,827)	(1,974,827)	(1,974,827)
Total transactions with equity holders	200,000	187,649	-	(1,096,914)	-	-	(1,267,632)	(1,976,897)	(1,976,897)
Balance as at 31.03.2015	12,936,073	1,204,116	300,000	100,000	101,918	6,971	7,403,781	22,052,859	22,052,859
Balance as at 01.04.2015	12,936,073	1,204,116	300,000	100,000	101,918	6,971	7,403,781	22,052,859	22,052,859
Super gain tax paid (Note 37.1)	-	-	-	-	-	-	(857,634)	(857,634)	(857,634)
Balance after super gain tax	12,936,073	1,204,116	300,000	100,000	101,918	6,971	6,546,147	21,195,225	21,195,225
Movement due to change in ownership	-	-	-	-	(633)	-	(224,736)	(225,369)	974,006
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	-	4,708,130	4,708,130	4,741,546
Other comprehensive income (net of tax)	-	-	-	-	8,290	(6,971)	(19,925)	(18,606)	(4,379)
Total comprehensive income for the year	-	-	-	-	7,657	(6,971)	4,463,469	4,464,155	1,003,043
Transactions with equity holders, recognised directly in equity									
Share issue expenses	-	-	-	-	-	-	(17,324)	(17,324)	(17,324)
Transfer from preference shares on redemption	200,000	-	-	-	-	-	(200,000)	-	-
Transfers to reserves	-	217,367	-	-	-	-	(217,367)	-	-
Dividend paid	-	-	-	-	-	-	(1,974,827)	(1,974,827)	(1,974,827)
Total transactions with equity holders	200,000	217,367	-	-	-	-	(2,409,518)	(1,992,151)	(1,992,151)
Balance as at 31.03.2016	13,136,073	1,421,483	300,000	100,000	109,575	-	8,600,098	23,667,229	1,003,043
									24,670,272

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 249 to 331.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Page No.	Company		Group	
			2016 '000	2015 '000	2016 '000	2015 '000
Cash flows from operating activities						
Profit before tax			6,143,088	5,375,113	6,706,907	5,887,421
Adjustment for:						
Non-cash items included in profits before tax	46	302	552,501	1,793,819	708,498	1,841,730
Change in operating assets	47	302	(11,934,857)	(7,913,442)	(13,292,546)	(7,542,733)
Change in operating liabilities	48	303	(891,328)	(5,335,476)	(726,347)	(5,033,718)
Dividend income from investments			(168,729)	(224,611)	(49,048)	(29,075)
Gratuity paid	39.1	296	(6,252)	(5,308)	(6,786)	(5,413)
Income tax paid			(1,486,030)	(1,040,943)	(1,614,970)	(1,174,930)
Super gain tax paid			(741,079)	-	(857,634)	-
Net cash used in operating activities			(8,532,686)	(7,350,848)	(9,131,926)	(6,056,718)
Cash flows from investing activities						
Purchase of property, plant and equipment	28.1	283	(280,642)	(457,659)	(697,951)	(1,040,608)
Proceeds from the sale of property, plant and equipment			6,198	7,974	18,301	9,022
Purchase of intangible assets	29	287	(5,443)	(5,526)	(5,351)	(5,527)
Investment in associate			(285,436)	-	(285,436)	-
Dividends received from investments			168,729	224,611	49,048	29,075
Net cash used in investing activities			(396,594)	(230,600)	(921,389)	(1,008,038)
Cash flows from financing activities						
Net borrowings			11,330,805	1,436,564	11,456,300	1,031,120
Issue of shares			-	-	750,000	-
Share issue expenses			-	-	(17,324)	(2,070)
Dividend paid to shareholders			(1,974,827)	(1,974,827)	(1,974,827)	(1,974,827)
Redemption of preference shares			(200,000)	(200,000)	(200,000)	(200,000)
Net cash from/(used in) financing activities			9,155,978	(738,263)	10,014,149	(1,145,777)
Net increase/(decrease) in cash & cash equivalents			226,698	(8,319,711)	(39,166)	(8,210,533)
Cash and cash equivalents at the beginning of the year			2,979,584	11,299,295	3,218,414	11,428,947
Cash and cash equivalents at the end of the year			3,206,282	2,979,584	3,179,248	3,218,414
Cash and cash equivalents	18	266	3,206,733	3,139,139	3,555,643	3,413,951
Overdraft	31	288	(451)	(159,555)	(376,395)	(195,537)
			3,206,282	2,979,584	3,179,248	3,218,414

The above Statement of Cash Flows should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 249 to 331.

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 2nd 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 24th November 2011. The Company was re-registered under the Companies Act No. 7 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 31st March 2016 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its associate company.

Parent Entity & 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 as at 31st March 2016 is 1,834 (1,666 as at 31st March 2015).

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 and mobilisation of public deposits

Subsidiaries and Associate

Name of the Company	Principal activities	Country of incorporation	% equity interest	
			2016	2015
Subsidiaries				
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, operations of a service station and sale of vehicles.	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%	100%
People's Leasing Havelock Properties Limited	Construct and operate an office complex.	Sri Lanka	100%	100%
People's Microfinance Limited	Providing non-bank financial services to low income earners and micro enterprises.	Sri Lanka	100%	100%
Associate				
People's Merchant Finance PLC	Mobilisation of deposits, providing finance leases, hire purchase assets financing, term loans, real estate developments and related services.	Sri Lanka	37.06%	13.07%

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2016 and for the year then ended, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 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.

NOTES TO THE FINANCIAL STATEMENTS

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 (Refer pages 243 to 244);
- a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end (Refer page 245);
- a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group (Refer pages 246 to 247);
- 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 (Refer page 248); and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer pages 249 to 331).

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

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 on pages 238 and 245 respectively.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2016 (including comparatives) were approved and

authorised for issue on 18th May 2016 in accordance with the resolution of the Board of Directors on 18th May 2016.

2.4 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

Item	Basis of measurement	Note	Page No.
Financial Assets - Held-for-trading	Fair Value	20	266
Financial Assets - Available-for-sale	Fair Value	23	275
Investment Property	Fair Value	27	280
Derivative Financial Instruments	Fair Value	35	290
Retirement Benefit Obligation	Liability is recognised as the present value of the retirement benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	39.1	296

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 51 (Current/ non-current analysis). No adjustments have been made for inflationary factors affecting the Financial Statements.

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.

2.6 Functional and Presentation Currency

The financial statement of the Group and the Company are presented in Sri Lankan rupees (Rs.), which is the currency of the primary economic environment, in which the Group operates (Group functional currency).

2.7 Materiality & Aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on 'Presentation of Financial Statements'.

2.9 Statement of Cash Flows

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 Note 46 to 48 on pages 302 to 303.

2.10 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

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

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

Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore,

management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Impairment Losses on Loans and Receivables

Details of the 'impairment losses on loans and receivables' are given in Note 21.3 to the financial statements.

Impairment of Available-for-sale Assets

Details of the 'Impairment of available-for-sale assets' are given in Note 23 to the financial statements.

Useful Life Time of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful Life Time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 29 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 judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

Deferred Tax

Details of the 'deferred tax' are given in Note 38 to the financial statements.

Retirement Benefit Obligation

Details of the 'retirement benefit obligation' are given in Note 39.1 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.

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.

2.11 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's presentation the details of which are given in Note 55 to the Financial Statements.

3. GENERAL ACCOUNTING POLICIES

3.1 Basis of Consolidation

The consolidated financial statements comprise of financial statements of the Company, its subsidiaries and its associate company for the year ended 31st March 2016. The financial statements of the Company's subsidiaries and associate are prepared for the same reporting year except for People's Insurance PLC, a subsidiary of People's Leasing & Finance PLC, whose financial year ends on December 31st.

NOTES TO THE FINANCIAL STATEMENTS

3.1.1 Business Combination and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price

and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

3.1.2 Common Control Business Combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by the Institute of Chartered Accountants of Sri Lanka.

3.1.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee.

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 practices 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. Nonmonetary 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 Financial Instruments – Initial Recognition and Subsequent Measurement

3.3.1 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 and Company 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.

3.3.2 Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard- LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

3.3.3 Classification and Subsequent Measurement of Financial Assets

At inception a financial asset is classified under one of the following categories:

- i) Financial Assets at Fair value through profit or loss (FVTPL);
 - Financial Assets - Held-for-trading or
 - Financial Assets - Designated at fair value through profit or loss
- ii) Financial Assets - Loans and receivables (L&R);
- iii) Financial Assets - Held-to-maturity (HTM); or
- iv) Financial Assets - Available-for-sale (AFS).

The Company & Group determine the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Group's ability to hold.

The subsequent measurement of Financial Assets depends on their classification.

3.3.3.1 Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets Held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial Assets - Designated at Fair Value through Profit or Loss

The Group and Company designates financial assets at fair value through profit or loss in the following circumstances;

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair

value. Changes in fair value are recorded in 'net trading income'. Interest earned is accrued in 'interest income' using EIR while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

3.3.4 Classification and Subsequent Measurement of Financial Liabilities

At the inception the Group and Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- i) Financial liabilities at fair value through profit or loss (FVTPL)
 - Financial liabilities Held-for-trading
 - Financial liabilities designated at fair value through profit or loss
- ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in Statement of Profit or Loss.

Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instruments entered into by the Group and Company that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in the Statement of Profit or Loss.

3.3.4.2 Financial Liabilities at Amortised Cost

Financial Instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'due to customers', "debt securities issued" and 'other financial liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at 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.

The details of the Group's financial liabilities at amortised cost are shown in Note 17 and Pages 263 to 265 to the Financial Statements.

3.3.5 Reclassification of Financial Instruments

The Group does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Also the Group does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non-derivative financial assets out of the 'held-for-trading' category and into the 'available-for-sale', 'loans and receivables', or 'held-to-maturity' categories as permitted by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. In certain circumstances the Group is also permitted to reclassify

NOTES TO THE FINANCIAL STATEMENTS

financial assets out of the 'available-for-sale' category and into the 'loans and receivables', 'held-for-trading' or 'held-to-maturity' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to Statement of Profit or Loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Statement of Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held-for-trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group 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.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

3.3.6 Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset which have expired;
- The Group and Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash

flows in full without material delay to a third party under a 'pass-through' arrangement; and either;

- The Group and Company has transferred substantially all the risks and rewards of the asset; or
- The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is 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.

3.3.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKAS / SLFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.3.8 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 50.

3.4 Impairment of Non Financial Assets

The carrying amounts of the Group's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current

market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in Statement of Profit or Loss.

3.5 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.

3.6 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.

3.7 Fiduciary Assets

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these Financial Statements as they do not belong to the Company.

3.8 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2016.

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued, replaces the existing guidance in LKAS 39 - 'Financial Instruments : Recognition and Measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements as defined in LKAS 39.

SLFRS 9 will become effective on 01st January 2018. The impact on the implementation of the above standard has not been quantified yet. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Consolidated Financial Statements of the Group. In particular, an increase in the overall impairment allowance is expected due to the introduction of the expected credit loss model.

SLFRS 15 - Revenue from Contracts with Customers

The objective of this standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and

uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

Equity Method in Separate Financial Statements (Amendment to LKAS 27)

The amendments to LKAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate Financial Statements. The amendment is effective for annual reporting periods beginning on or after January 01, 2016.

The Group/Company is assessing the potential impact on its Consolidated Financial Statements resulting from the application of amended LKAS 27.

SLFRS 14 - Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. SLFRS 14 will become effective on 01st January 2016. Implementation of this Standard is not expected to have an impact on the Consolidated Financial Statements.

Amendments to existing Accounting Standards

Amendments to existing accounting standards with effect for a period beginning on or after 01st January 2016 as published by the Institute of Chartered Accountants of Sri Lanka are not expected to have an impact on the Consolidated Financial Statements of the Group.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11) – Effective date January 01, 2016.

Disclosure Initiative (Amendment to LKAS 1 – 'Presentation of Financial Statements') – Effective date January 01, 2016.

NOTES TO THE FINANCIAL STATEMENTS

4 INCOME

Accounting Policy

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and revenue can be reliably measured. The specific recognition criteria, for each type of income, given under the respective income notes.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Interest income	17,876,083	19,247,619	18,301,167	19,595,091
Net earned premium	-	-	3,283,171	2,949,902
Fee and commission income	952,351	874,034	528,304	576,592
Net trading income	(40,355)	57,985	(71,903)	120,741
Other operating income	398,149	361,990	538,963	336,545
Total	19,186,228	20,541,628	22,579,702	23,578,871

5 NET INTEREST INCOME

Accounting Policy

Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest Income and Expenses

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest on Overdue Rentals

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

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Interest income				
Finance lease & hire-purchase	11,165,776	13,009,589	11,304,619	13,049,059
Loans and other receivables	3,698,894	3,023,796	3,759,301	3,111,747
Interest on overdue rentals	1,723,466	1,786,305	1,740,198	1,796,074
Interest income from other financial assets	449,327	658,312	658,429	868,594
Profit from islamic finance	838,620	769,617	838,620	769,617
Total interest income	17,876,083	19,247,619	18,301,167	19,595,091

For the year ended 31st March	Company		Group	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest expenses				
Interest on overdraft	727	609	3,000	2,328
Interest on long term borrowings	1,640,835	1,245,427	1,728,945	1,364,037
Interest on short term borrowings	496,370	454,589	496,370	454,589
Interest on redeemable preference shares	38,395	66,311	38,395	66,311
Interest on debentures	1,546,827	1,244,374	1,529,855	1,227,450
Interest on deposits	2,632,712	3,729,787	2,624,288	3,729,060
Profit distribution on mudarabah	139,933	133,901	139,933	133,901
Interest on assets backed securities	1,445,264	2,372,596	1,445,264	2,372,596
Total interest expenses	7,941,063	9,247,594	8,006,050	9,350,272
Net interest income	9,935,020	10,000,025	10,295,117	10,244,819

6 NET EARNED PREMIUM

Accounting Policy

Insurance - Revenue Recognition Gross Written Premium

Non-life insurance gross written premium comprises the total premium 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. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premium are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

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 premium are calculated on the 365 basis.

For the year ended 31st March	Company		Group	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross written premium	-	-	3,814,116	3,419,349
Less : Premium ceded to reinsurance	-	-	305,488	304,077
Less : Change in reserve unearned premium	-	-	225,457	165,370
Total	-	-	3,283,171	2,949,902

7 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 recognise 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.

NOTES TO THE FINANCIAL STATEMENTS

7 FEE AND COMMISSION INCOME (CONTD.)

Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Service charges	476,437	472,398	139,883	152,010
Other fees recovered	475,914	401,636	388,421	424,582
Total	952,351	874,034	528,304	576,592

8 NET TRADING INCOME

Accounting Policy

Results arising from trading activities include all gains and losses from changes in fair value for financial assets 'Held-for-trading'.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(Loss)/gain on equity securities	(40,355)	57,985	(71,903)	120,741
Total	(40,355)	57,985	(71,903)	120,741

9 OTHER OPERATING INCOME

Accounting Policy

Other Operating income includes gains on property, plant and equipment, hiring income, rent income, dividend income and capital gains/(losses).

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, Investments in Government Securities, Dealing Securities and Investment Securities

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

Other Income

Other income is recognised on an accrual basis.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Gain on sale of property, plant and equipment	5,699	7,122	5,699	7,122
Hiring income	-	-	61,830	74,174
Rent income	-	255	-	-
Operating leases income	14,088	14,452	14,794	15,384
Bad debts recovered	160,298	80,608	160,298	80,608
Net trading income from sale of vehicles	1,913	34,942	1,913	34,942
Dividend income from - Available-for-sale	21,754	6,372	21,754	6,372
- Subsidiaries	139,677	208,000	-	-
- Held-for-trading	7,298	10,239	27,294	22,703
Recycling gain on available-for-sale (Note 23.2)	24,565	-	24,565	-
Other income	22,857	-	220,816	95,240
Total	398,149	361,990	538,963	336,545

10 IMPAIRMENT CHARGES FOR LOANS AND RECEIVABLES AND OTHER LOSSES

Accounting Policy

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the Sri Lanka Accounting Standard- LKAS 39 - Financial Instruments - Recognition and Measurement. The methodology adopted by the Company and the Group is explained in Note 21.3 to these financial statements.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Impairment of loans and receivables (Note 21.4)	(543,954)	776,956	(512,068)	806,807
Loss on fair value adjustment of investment property	-	3,000	-	3,000
Other receivable	-	9,722	-	9,722
Loss on disposal of collaterals including write offs	802,304	855,198	802,771	851,152
Total	258,350	1,644,876	290,703	1,670,681

11 PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include salaries and 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) contribution 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 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Remuneration	1,637,318	1,425,986	1,876,751	1,641,904
Employee benefit - Defined contribution plans (EPF/ETF)	118,515	107,316	138,607	125,175
Employee benefit - Retirement benefit obligation - Gratuity (Note 39.2)	51,184	31,924	55,194	34,934
Total	1,807,017	1,565,226	2,070,552	1,802,013

NOTES TO THE FINANCIAL STATEMENTS

12 BENEFITS CLAIMS AND UNDERWRITING EXPENDITURE

Accounting Policy

Insurance - Benefits, Claims and Expenses Recognition Gross Benefits and Claims

Gross benefits and claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Net benefits and claims	-	-	1,899,755	1,805,606
Underwritings and net acquisition costs	-	-	350,023	314,725
Total	-	-	2,249,778	2,120,331

13 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.

Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

Crop Insurance Levy (CIL)

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

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Directors' emoluments	3,015	290	4,093	610
Auditors' remunerations	4,660	4,557	7,719	7,330
Non-audit fees to auditors	4,859	2,349	7,000	3,357
Professional fees	27,785	13,904	32,892	17,345
Advertising expenses	23,361	28,252	26,341	28,790
Legal fees	9,314	8,844	10,156	8,882
Office administration and establishment expenses	2,207,456	2,070,984	2,273,067	2,010,798
Total	2,280,450	2,129,180	2,361,268	2,077,112

14 INCOME TAX EXPENSE

Accounting Policy

Current Tax

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

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified below.

People's Leasing & Finance PLC

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Leasing Fleet Management Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Insurance PLC

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Microfinance Limited

Income tax on profit from operations is calculated at the rate of 28%.

People's Leasing Property Development Limited

Pursuant to the agreement dated 3rd December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16th December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Statement of Profit or Loss				
Current income tax charge	1,917,826	1,246,229	2,094,087	1,407,965
Deferred tax (reversal)/charge for the year (Note 14.2)	(122,092)	375,924	(128,726)	377,914
Income tax expense recognised in Statement of Profit or Loss	1,795,734	1,622,153	1,965,361	1,785,879
Statement of Comprehensive Income				
Current income tax charge	-	-	-	-
Deferred tax charge/(reversal) for the year (Note 14.2)	(5,501)	105	(6,968)	(69)
Income tax charge/(reversal) recognised in Statement of Comprehensive Income	(5,501)	105	(6,968)	(69)
Effective tax rate (excluding deferred tax)	31.22%	23.19%	31.06%	23.92%
Effective tax rate	29.23%	30.18%	29.15%	30.33%

NOTES TO THE FINANCIAL STATEMENTS

14 INCOME TAX EXPENSE (CONTD.)

14.1 Reconciliation of Accounting Profit and Taxable Income

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Profit as per Statement of Profit or Loss	6,143,088	5,375,113	6,743,077	5,887,421
Add: Disallowable expenses	1,601,843	1,342,888	1,730,012	1,437,670
Add: Lease capital recoverable	19,835,681	16,173,010	19,835,681	16,173,010
Less: Allowable expenses	20,475,237	18,064,416	20,520,898	17,929,758
Less: Exempted /allowable income	128,513	282,748	170,855	436,446
Statutory income	6,976,862	4,543,847	7,617,017	5,131,897
Less: Tax loss set off	-	-	7,765	2,412
Assessable income	6,976,862	4,543,847	7,609,252	5,129,485
Taxable income	6,976,862	4,543,847	7,609,252	5,129,485
At the effective income tax rate	1,953,522	1,272,223	2,130,591	1,436,046
(Over)/ under provision- previous years	(35,696)	(25,994)	(36,504)	(28,081)
Current tax on profits for the year	1,917,826	1,246,229	2,094,087	1,407,965
Deferred tax charged/(reversal) for the year	(122,092)	375,924	(128,726)	377,914
Tax expense for the year	1,795,734	1,622,153	1,965,361	1,785,879

14.2 Deferred Tax Expense - Charge/(Reversal)

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Statement of Profit or Loss				
Deferred tax assets				
Retirement benefit obligation	(12,581)	(7,453)	(12,643)	(10,901)
Brought forward tax losses	-	-	(7,457)	(8,177)
Bad debts provision	-	-	(3,654)	(4,848)
	(12,581)	(7,453)	(23,754)	(23,926)
Deferred tax liability				
Capital allowances for tax purpose on lease receivables	(101,208)	362,242	(101,208)	362,242
Capital allowances for tax purpose on property, plant and equipment	(8,303)	21,135	(3,764)	39,598
	(109,511)	383,377	(104,972)	401,840
Deferred tax (reversal)/charge for the year	(122,092)	375,924	(128,726)	377,914
Statement of Comprehensive Income				
Deferred tax assets				
Fair value losses recognised in Statement of Comprehensive Income	(7,546)	-	(6,968)	(69)
Deferred tax liabilities				
Fair value gains recognised in Statement of Comprehensive Income	2,045	105	-	-
Deferred tax (reversal)/charge for the year	(5,501)	105	(6,968)	(69)

14.3 Tax Losses Brought Forward and Utilised during the Year

Tax losses brought forward	-	-	21,498	23,910
Tax losses utilised during the year	-	-	(7,765)	(2,412)
Tax losses not utilised and carried forward	-	-	13,733	21,498

15 BASIC EARNINGS PER SHARE (EPS)

Accounting Policy

Basic earnings 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.

For the year ended 31st March	Group	
	2016	2015
Profit attributable to equity holders of the Company (Rs.)	4,708,129,507	4,101,540,797
Weighted average number of ordinary shares	1,579,862,482	1,579,862,482
Basic earnings per ordinary share (Rs.)	2.98	2.60

16 DIVIDEND PER ORDINARY SHARE

For the year ended 31st March	Company	
	2016	2015
Ordinary shares		
Out of dividend received (Rs.)	257,490,624	153,425,897
Out of normal profits (Rs.)	1,546,132,866	1,639,262,003
Withholding tax deducted at source (Rs.)	171,204,613	182,140,203
Cash dividend paid (Rs.)	1,974,828,103	1,974,828,103
Weighted average number of ordinary shares	1,579,862,482	1,579,862,482
Dividend per ordinary share (Rs.)	1.25	1.25

A final dividend of Rs 0.50 per share was paid for the year 2014/15 in July 2015. An interim dividend of Rs. 0.75 per share was paid in January 2016 to the ordinary shareholders of the Company for the year 2015/16 (interim dividend 2014/15 -Rs 0.75) A final dividend of Rs 0.50 per share has been proposed by the board of directors for the year 2015/16 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with LKAS 10 (Events after reporting period).

17 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 - LKAS 39 'Financial Instruments: Recognition and Measurement' under the headings of the Statement of Financial Position.

FVTPL : Fair value through profit or loss

HTM : Held-to-maturity

L & R : Loans and Receivables

AFS : Available-for-sale

NOTES TO THE FINANCIAL STATEMENTS

17 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

17.1 Company

As at 31st March 2016	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	3,206,733	-	3,206,733
Balances with banks & financial institutions	-	-	847,448	-	847,448
Financial assets - Held-for-trading	211,651	-	-	-	211,651
Loans and receivables	-	-	109,872,415	-	109,872,415
Financial assets - Available-for-sale	-	-	-	500,357	500,357
Financial assets - Held-to-maturity	-	4,930,236	-	-	4,930,236
Other financial assets	-	-	132,779	-	132,779
Total financial assets	211,651	4,930,236	114,059,375	500,357	119,701,619

As at 31st March 2016	FVTPL Rs.'000	Other amortised cost Rs.'000	Total Rs.'000
Liabilities			
Due to banks	-	26,431,628	26,431,628
Due to customers	-	33,836,428	33,836,428
Debt securities issued	-	34,387,677	34,387,677
Other financial liabilities	-	2,730,484	2,730,484
Total financial liabilities	-	97,386,217	97,386,217

17.2 Company

As at 31st March 2015	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	3,139,139	-	3,139,139
Balances with banks & financial institutions	-	-	326,321	-	326,321
Financial assets - Held-for-trading	196,193	-	-	-	196,193
Loans and receivables	-	-	98,411,195	-	98,411,195
Financial assets - Available-for-sale	-	-	-	939,199	939,199
Financial assets - Held-to-maturity	-	5,266,407	-	-	5,266,407
Other financial assets	-	-	253,723	-	253,723
Total financial assets	196,193	5,266,407	102,130,378	939,199	108,532,177

As at 31st March 2015	FVTPL Rs.'000	Other amortised cost Rs.'000	Total Rs.'000
Liabilities			
Due to banks	-	21,228,600	21,228,600
Due to customers	-	34,093,762	34,093,762
Debt securities issued	-	28,619,004	28,619,004
Other financial liabilities	-	3,234,445	3,234,445
Derivative financial instruments	92,193	-	92,193
Total financial liabilities	92,193	87,175,811	87,268,004

17.3 Group

As at 31st March 2016	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	3,555,643	-	3,555,643
Balances with banks & financial institutions	-	-	2,543,016	-	2,543,016
Financial assets - Held-for-trading	527,438	-	-	-	527,438
Loans and receivables	-	-	111,156,437	-	111,156,437
Insurance and reinsurance receivables	-	-	206,303	-	206,303
Financial assets - Available-for-sale	-	-	-	1,739,956	1,739,956
Financial assets - Held-to-maturity	-	4,930,236	-	-	4,930,236
Total financial assets	527,438	4,930,236	117,461,399	1,739,956	124,659,029

As at 31st March 2016	FVTPL Rs.'000	Other amortised cost Rs.'000	Total Rs.'000
Liabilities			
Due to banks	-	28,059,677	28,059,677
Due to customers	-	33,677,260	33,677,260
Debt securities issued	-	34,283,621	34,283,621
Other financial liabilities	-	2,888,399	2,888,399
Insurance liabilities and reinsurance payable	-	44,333	44,333
Total financial liabilities	-	98,953,290	98,953,290

17.4 Group

As at 31st March 2015	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	3,413,951	-	3,413,951
Balances with banks & financial institutions	-	-	1,830,668	-	1,830,668
Financial assets - Held-for-trading	503,268	-	-	-	503,268
Loans and receivables	-	-	97,996,856	-	97,996,856
Insurance and reinsurance receivables	-	-	187,300	-	187,300
Financial assets - Available-for-sale	-	-	-	2,043,342	2,043,342
Financial assets - Held-to-maturity	-	5,266,407	-	-	5,266,407
Total financial assets	503,268	5,266,407	103,428,775	2,043,342	111,241,792

As at 31st March 2015	FVTPL Rs.'000	Other amortised cost Rs.'000	Total Rs.'000
Liabilities			
Due to banks	-	22,391,144	22,391,144
Due to customers	-	34,001,411	34,001,411
Debt securities issued	-	28,514,996	28,514,996
Other financial liabilities	-	3,165,912	3,165,912
Derivative financial instruments	92,193	-	92,193
Insurance liabilities and reinsurance payable	-	46,300	46,300
Total financial liabilities	92,193	88,119,763	88,211,956

NOTES TO THE FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They are brought to financial statements at their face values or the gross values, where appropriate. There were no cash and cash equivalent held by the Group companies that were not available for use by the Group.

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

Securities Under Reverse Repurchase Agreements

Securities purchased under repurchase agreements at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as alone by the Group. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cash in hand	416,678	307,542	437,047	322,713
Securities under reverse repurchase agreement	1,512,136	1,549,283	1,687,541	1,759,628
Current account with banks	1,214,843	1,222,701	1,367,925	1,271,962
Savings account with banks	54,375	52,111	54,429	52,146
Saving deposit in foreign currency	8,701	7,502	8,701	7,502
Total	3,206,733	3,139,139	3,555,643	3,413,951

19 BALANCES WITH BANKS & FINANCIAL INSTITUTIONS

Accounting Policy

Balances with banks & financial institutions include fixed deposits and deposits in foreign currency. Balances with banks & financial institutions are carried at amortised cost in the Statement of Financial Position.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Fixed deposits	339,642	326,321	2,031,330	1,828,805
Fixed deposits in foreign currency	507,806	-	511,686	1,863
Total	847,448	326,321	2,543,016	1,830,668

20 FINANCIAL ASSETS - HELD-FOR-TRADING

Accounting Policy

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial assets held-for-trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the payment has been established.

Financial assets held-for-trading include debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Investment in treasury bond (Note 20.1)	-	-	-	57,130
Quoted equity securities (Note 20.2)	211,651	196,193	527,438	446,138
Total	211,651	196,193	527,438	503,268

20.1 Investment in Treasury Bond

As at 31st March Group	2016		2015	
	Cost Rs. '000	Market Value Rs. '000	Cost Rs. '000	Market Value Rs. '000
Investment in treasury bond	-	-	60,483	57,130
Total	-	-	60,483	57,130

20.2 Equity Securities

As at 31st March Company	No. of Shares	2016		No. of Shares	2015	
		Total Cost Rs. '000	Market Value Rs. '000		Total Cost Rs. '000	Market Value Rs. '000
Bank, Finance & Insurance						
Nations Trust Bank PLC	392,871	25,877	29,151	392,871	25,877	39,326
Commercial Bank of Ceylon PLC - Voting	215,372	21,418	27,029	212,315	20,686	35,117
Commercial Bank of Ceylon PLC -Non voting	106,374	9,024	12,020	104,677	8,656	13,734
Sampath Bank PLC- Voting	124,285	24,086	28,088	96,008	17,056	24,204
Hatton National Bank PLC - Non voting	10,360	1,230	1,772	10,183	1,200	1,680
Seylan Bank PLC -Voting	75,000	5,777	6,450	118,994	9,166	11,899
Seylan Bank PLC -Non voting	165,000	5,292	10,395	249,265	7,994	15,803
Diversified Holdings						
Aitken Spence PLC	82,800	16,287	6,086	82,800	16,287	8,239
John Keells Holdings PLC	317,635	58,587	47,010	69,230	15,221	13,804
John Keells Holdings PLC - Warrants	3,515	222	33	6,152	419	163
Hemas Holdings PLC	75,000	6,446	6,045	-	-	-
Manufacturing						
Tokyo Cement Company (Lanka) PLC - Non Voting	110,000	4,650	3,553	110,000	4,650	4,114
Distilleries Company of Sri Lanka PLC	100,000	12,133	20,620	100,000	24,133	24,050
Textured Jersey Lanka PLC	150,000	4,784	4,755	-	-	-
Hayleys PLC	3,800	1,249	934	-	-	-
Other						
Vallibel One PLC	350,000	8,769	6,230	100,000	768	2,030
John Keells Hotels PLC	100,000	2,001	1,200	100,000	2,196	1,430
Mackwoods Energy PLC	100,000	1,400	280	100,000	1,400	600
Total		209,232	211,651		155,709	196,193

As at 31st March Group	No. of Shares	2016		No. of Shares	2015	
		Total Cost Rs. '000	Market Value Rs. '000		Total Cost Rs. '000	Market Value Rs. '000
Bank, Finance & Insurance						
Nations Trust Bank PLC	392,871	25,877	29,151	392,871	55,705	39,326
Commercial Bank of Ceylon PLC - Voting	420,056	42,554	52,717	393,238	57,171	65,042
Commercial Bank of Ceylon PLC -Non voting	169,116	14,119	19,110	166,617	38,102	21,860
Sampath Bank PLC- Voting	797,150	176,416	180,155	396,008	45,187	99,834
Hatton National Bank PLC - Non voting	110,360	12,051	18,872	110,183	24,366	18,180
National Development Bank PLC	60,855	8,651	10,272	60,855	8,651	15,092
Seylan Bank PLC -Voting	75,000	5,777	6,450	167,421	6,103	16,742
Seylan Bank PLC -Non voting	165,000	5,292	10,395	403,122	12,485	25,558

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL ASSETS - HELD-FOR-TRADING (CONTD.)

20.2 Equity Securities (contd.)

As at 31st March	2016			2015		
Group	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000
Diversified Holdings						
Aitken Spence PLC	82,800	16,287	6,086	82,800	16,287	8,239
John Keells Holdings PLC	613,448	111,773	90,789	258,067	39,196	51,459
John Keells Holdings PLC - Warrants	3,515	222	33	6,152	419	163
Hemas Holdings PLC	183,335	15,265	14,777	-	-	-
CIC Holdings PLC	50,000	4,250	4,775	176,512	15,004	13,415
Manufacturing						
Tokyo Cement Company (Lanka) PLC - Non Voting	110,000	4,650	3,553	110,000	4,650	4,114
Distilleries Company of Sri Lanka PLC	200,000	24,133	41,240	200,000	24,133	48,100
Textured Jersey Lanka PLC	275,000	8,616	8,718	-	-	-
Hayleys PLC	3,800	1,249	934	-	-	-
Kelani Cables PLC	35,000	4,446	3,938	-	-	-
Other						
Horana Plantation PLC	20,000	768	338	20,000	768	449
Vallibel One PLC	350,000	8,769	6,230	100,000	2,196	2,030
John Keells Hotels PLC	100,000	2,001	1,200	100,000	2,001	1,430
Mackwoods Energy PLC	100,000	1,400	280	100,000	1,400	600
Asiri Hospital Holding PLC	500,000	11,260	12,000	500,000	11,590	10,100
The Lanka Hospital Co-operation PLC	25,000	1,363	1,275	-	-	-
United Motors Lanka PLC	50,000	5,000	4,150	50,000	5,000	4,405
Total		512,189	527,438		370,414	446,138

21 LOANS AND RECEIVABLES

Accounting Policy

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- ▶ Those that the Group and Company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- ▶ Those that the Group and Company, upon initial recognition, designates as available-for-sale
- ▶ Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'Loans and receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in 'impairment charges for loans and receivables and other losses'.

Leasing

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

Group/Company as a Lessee

Leases that do not transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Group/Company as a Lessor

Leases where the Group/company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Receivables on Lease, Hire Purchase and Islamic Finance

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

'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.

Write-off of Loans and Receivables

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.

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 and receivables 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 original EIR.

Reversals of Impairment

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

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Loans and receivables (Note 21.1.1)	111,453,273	100,536,007	112,814,164	100,166,651
Less:				
Individual impairment charges (Note 21.4)	142,031	373,363	142,031	373,363
Collective impairment charges (Note 21.4)	1,438,827	1,751,449	1,515,696	1,796,432
Net loans and receivables	109,872,415	98,411,195	111,156,437	97,996,856

21.1 Analysis

21.1.1 Analysis by Product

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
By product				
Lease/ Ijhara receivable	64,222,886	54,787,760	64,222,886	54,787,760
Hire purchase/ BBA receivable	11,343,420	22,458,850	12,226,642	22,728,727
Term loan	32,562,690	20,059,286	32,729,938	20,289,494
Staff loans	458,001	385,973	494,014	416,383
Related party receivables (Note 21.1.1.1)	1,094,771	1,452,586	19,519	18,370
Debentures	-	-	1,349,660	534,365
Margin trading receivable	1,594,022	1,391,552	1,594,022	1,391,552
Factoring receivable	177,483	-	177,483	-
Gross total	111,453,273	100,536,007	112,814,164	100,166,651

NOTES TO THE FINANCIAL STATEMENTS

21 LOANS AND RECEIVABLES (CONTD.)

21.1.1.1 Related Party Receivables

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
People's Bank	-	-	19,519	18,370
People's Leasing Property Development Limited	955,609	1,409,110	-	-
People's Leasing Fleet Management Limited	3,313	2,314	-	-
People's Leasing Havelock Properties Limited	94,648	29,738	-	-
People's Microfinance Limited	3,648	2,023	-	-
People's Insurance PLC	37,553	9,401	-	-
Total	1,094,771	1,452,586	19,519	18,370

21.1.2 Analysis by Currency

Sri Lankan Rupee	111,453,273	100,536,007	112,814,164	100,166,651
Gross total	111,453,273	100,536,007	112,814,164	100,166,651

21.1.3 Analysis by Industry

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Agriculture	1,681,233	2,275,233	1,887,620	2,397,189
Manufacturing	19,677	10,750	19,677	27,640
Tourism	502,944	369,594	507,297	371,844
Transport	13,728,536	15,033,463	13,733,613	15,035,443
Construction	4,221,837	4,907,300	4,135,845	4,586,034
Traders	17,347,120	19,641,605	17,666,654	19,857,938
Services	51,099,066	44,344,151	50,447,696	42,705,660
Industry	1,422,429	1,200,033	1,556,792	1,281,102
Financial services	2,731,535	1,803,879	2,213,144	2,416,982
Others	18,698,896	10,949,999	20,645,826	11,486,819
Gross total	111,453,273	100,536,007	112,814,164	100,166,651

21.2 Rentals Receivable on Lease, Hire Purchase and Islamic Finance

As at 31st March	2016				2015			
	Within one year Rs. '000	1-5 year Rs. '000	Over 5 year Rs. '000	Total Rs. '000	Within one year Rs. '000	1-5 year Rs. '000	Over 5 year Rs. '000	Total Rs. '000
Gross rentals receivable	30,076,202	45,261,701	20,117	75,358,020	24,971,234	41,073,101	3,553	66,047,888
Less: Unearned income	7,008,948	7,068,822	280	14,078,050	6,741,653	6,174,608	108	12,916,369
Net rentals receivable	23,067,254	38,192,879	19,837	61,279,970	18,229,581	34,898,493	3,445	53,131,519
Less: Rentals received in advance	-	-	-	52,148	-	-	-	116,559
Less: Allowance for impairment losses	-	-	-	865,451	-	-	-	1,000,288
Total net rentals receivable	23,067,254	38,192,879	19,837	60,362,371	18,229,581	34,898,493	3,445	52,014,672

As at 31st March	2016				2015			
	Within one year Rs. '000	1-5 year Rs. '000	Over 5 year Rs. '000	Total Rs. '000	Within one year Rs. '000	1-5 year Rs. '000	Over 5 year Rs. '000	Total Rs. '000
Hire -Purchase								
Gross rentals receivable	5,823,426	4,552,132	482	10,376,040	10,056,556	14,671,961	1,294	24,729,811
Less: Unearned income	967,239	556,335	-	1,523,574	2,668,831	2,033,957	60	4,702,848
Net rentals receivable	4,856,187	3,995,797	482	8,852,466	7,387,725	12,638,004	1,234	20,026,963
Less : Rentals received in advance	-	-	-	1,256	-	-	-	4,494
Less : Allowance for impairment losses	-	-	-	319,376	-	-	-	619,450
Total net rentals receivable	4,856,187	3,995,797	482	8,531,834	7,387,725	12,638,004	1,234	19,403,019

As at 31st March	2016				2015			
	Within one year Rs. '000	1-5 year Rs. '000	Over 5 year Rs. '000	Total Rs. '000	Within one year Rs. '000	1-5 year Rs. '000	Over 5 year Rs. '000	Total Rs. '000
Ijahra/BBA								
Gross rentals receivable	2,875,849	4,153,153	974	7,029,976	2,011,528	3,338,534	-	5,350,062
Less: Unearned income	629,966	653,173	13	1,283,152	512,795	495,828	-	1,008,623
Net rentals receivable	2,245,883	3,499,980	961	5,746,824	1,498,733	2,842,706	-	4,341,439
Less : Rentals received in advance	-	-	-	259,550	-	-	-	132,259
Less : Allowance for impairment losses	-	-	-	14,490	-	-	-	21,630
Total net rentals receivable	2,245,883	3,499,980	961	5,472,784	1,498,733	2,842,706	-	4,187,551

21.3 Impairment Allowance for Loans and Receivables to Customers

Accounting Policy

Impairment of Financial Assets

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. A financial assets or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

Loans and Receivables

Losses for impaired loans and receivables are recognised promptly when there is objective evidence has occurred. Impairment allowances are calculated on individual and collective basis. Impairment losses are recorded as charges to the Statement of Profit or Loss. The carrying amount of impaired loans and receivables on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually Assessed Loans and Receivables

For all loans and receivables that are considered individually significant, the Company & Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include;

- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- a significant downgrading in credit rating by an external credit rating agency.

NOTES TO THE FINANCIAL STATEMENTS

21 LOANS AND RECEIVABLES (CONTD.)

21.3 Impairment Allowance for Loans and Receivables to Customers (Contd.)

For those loans and receivables where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Company's aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the extent of other creditors' commitments ranking ahead of, or pari-passu with, the Company and the likelihood of other creditors continuing to support the Company;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- the likely dividend available on liquidation or bankruptcy;

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Loans and Receivables

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans and receivables subject to individual assessment.

Incurred but not yet Identified Impairment

Individually assessed loans and receivables for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the reporting date, which the Group and Company are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans and receivables within the group, those loans and receivables are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account;

- historical loss experience in portfolios of similar credit risk; and
- management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Loans and receivables are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans and receivables in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover the inherent loss. These additional macro and portfolio risk factors may include:

- recent lending portfolio growth and product mix,
- unemployment rates, Gross Domestic Production (GDP) growth, inflation
- exchange rates, interest rates
- changes in laws and regulations

Impairment Charges for Loans and Receivables

The Group and Company reviews its individually significant loans and receivables including rental receivable at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and receivables including rental receivable that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, characteristic of assets, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

21.4 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	Hire		Ijara	Term Re-finance		BBA	Trading		Total
	Lease Rs. '000	Purchase Rs. '000		Loans Rs. '000	loans Rs. '000		Muraba Rs. '000	Factoring Rs. '000	
At 1st April 2014	568,538	485,322	7,671	224,705	25,089	23,891	12,640	-	1,347,856
Charge/(Reversal) for the year	431,750	134,128	764	225,964	1,245	(10,696)	(6,199)	-	776,956
At 31st March 2015	1,000,288	619,450	8,435	450,669	26,334	13,195	6,441	-	2,124,812
Individual impairment	95,640	105,232	139	146,931	25,421	-	-	-	373,363
Collective impairment	904,648	514,218	8,296	303,738	913	13,195	6,441	-	1,751,449
	1,000,288	619,450	8,435	450,669	26,334	13,195	6,441	-	2,124,812
At 1st April 2015	1,000,288	619,450	8,435	450,669	26,334	13,195	6,441	-	2,124,812
Charge/(Reversal) for the year	(134,837)	(300,074)	(941)	(94,316)	(19,321)	(6,199)	4,635	7,099	(543,954)
At 31st March 2016	865,451	319,376	7,494	356,353	7,013	6,996	11,076	7,099	1,580,858
Individual impairment	90,089	3,032	-	46,693	2,217	-	-	-	142,031
Collective impairment	775,362	316,344	7,494	309,660	4,796	6,996	11,076	7,099	1,438,827
	865,451	319,376	7,494	356,353	7,013	6,996	11,076	7,099	1,580,858

Group	Hire		Ijara	Term Re-finance		BBA	Trading		Total
	Lease Rs. '000	Purchase Rs. '000		Loans Rs. '000	loans Rs. '000		Muraba Rs. '000	Factoring Rs. '000	
At 1st April 2014	568,538	486,730	7,671	238,429	25,089	23,891	12,640	-	1,362,988
Charge/(Reversal) for the year	431,750	134,172	764	255,771	1,245	(10,696)	(6,199)	-	806,807
At 31st March 2015	1,000,288	620,902	8,435	494,200	26,334	13,195	6,441	-	2,169,795
Individual impairment	95,640	105,232	139	146,931	25,421	-	-	-	373,363
Collective impairment	904,648	515,670	8,296	347,269	913	13,195	6,441	-	1,796,432
	1,000,288	620,902	8,435	494,200	26,334	13,195	6,441	-	2,169,795
At 1st April 2015	1,000,288	620,902	8,435	494,200	26,334	13,195	6,441	-	2,169,795
Charge/(Reversal) for the year	(134,837)	(298,139)	(941)	(64,365)	(19,321)	(6,199)	4,635	7,099	(512,068)
At 31st March 2016	865,451	322,763	7,494	429,835	7,013	6,996	11,076	7,099	1,657,727
Individual impairment	90,089	3,032	-	46,693	2,217	-	-	-	142,031
Collective impairment	775,362	319,731	7,494	383,142	4,796	6,996	11,076	7,099	1,515,696
	865,451	322,763	7,494	429,835	7,013	6,996	11,076	7,099	1,657,727

NOTES TO THE FINANCIAL STATEMENTS

22 REINSURANCE AND INSURANCE RECEIVABLES

Accounting Policy

Insurance - Product Classification

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

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

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.

Insurance Receivables

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

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 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Reinsurance receivables	-	-	95,600	115,394
Insurance receivables	-	-	110,703	71,906
Total	-	-	206,303	187,300

23 FINANCIAL ASSETS - AVAILABLE-FOR-SALE

Accounting Policy

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group and Company has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss in 'Other operating income'. Where the Group/Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial assets is reported as interest income using the effective interest rate (EIR).

Dividends earned whilst holding available-for-sale financial assets are recognised in the Statement of Profit or Loss as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in 'Impairment charges for loans and receivables and other losses' and removed from the 'Available-for-sale reserve'.

Impairment of Available-for-sale Financial Assets

For available-for-sale financial assets, the Company & Group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

Impairment of Available-for-sale Investments

The Group and Company reviews its financial assets classified as available-for-sale at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and receivables.

In the case of equity investments classified as available-for-sale, objective evidence would also include a significant or 'prolonged' decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group generally treats 'significant' as 20% or more and 'prolonged' as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in the fair value after impairment are recognised in Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL ASSETS - AVAILABLE-FOR-SALE (CONTD.)

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Equity securities (Note 23.1)	255,099	416,433	255,099	416,433
Treasury bills	-	-	1,194,219	1,049,675
Unit trusts	245,258	522,766	290,638	577,234
Net available-for-sale assets	500,357	939,199	1,739,956	2,043,342

23.1 Equity Securities - Company and Group

As at 31st March	No of Shares	2016	Market Value Rs. '000	No of Shares	2015	Market Value Rs. '000
		Cost of Investment Rs. '000			Cost of Investment Rs. '000	
Quoted Investments						
Sanasa Development Bank PLC	1,866,047	177,709	255,089	1,750,000	160,000	205,625
People's Merchant Finance PLC (Note 49.5)	-	-	-	8,819,992	205,160	210,798
		177,709	255,089		365,160	416,423
Unquoted Investments						
Credit Information Bureau of Sri Lanka	100	10	10	100	10	10
City Finance Corporation Limited (Note 23.3)	50,000,000	50,000	-	-	-	-
Total		227,719	255,099		365,170	416,433

23.2 Movements in Available-for-sale Reserve

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at 1st April	99,029	(56,102)	101,918	(52,122)
Recycling to income statement	(24,565)	-	(24,565)	-
Gain for the year	50,316	155,131	32,855	154,040
Movement due to change in ownership	-	-	(633)	-
Balance as at 31st March	124,780	99,029	109,575	101,918

23.3 City Finance Corporation Limited

Balance as at 1st April	-	-	-	-
Transfer from investment in associates	50,000	-	50,000	-
Less: Impairment charges	(50,000)	-	(50,000)	-
Balance as at 31st March	-	-	-	-

24 FINANCIAL ASSETS - HELD-TO-MATURITY

Accounting Policy

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group and Company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in 'impairment charges for loans and receivables and other losses'.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Impairment of Held-to-maturity Financial Assets

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognised in Statement of Profit or Loss. Interest on impaired assets continues to be recognised through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Treasury bills	2,248,602	4,632,896	2,248,602	4,632,896
Treasury bonds	2,681,634	633,511	2,681,634	633,511
Total	4,930,236	5,266,407	4,930,236	5,266,407

25 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.

The financial statements of the Company's subsidiaries are prepared for the same reporting year, except for People's Insurance PLC whose financial year ends on 31st December, using consistent accounting policies. There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent company in the form of cash dividends or repayment of loans and receivables.

All subsidiaries of the Company have been incorporated in Sri Lanka. A list of subsidiaries with their principal activities are given in the Note 1.2.

NOTES TO THE FINANCIAL STATEMENTS

25 INVESTMENTS IN SUBSIDIARIES (CONTD.)

As at 31st March	2016			2015		
	Holding %	Cost Rs. '000	Directors' valuation Rs. '000	Holding %	Cost Rs. '000	Directors' valuation Rs. '000
Company						
People's Leasing Fleet Management Limited	100	75,000	181,449	100	75,000	163,296
People's Leasing Property Development Limited	100	550,000	987,184	100	550,000	895,101
People's Leasing Havelock Properties Limited	100	600,000	588,956	100	600,000	592,803
People's Microfinance Limited	100	50,000	123,661	100	50,000	113,438
People's Insurance PLC	75	600,000	1,014,000	100	600,000	1,394,953
Total		1,875,000	2,895,250		1,875,000	3,159,591

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 in 2016 and net asset basis in 2015.

25.1 Summarised Financial Information of People's Insurance PLC

For the year ended 31st March	2016 Rs. '000	2015 Rs. '000
Net operating income	3,724,742	3,437,810
Less: Operating expenses	3,124,884	2,859,802
Profit before income tax	599,858	578,008
Less: Income tax expense	122,436	126,976
Profit after tax	477,422	451,032
Other comprehensive income	(17,295)	(1,091)
Total comprehensive income	460,127	449,941

As at 31st March	2016 Rs. '000	2015 Rs. '000
Loans and receivables	1,476,224	656,921
Insurance and reinsurance receivables	670,784	606,145
Property, plant and equipment & intangible assets	52,464	69,029
Other assets	3,885,850	3,469,249
Total assets	6,085,322	4,801,344
Due to banks	60,535	4,623
Other financial liabilities	318,503	363,997
Other liabilities	101,852	105,436
Insurance liabilities and reinsurance payable	3,242,260	2,932,335
Total liabilities	3,723,150	3,406,391
Total equity	2,362,172	1,394,953
Total liabilities & equity	6,085,322	4,801,344

26 INVESTMENTS IN ASSOCIATES

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 and 50 percent of the voting power of another entity.

Investment in Associate is accounted for using the Equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard - LKAS 28 on 'Investments 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.

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- LKAS 39 on 'Financial Instruments: Recognition and measurement'.

Step Acquisition

The step acquisition of associates are accounted using cost based approach. No catch up equity adjustments were recognised. Goodwill is determined as the difference between sum of the consideration and share of fair value of net assets at the date of investment becomes an associate.

26.1 Details of Associates

As at 31st March	Holding		Company		Group	
	2016 %	2015 %	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Quoted equity share						
People's Merchant Finance PLC (Note 49.5) (67,500,000 ordinary shares)	37.06	13.07	586,427	-	550,257	-
Unquoted equity share						
City Finance Corporation Limited (50,000,000 ordinary shares)	8.12	28.51	-	50,000	-	50,000
Less: Impairment chargers			-	(50,000)	-	(50,000)
Total			586,427	-	550,257	-

During the year, City Finance Corporation Limited has issued shares to the public and People's Leasing & Finance PLC has not subscribe the share issue. As a result percentage holding has been reduced to 8.12% during the year. Therefore City Finance Corporation Limited has been reclassified as available-for-sale investment during the year ended 31st March 2016.

NOTES TO THE FINANCIAL STATEMENTS

26 INVESTMENTS IN ASSOCIATES (CONTD.)

26.2 Summarised Financial Information of Associate

For the year ended 31st March People's Merchant Finance PLC	2016 Rs. '000
Ownership interest	
Net operating income	36,364
Less : Operating expenses	87,918
Loss before tax	(51,554)
Less : Income tax expense	(15,384)
Loss after tax	(36,170)
Group's share of loss from continuing operations, net of tax	(36,170)
Other comprehensive income	-
Group's share of other comprehensive income	-
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Statement of Comprehensive Income	(36,170)

As at 31st March	2016 Rs. '000
Ownership interest	
Total assets	1,353,398
Total liabilities	1,127,576
Net assets	225,822
Group's share of net assets	83,684

27 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 Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Group and Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of directors.

The fair values are based on market values, being the estimated amount for which a property could be sell 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 makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at 1st April	-	55,000	-	-
Addition during the year	12,352	-	-	-
Loss from fair value adjustments	-	(3,000)	-	-
Transfer during the year	78,400	(52,000)	-	-
Balance as at 31st March	90,752	-	-	-

Land situated at No 414, Wellangiriya, Singhapura, Hokandara is being constructed to rent out to People's Leasing Fleet Management Limited by the Company and the Company receives rent income. Accordingly, these land and building have been classified as investment property in the Statement of Financial Position of the Company. However, according to Sri Lanka Accounting Standard (LKAS 40) "Investment Property", the said land and building are treated as property, plant and equipment in the Consolidated Statement of Financial Position, since these are rented to a Group entity.

The Company carries investment properties at market value. Market valuations of the above investment properties were carried out as at 31st December 2015 by Mr K.T.D. Tissera, FRICS (Eng), who is independent valuers not connected with the Company.

Rent income is included in the Statement of Profit or Loss as;

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Rent income	-	255	-	-

Reclassification out of Investment Property

Land and building situated at No. 81, Old Kasbawa Road, Raththanapitiya, Boralagama, under investment property was reclassified to property, plant and equipment on 28th February 2015 since change in use of the property. The transfer of investment property carried at fair value to property, plant and equipment is based on deemed cost of property at the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

28 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 & 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 & 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 & Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost.

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	Class of asset	% per annum	Period
Freehold buildings	2	50 years	Computer hardware	20	5 years
Improvement of leasehold property	25	4 years	Office equipment	10 - 20	5 - 10 years
Motor vehicles	12.5	8 years	Furniture's 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.

28.1 Property, Plant and Equipment

Company	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
Cost							
Balance as at 01st April 2015	596,071	57,173	188,052	439,633	411,622	334,175	2,026,726
Additions	158,737	-	19,748	37,143	41,520	23,494	280,642
Disposals	-	-	(21,265)	-	(1,139)	(28)	(22,432)
Transfers	(71,148)	(301)	149	374	(369)	(5)	(71,300)
Balance as at 31st March 2016	683,660	56,872	186,684	477,150	451,634	357,636	2,213,636
Less: Accumulated depreciation							
Balance as at 01st April 2015	1,120	53,624	113,507	312,522	222,903	214,369	918,045
Charge for the year	750	3,049	7,403	59,110	71,293	55,492	197,097
Disposals	-	-	(20,990)	-	(918)	(25)	(21,933)
Transfers	(50)	(157)	34	-	-	-	(173)
Balance as at 31st March 2016	1,820	56,516	99,954	371,632	293,278	269,836	1,093,036
Net book value as at 31st March 2016	681,840	356	86,730	105,518	158,356	87,800	1,120,600
Cost							
Balance as at 01st April 2014	239,480	57,419	178,017	403,491	347,715	315,919	1,542,041
Additions	304,591	444	29,444	34,412	65,173	23,595	457,659
Disposals	-	(690)	(19,409)	(146)	(108)	(4,621)	(24,974)
Transfers/adjustments	52,000	-	-	1,876	(1,158)	(718)	52,000
Balance as at 31st March 2015	596,071	57,173	188,052	439,633	411,622	334,175	2,026,726
Less: Accumulated depreciation							
Balance as at 01st April 2014	714	47,604	109,423	256,405	163,060	163,700	740,906
Charge for the year	406	6,710	23,272	55,122	60,421	55,330	201,261
Disposals	-	(690)	(19,188)	(73)	(83)	(4,088)	(24,122)
Transfers/adjustments	-	-	-	1,068	(495)	(573)	-
Balance as at 31st March 2015	1,120	53,624	113,507	312,522	222,903	214,369	918,045
Net book value as at 31st March 2015	594,951	3,549	74,545	127,111	188,719	119,806	1,108,681

NOTES TO THE FINANCIAL STATEMENTS

28 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

28.2 Property, Plant and Equipment

Group	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	Working in Progress Rs. '000	Total Rs. '000
Cost								
Balance as at 01st April 2015	2,682,819	57,173	423,032	487,226	654,050	352,720	328,049	4,985,069
Additions	158,783	1,711	52,673	46,259	46,082	23,813	368,630	697,951
Disposals	-	-	(24,535)	-	(1,139)	(318)	-	(25,992)
Transfers	-	(301)	149	374	(369)	(5)	-	(152)
Balance as at 31st March 2016	2,841,602	58,583	451,319	533,859	698,624	376,210	696,679	5,656,876
Less: Accumulated depreciation								
Balance as at 01st April 2015	81,767	53,624	167,083	336,848	315,179	225,862	-	1,180,363
Charge for the year	26,327	3,214	26,018	68,761	97,954	58,219	-	280,493
Disposals	-	-	(12,282)	-	(918)	(190)	-	(13,390)
Transfers	-	(157)	34	-	-	-	-	(123)
Balance as at 31st March 2016	108,094	56,681	180,853	405,609	412,215	283,891	-	1,447,343
Net book value as at 31st March 2016	2,733,508	1,902	270,466	128,250	286,409	92,319	696,679	4,209,533
Cost								
Balance as at 01st April 2014	1,970,617	57,419	405,147	444,252	591,362	331,118	180,299	3,980,214
Additions	719,389	444	37,294	41,244	70,509	23,978	147,750	1,040,608
Disposals	-	(690)	(19,409)	(146)	(3,700)	(4,621)	-	(28,566)
Transfers/adjustments	(3,187)	-	-	1,876	(4,121)	2,245	-	(3,187)
Fair value adjustments	(4,000)	-	-	-	-	-	-	(4,000)
Balance as at 31st March 2015	2,682,819	57,173	423,032	487,226	654,050	352,720	328,049	4,985,069
Less: Accumulated depreciation								
Balance as at 01st April 2014	60,983	47,604	145,172	271,694	232,409	170,263	-	928,125
Charge for the year	21,887	6,710	41,099	64,159	87,450	58,811	-	280,116
Disposals	-	(690)	(19,188)	(73)	(2,735)	(4,089)	-	(26,775)
Transfers	(1,103)	-	-	1,068	(1,945)	877	-	(1,103)
Balance as at 31st March 2015	81,767	53,624	167,083	336,848	315,179	225,862	-	1,180,363
Net book value as at 31st March 2015	2,601,052	3,549	255,949	150,378	338,871	126,858	328,049	3,804,706

28.3 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 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Improvement of leasehold properties	52,607	28,065	52,607	28,065
Motor vehicles	78,664	52,574	78,664	52,574
Computer hardware	201,488	153,279	209,849	154,427
Office equipment	108,199	77,995	119,105	80,043
Furniture and fittings	86,446	48,272	91,607	50,798
Total	527,404	360,185	551,832	365,907

28.4 Group Free Hold Land & Buildings

Location	Address	Date of Valuation	Method of Valuation	Land Extent	Building Area (Sq.Ft)	2016 Cost Rs. '000	2016 Revaluation Rs. '000	2015 Revaluation Rs. '000
People's Leasing & Finance PLC								
Vehicle yard								
Makola	No. 496, Makola North, Makola	30.11.2015	MCM	90 perches	11,600	7,632	45,000	39,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	30.11.2015	MCM	2 acres & 10.75 perches	820	21,722	68,000	50,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	30.11.2015	MCM	260 perches	1,836	27,558	13,754	13,754
Monaragala	No. 10, Pothuwil Road, Monaragala	30.11.2015	MCM	125.9 perches	1,376	41,056	45,000	45,000
Administrative purpose								
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	30.11.2015	MCM	8.3 perches	5,194	31,257	40,000	37,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	30.11.2015	MCM	44.72 perches	-	45,764	155,063	148,860
Boralesgamuwa	No. 81, Old Kesbewa Road, Diulpitiya, Boralesgamuwa	30.11.2015	MCM	42 perches	13,366	52,000	50,000	52,000
Hokandara	No. 414, Hokandara Road, Wellangiriya	30.11.2015	MCM	224 perches	-	71,148	78,400	78,400
Matara	No. 367, Anagarila Darmapala Mawatha Matara	30.11.2015	MCM	40 perches	-	93,599	100,000	93,690
Kandy	No. 86, Katugasthota Road Kandy.	30.11.2015	MCM	23.25 perches	-	64,479	71,500	64,479
Kandy	No. 296, Senanayaka Road, Kandy	30.11.2015	MCM	47.1 perches	-	142,711	154,575	142,633
Anuradhapura	No. 12, Maithripala Senanayake Road, Anuradhapura	*	*	40.51 perches	-	155,882	155,881	-
						754,808	977,173	764,816
People's Leasing Property Development Limited								
Borella	No. 1161, Maradana Road, Colombo 08	31.03.2016	MCM	104.90 perches	127,621	1,532,414	2,088,500	1,818,500
						1,532,414	2,088,500	1,818,500
People's Leasing Havelock Properties Limited								
Colombo 05	No. 07, Havelock Road, Colombo 05	31.03.2016	MCM	111.45 perches	-	554,380	975,000	686,500
						554,380	975,000	686,500

MCM : Market Comparable Method

* This land was purchased at the end of 2015/16 financial year.

Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment idle as at 31st March 2016 and 31st March 2015

Property, Plant and Equipment Retired from Active use

There were no property, plant and equipment retired from active use as at the reporting date (2015 : Nil)

Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2016 (2015 : Nil)

Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than disclosed in Note 54 (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 that were impaired, lost or given up (2015 : Nil).

NOTES TO THE FINANCIAL STATEMENTS

29 GOODWILL AND INTANGIBLE ASSETS

Accounting Policy

The Group's other intangible assets include the value of computer software and customer core deposits acquired in business combinations.

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 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are 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 reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the 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
Customer list	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.

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	Customer List Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost							
Balance as at 01st April 2015	133,980	308,545	442,525	152,437	6,034	308,545	467,016
Additions	5,443	-	5,443	5,351	-	-	5,351
Balance at 31st March 2016	139,423	308,545	447,968	157,788	6,034	308,545	472,367
Less: Accumulated amortisation							
Balance as at 01st April 2015	104,878	-	104,878	115,341	6,034	-	121,375
Amortisation	13,127	-	13,127	17,817	-	-	17,817
Balance at 31st March 2016	118,005	-	118,005	133,158	6,034	-	139,192
Net book value as at 31st March 2016	21,418	308,545	329,963	24,630	-	308,545	333,175
Cost							
Balance as at 01st April 2014	128,453	308,545	436,998	143,724	6,034	308,545	458,303
Additions	5,527	-	5,527	5,526	-	-	5,526
Transfers	-	-	-	3,187	-	-	3,187
Balance at 31st March 2015	133,980	308,545	442,525	152,437	6,034	308,545	467,016
Less: Accumulated amortisation							
Balance as at 01st April 2014	89,071	-	89,071	96,537	6,034	-	102,571
Amortisation	15,807	-	15,807	18,804	-	-	18,804
Balance at 31st March 2015	104,878	-	104,878	115,341	6,034	-	121,375
Net book value as at 31st March 2015	29,102	308,545	337,647	37,096	-	308,545	345,641

Intangible assets include fully amortised softwares amounting to Rs. 72,573,640 as at 31st March 2016 (Rs. 57,527,862 - 31st March 2015), which are still in use as at the reporting date.

Impairment Tests for Goodwill

Goodwill acquired through business combinations has been allocated to lease and hire purchase unit. 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 11.94% and the projected growth rate of 5% are the key assumptions used for this purpose. The discount rate was estimated based on an average percentage of weighted average cost of capital 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 2015/16.

30 OTHER ASSETS

Accounting Policy

The Company and the Group classify all their other assets as other financial assets and other non financial assets. Other assets mainly comprises of advance payments, VAT receivable, inventory and sundry receivables. Advance payments are carried at historical cost.

Unsold vehicles at the reporting date are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

30 OTHER ASSETS (CONTD.)

Other inventory materials at reporting date are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Other financial assets	132,779	253,723	-	-
Non financial assets (Note 30.1)	631,287	469,474	1,334,274	1,768,840
Total	764,066	723,197	1,334,274	1,768,840

30.1 Non Financial Assets

Advance payments	217,823	126,793	269,115	232,335
VAT recoverable	63,956	18,264	63,658	19,402
Inventories	46,000	29,926	62,229	39,364
Other receivables	303,508	294,491	939,272	1,477,739
Total	631,287	469,474	1,334,274	1,768,840

31 DUE TO BANKS

Accounting Policy

Due to banks include bank overdrafts and long term and short term loans obtain 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 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Overdraft	451	159,555	376,395	195,537
Long term loans	18,278,486	15,858,448	19,530,591	16,985,010
Bank borrowings - Short term loans	8,049,277	4,903,078	8,049,277	4,903,078
Redeemable preference shares (Note 31.1)	103,414	307,519	103,414	307,519
Total	26,431,628	21,228,600	28,059,677	22,391,144

31.1 Redeemable Preference Shares

Redeemable preference shares	100,000	300,000	100,000	300,000
Interest payable	3,414	7,519	3,414	7,519
Total	103,414	307,519	103,414	307,519

31.2 Long Term Loan Details

Name of the borrower	Granted date	Facility amount Rs. '000	Periods	Interest Rate	Security status
Commercial Bank	26.09.2013	750,000	04 years	AWPLR+1%	Secured
Commercial Bank	01.09.2014	1,000,000	04 years	9.00%	Secured
Commercial Bank	23.10.2014	3,000,000	04 years	8.00%	Secured
Commercial Bank	06.02.2015	2,000,000	04 years	7.25%	Secured
Commercial Bank	14.07.2015	2,000,000	04 years	7.50%	Secured

Name of the borrower	Granted date	Facility amount Rs. '000	Periods	Interest Rate	Security status
Sampath Bank	31.12.2014	2,000,000	05 years	7.50%	Secured
Indian Bank	30.03.2012	250,000	04 years	AWPLR+2%, floor rate 14%	Secured
Indian Overseas Bank	01.01.2013	650,000	04 years	AWPLR+2.85%	Secured
Indian Overseas Bank	31.01.2014	500,000	04 years	12.25%	Secured
Axis Bank	30.12.2013	320,000	04 years	AWPLR+1.25%	Secured
Emirates NBD	30.12.2013	6,560,000	2.5 years	LIBOR 4.5%	Secured
People's Bank	22.01.2015	1,500,000	04 years	9%	Secured
People's Bank	26.05.2015	4,250,000	04 years	9%	Secured
People's Bank	27.11.2015	2,000,000	04 years	10%	Secured
People's Bank	15.03.2016	2,000,000	04 years	AWPLR+1.75%	Secured
Hatton National Bank	30.01.2015	2,000,000	04 years	8.50%	Secured

32 DUE TO CUSTOMERS

Accounting Policy

Due to customers include fixed deposits and saving 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 derecognise as well as through the EIR amortisation process.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Fixed deposits	29,410,687	29,152,673	29,278,600	29,064,408
Savings deposits	4,425,741	4,941,089	4,398,660	4,937,003
Total	33,836,428	34,093,762	33,677,260	34,001,411

33 DEBT SECURITIES ISSUED

Accounting Policy

Debt Securities issued represent the funds borrowed by the Company and Group for loan 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 derecognise as well as through the EIR amortisation process.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Promissory notes	33,630	89,782	33,630	89,782
Debentures (Note 33.1)	15,464,109	9,465,682	15,360,053	9,361,674
Commercial papers	2,004,231	466,180	2,004,231	466,180
Asset backed securities	16,885,707	18,597,360	16,885,707	18,597,360
Total	34,387,677	28,619,004	34,283,621	28,514,996

33.1 Debentures

Not listed debentures	-	233,303	-	233,303
Listed debentures (Note 33.1.1)	15,464,109	9,232,379	15,360,053	9,128,371
Total	15,464,109	9,465,682	15,360,053	9,361,674

NOTES TO THE FINANCIAL STATEMENTS

33 DEBT SECURITIES ISSUED (CONTD.)

33.1.1 Listed Debentures

In 2013 the Company issued Rs 6,000 million worth of senior, unsecured, redeemable, 'AA(-)' rated four year (2013/2017) and five year (2013/2018) debentures of Rs 100/- each. In 2014 the Company issued Rs 3,000 million worth of senior, unsecured, redeemable, 'AA(-)' rated three year (2014/2017) and four year (2014/2018) debentures of Rs 100/- each. In 2015 the Company issued Rs 6,000 million worth of senior, unsecured, redeemable, 'AA(-)' rated four year (2015/2019) and five year (2015/2020) debentures of Rs 100/- each.

	Face value Rs. '000	Interest rate	Repayment term	Issued date	Maturity date	Company		Group	
						2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Senior, unsecured, redeemable, 'AA(-)' rated									
Option 01	1,986,500	16.50%	Semi annually	27-Mar-2013	26-Mar-2017	2,054,163	2,050,753	2,054,163	2,050,753
Option 02	1,583,500	16.75%	Semi annually	27-Mar-2013	26-Mar-2018	1,637,931	1,633,517	1,586,331	1,581,936
Option 03	2,430,000	17.00%	Annually	27-Mar-2013	26-Mar-2018	2,511,351	2,502,789	2,458,895	2,450,362
Type A	1,500,000	8.75%	Annually	15-Sep-2014	14-Sep-2017	1,526,950	1,521,521	1,526,950	1,521,521
Type B	1,500,000	9.63%	Annually	15-Sep-2014	14-Sep-2018	1,529,733	1,523,799	1,529,733	1,523,799
Type A	2,175,780	9.60%	Semi annually	13-Nov-2015	12-Nov-2019	2,247,874	-	2,247,874	-
Type B	3,824,220	9.95%	Annually	13-Nov-2015	12-Nov-2020	3,956,107	-	3,956,107	-
Total	15,000,000					15,464,109	9,232,379	15,360,053	9,128,371

34 OTHER FINANCIAL LIABILITIES

Accounting Policy

Other financial liabilities includes creditors control, insurance payable, dividend payable and other financial 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.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard- LKAS 10 on 'Events after the Reporting period'.

Withholding Tax on Dividends, Distributed by the Company and Subsidiaries

Withholding tax that arises from the distribution of dividends by the Company 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 Company from its subsidiaries and associates, have attracted a 10% deduction at source.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Amount payable to suppliers	2,067,732	2,607,717	2,397,652	2,773,296
Insurance payables	529,820	497,005	67,988	77,307
Dividends payable	11,886	10,570	11,886	10,570
Other payables	121,046	119,153	410,873	304,739
Total	2,730,484	3,234,445	2,888,399	3,165,912

35 DERIVATIVE FINANCIAL INSTRUMENT

Accounting Policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in the Statement of Profit or Loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within Statement of Comprehensive Income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognised in the Statement of Profit or Loss. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- (3) hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in Equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss.

Amounts accumulated in Equity are reclassified to the Statement of Profit or Loss in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Equity is immediately transferred to the Statement of Profit or Loss.

Derivatives that do not qualify for Hedge Accounting

Changes in the fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the Statement of Profit or Loss.

Company and Group

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

As at 31st March	2016		2015	
	Liability Rs. '000	Notional Amount Rs. '000	Liability Rs. '000	Notional Amount Rs. '000
Forward foreign exchange contracts	-	-	92,193	3,199,680
Total	-	-	92,193	3,199,680

NOTES TO THE FINANCIAL STATEMENTS

35 DERIVATIVE FINANCIAL INSTRUMENT (CONTD.)

Hedge Accounting

The Company has raised USD 50 Mn on 31st December 2013 through foreign borrowings for a period of two and half years, against which a forward foreign exchange contracts arrangement has been entered into with the People's Bank for USD 14.5 Mn which was matured on 23rd February 2015. For the balance, the Company entered into another forward rate agreements for US\$ 15.75 and US\$ 9.75 million with HSBC Bank on 11th April 2014 and 21st May 2014 respectively.

As per Sri Lanka Accounting Standards - LKAS 39 (Financial Instruments: Recognition & Measurement) the Company has identified this particular transaction as a 'Cash Flow Hedge' after documenting the hedge relationship.

The objective of the hedge is to reduce the variability of the cash flows of a foreign currency denominated above mentioned borrowing (only the capital portion) attributable to changes in LKR / USD exchange rate.

Details	Description of the Hedge
Hedge instruments	Forward foreign exchange contract Counterparty - HSBC Notional amount - USD 25.5 Mn
Hedge item	USD denominated borrowing - USD 25.5 Mn Capital paid in full on 23rd February 2016.
The periods when the cash flows are expected to occur	23rd April 2015 to 23rd February 2016
The amount recognised in Statement of Comprehensive Income during the year	Rs. 6.9 Mn
Any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur	None
The amount that was reclassified from equity to Statement of Profit or Loss as a reclassification adjustment	None

36 INSURANCE LIABILITIES AND REINSURANCE PAYABLE

Accounting Policy

Insurance Contract Liabilities

Non-life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognised when contracts are entered and premium 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 canceled.

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, canceled 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 judgment. In estimating the unexpired risk liability, assumptions are made on the expected net claim ratio for each of business and claim management expenses incurred whilst these policies remain exposed for claims.

Non-life Insurance Contract Liabilities

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter- Ferguson methods and frequency/severity method.

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

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

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

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Insurance liabilities (Note 36.1)	-	-	3,137,255	2,848,058
Reinsurance payables	-	-	44,333	46,300
Total	-	-	3,181,588	2,894,358

36.1 Insurance Liabilities

Outstanding claims provision	-	-	1,269,156	1,182,722
Provision for unearned premium (Net)	-	-	1,868,099	1,665,336
Provision for liability adequacy	-	-	-	-
Total	-	-	3,137,255	2,848,058

37 CURRENT TAX LIABILITIES

Accounting Policy

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

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

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 0.25% 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 five subsequent years.

NOTES TO THE FINANCIAL STATEMENTS

37 CURRENT TAX LIABILITIES (CONTD.)

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Income tax payable	937,999	550,042	1,017,694	618,198
Total	937,999	550,042	1,017,694	618,198

37.1 Super Gain Tax

As per the provisions of Part III of the Finance Act No 10 of 2015 which was certified on 30th October 2015, the Company and the Group are liable for super gain tax of Rs. 741 million and Rs. 858 million respectively. According to the Act, the super gain tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

38 DEFERRED TAX ASSETS/LIABILITIES

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.

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Deferred tax assets (Note 38.2)	(63,559)	(43,431)	(106,080)	(75,880)
Deferred tax liabilities (Note 38.2)	1,885,456	1,992,921	1,946,804	2,052,298
Deferred tax liabilities	1,821,897	1,949,490	1,840,724	1,976,418

38.1 Deferred Tax Movement

Balance as at 01st April	1,949,490	1,573,461	1,976,418	1,598,573
Charge for the year	(122,092)	375,924	(128,726)	377,914
Deferred tax charge relating to components of Statement of Comprehensive Income	(5,501)	105	(6,968)	(69)
Balance as at 31st March	1,821,897	1,949,490	1,840,724	1,976,418

38.2 Reconciliation of Deferred Tax

Deferred tax assets and liabilities are attributable to the following:

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Deferred tax assets				
Carry forward tax losses	-	-	(24,990)	(23,669)
Retirement benefit obligation	(56,013)	(43,536)	(62,051)	(45,893)
Actuarial losses recognised in Statement of Comprehensive Income	(7,546)	105	(6,968)	(69)
Bad debts provision	-	-	(12,071)	(6,249)
	(63,559)	(43,431)	(106,080)	(75,880)
Deferred Tax Liability				
Accelerated depreciation allowance for tax purpose (Rentals receivable)	1,816,540	1,917,748	1,816,540	1,917,748
Accelerated depreciation allowance for tax purpose (Property, plant and equipment)	66,871	75,173	130,264	134,550
Fair value losses recognised in Statement of Comprehensive Income	2,045	-	-	-
	1,885,456	1,992,921	1,946,804	2,052,298
Net deferred tax liabilities	1,821,897	1,949,490	1,840,724	1,976,418

Deferred tax (assets)/liabilities have been calculated at the rate of 28%.

39 OTHER LIABILITIES

Accounting Policy

Other liabilities include related party payables, VAT on financial service payable, retirement benefit obligation and other amount payable. These liabilities are recorded at amounts expected to be payable at the reporting date.

Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on Financial Services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for Value Added Tax computation of Value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rates.

NOTES TO THE FINANCIAL STATEMENTS

39 OTHER LIABILITIES (CONTD.)

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 on 'Employee Benefits'.

The item is stated under Other Liabilities in the Statement of Financial Position.

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

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.

Defined Contribution Plans - Employees' Trust Fund

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 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
VAT on financial services payable	67,249	50,256	69,139	52,671
Value added tax (VAT)	-	-	14,800	7,757
Retirement benefit obligations (Note 39.1)	226,994	155,111	238,848	163,547
Other payables	1,123,424	1,214,288	1,144,246	1,229,515
Total	1,417,667	1,419,655	1,467,033	1,453,490

39.1 Retirement Benefit Obligations

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at 01st April	155,111	128,870	163,547	134,049
Amount recognise in Statement of Profit or Loss (Note 39.1.2)	51,184	31,924	55,194	34,934
Actuarial (gain)/loss (Note 39.1.3)	26,951	(375)	26,893	(23)
Benefits paid	(6,252)	(5,308)	(6,786)	(5,413)
Balance as at 31st March	226,994	155,111	238,848	163,547

39.1.2 Amount recognise in Statement of Profit or Loss

Current service cost	28,258	18,264	31,876	20,398
Net interest on the net retirement benefit liability	22,926	13,660	23,318	14,536
Total amount recognised in Statement of Profit or Loss	51,184	31,924	55,194	34,934

39.1.3 Amount recognise in Statement of Comprehensive Income

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(Losses)/gain due to changes in assumptions	(8,919)	(3,426)	(8,918)	(3,379)
Experience (losses)/gain arising during the year	(18,032)	3,801	(17,975)	3,402
Total actuarial (losses)/gain recognised in Statement of Comprehensive Income	(26,951)	375	(26,893)	23

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2016 by Messrs. Smiles Global (Private) Limited and as at 31st March 2015 by Messrs. Priyal S Goonetilleke & Associates, firms 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 on 'Employee Benefits'.

Company /Group	2016	2015
Actuarial assumptions		
Discount rate as at 31st March	12.00%	10.40%
Future salary increment rate	10.50%	9.00%
Mortality	A1967/70 ultimate mortality	Mortality - GA - 1983
Disability	Standard RI rates	Long term Disability 1987 Soc. Sec. Table
Retirement age	55 Years	55 Years

Expected average working life of the active participants is 9.71 years for the year ended 31st March 2016. (14.15 - 2015)

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 & salary increment rate on the employment benefit obligation for the year.

	2016		2015	
	Sensitivity effect on Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	Sensitivity effect on retirement benefit obligation increase/(reduction) in the liability Rs. '000	Sensitivity effect on Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	Sensitivity effect on retirement benefit obligation increase/(reduction) in the liability Rs. '000
Increase/ (decrease) in discount rate				
1%	13,255	(13,255)	16,096	(16,096)
-1%	(14,942)	14,942	(18,896)	18,896
Increase/ (decrease) in salary Increment				
1%	(15,013)	15,013	(18,443)	18,443
-1%	13,539	(13,539)	16,013	(16,013)

40 CAPITAL

As at 31st March	2016		2015	
	Number	Rs. '000	Number	Rs. '000
Ordinary shares as at 1st April	1,579,862,482	12,936,073	1,579,862,482	12,736,073
Transfer from preference shares on redemption	-	200,000	-	200,000
Ordinary shares as at 31st March	1,579,862,482	13,136,073	1,579,862,482	12,936,073

NOTES TO THE FINANCIAL STATEMENTS

40 CAPITAL (CONTD.)

40.1 Stated Capital

As at 31st March	2016		2015	
	Number	Rs. '000	Number	Rs. '000
Fully paid ordinary shares	1,579,862,482	11,886,073	1,579,862,482	11,886,073
Issue of new shares	-	-	-	-
Transfer from preference shares on redemption	-	1,250,000	-	1,050,000
Issued capital	1,579,862,482	13,136,073	1,579,862,482	12,936,073
Fully paid cumulative redeemable preference shares	135,000,000	1,350,000	135,000,000	1,350,000
Transfer to ordinary shares on redemption	(125,000,000)	(1,250,000)	(105,000,000)	(1,050,000)
Preference share capital	10,000,000	100,000	30,000,000	300,000
Total		13,236,073		13,236,073

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.

41 STATUTORY RESERVE FUND

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at 1st April	1,204,116	1,016,467	1,204,116	1,016,467
Transfer during the year	217,367	187,649	217,367	187,649
Balance as at 31st March	1,421,483	1,204,116	1,421,483	1,204,116

'Statutory Reserve Fund' was created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

42 RETAINED EARNINGS

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at 1st April	6,489,599	4,001,931	7,403,781	4,569,825
Super gain tax paid	(741,079)	-	(857,634)	-
Change in ownership	-	-	(224,736)	-
Profit for the year	4,347,354	3,752,960	4,708,130	4,101,542
Comprehensive income	(21,450)	270	(19,925)	46
Transfers to reserves	(217,367)	(266,558)	(217,367)	(266,558)
Transfers from reserves	-	1,175,823	-	1,175,823
Dividend paid	(1,974,827)	(1,974,827)	(1,974,827)	(1,974,827)
Redemption of preference shares	(200,000)	(200,000)	(200,000)	(200,000)
Share issue expenses	-	-	(17,324)	(2,070)
Balance as at 31st March	7,682,230	6,489,599	8,600,098	7,403,781

43 OTHER RESERVES

Equity Reserves

The reserves recorded in equity (Other comprehensive income) on the Statement of Financial Position include;

- 'Available-for-sale' reserve, which comprises changes in fair value of available-for-sale investments.
- 'General Reserve' represents the amounts set aside by the Directors for general application. The purpose of setting up the General Reserve is to meet the potential future unknown liabilities.
- 'Tax equalisation fund' comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.

43.1 Company

	Balance at 01-04-2015 Rs. '000	Movement / transfers Rs. '000	Balance at 31-03-2016 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund account reserve (Note 43.3)	-	-	-
Available-for-sale reserve	99,029	25,751	124,780
Cash flow reserve	6,971	(6,971)	-
Revaluation reserve	-	7,302	7,302
Total	506,000	26,082	532,082

	Balance at 01-04-2014 Rs. '000	Movement / transfers Rs. '000	Balance at 31-03-2015 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund account reserve (Note 43.3)	1,096,914	(1,096,914)	-
Available-for-sale reserve	(56,102)	155,131	99,029
Cash flow hedge reserve	653	6,318	6,971
Total	1,441,465	(935,465)	506,000

43.2 Group

	Balance at 01-04-2015 Rs. '000	Movement / transfers Rs. '000	Balance at 31-03-2016 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund account reserve (Note 43.3)	-	-	-
Available-for-sale reserve	101,918	7,657	109,575
Cash flow reserve	6,971	(6,971)	-
Total	508,889	686	509,575

	Balance at 01-04-2014 Rs. '000	Movement / transfers Rs. '000	Balance at 31-03-2015 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund account reserve (Note 43.3)	1,096,914	(1,096,914)	-
Available-for-sale reserve	(52,122)	154,040	101,918
Cash flow hedge reserve	653	6,318	6,971
Total	1,445,445	(936,556)	508,889

NOTES TO THE FINANCIAL STATEMENTS

43 OTHER RESERVES (CONTD.)

43.3 Investment Fund Account Reserve (IFA)

Accounting Policy

According to the guidelines issued by the Central Bank of Sri Lanka on the operations of the Investment Fund Account (IFA), any entity engaged in the business of banking or financial services, is required to establish and operate an IFA with effect from 1st January 2011. As and when taxes are paid after 1st January 2011 the Company should transfer the following funds to IFA and build a permanent fund in the Company.

- 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.
- 5% of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payment of tax.

The funds that are being transferred to the IFA are treated as appropriations of profit after tax and maintained as a separate item under general reserves of the Company. Operation of the Investment Fund Account was abolished with effect from 1 October 2014, therefore the Company transferred the balance in the above reserve fund to retained earnings during 2014/15.

The Company commenced utilisation of funds in the IFA investing in long-term government securities with maturities not less than seven years & specified lending on maturities not less than five years at interest rates not exceeding five year treasury bond rates plus two percent.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Balance as at 01st April	-	1,096,914	-	1,096,914
Transfers during the year	-	78,909	-	78,909
Transfers to retained earnings	-	(1,175,823)	-	(1,175,823)
Balance as at 31st March	-	-	-	-

44 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 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.

As at 31st March	Group	
	2016 Rs. '000	2015 Rs. '000
Balance as at 01st April	-	-
Acquired during the period	974,006	-
Profit for the period	33,416	-
Comprehensive income	(4,379)	-
Balance as at 31st March	1,003,043	-

45 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 on '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 Company & Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company & Group makes adjustments to account for any adverse effects which the claims may have on

its financial standing. At the reporting date the Company & Group had several unresolved legal claims. The significant unresolved legal claims against the Company & Group 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 or 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 judgments 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 judgments 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 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Contingent liabilities (Note 45.1)	783,168	426,486	783,168	426,486
Commitments - Capital commitments (Note 45.2.1)	-	3,399,620	598,680	4,307,766
- Un-utilised facilities (Note 45.2.2)	1,568,642	573,957	1,568,642	573,957
Total	2,351,810	4,400,063	2,950,490	5,308,209

45.1 Contingent Liabilities

In the normal course of business, the Group and Company makes various irrecoverable commitments and incurs certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, They do contain operational risk and therefore form a part of the overall risk profile of the Group and Company. However no material losses are anticipated as a result of these transactions.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Accidents of leased out vehicles	130,925	79,252	130,925	79,252
Guarantees - Related parties	625,000	325,000	625,000	325,000
Guarantees - Others	14,100	8,375	14,100	8,375
Pending bill retirements	13,143	13,859	13,143	13,859
Total	783,168	426,486	783,168	426,486

45.2 Commitments

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

45.2.1 Capital Commitments

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Approved and contracted for	-	-	578,787	901,846
Approved but not contracted for	-	-	19,893	6,300
Derivative financial instruments	-	3,399,620	-	3,399,620
Total	-	3,399,620	598,680	4,307,766

NOTES TO THE FINANCIAL STATEMENTS

45 CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

45.2 Commitments (Contd.)

45.2.2 Un-utilised Facilities

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Margin trading	555,984	573,957	555,984	573,957
Fast track	835,399	-	835,399	-
Factoring product	177,259	-	177,259	-
Total	1,568,642	573,957	1,568,642	573,957

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. However, further adjustments are made to Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate.

As of the date of the Statement of Financial Position, thirty 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.

46 NON- CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Depreciation of property, plant and equipment	197,097	201,261	280,493	280,116
Amortisation of intangible assets	13,127	15,807	17,817	18,804
Impairment losses on loans and receivables	258,350	1,644,876	290,703	1,670,681
Charge for retirement benefit obligation	51,184	31,924	55,194	34,934
Gain on sale of property, plant and equipment	(5,699)	(7,122)	(5,699)	(7,122)
Net trading income from sale of vehicles	(1,913)	(34,942)	(1,913)	(34,942)
(Loss)/gain on equity securities	40,355	(57,985)	71,903	(120,741)
Total	552,501	1,793,819	708,498	1,841,730

47 CHANGE IN OPERATING ASSETS

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Net (increase)/decrease in other balances with bank & financial institutions	(521,127)	3,003,241	(712,348)	2,895,236
Net (increase)/decrease in financial assets - Held-for-trading	(55,813)	46,035	(96,073)	(4,215)
Net increase in loans and receivables	(11,717,657)	(10,190,052)	(13,448,371)	(9,277,972)
Net (increase)/decrease in derivative financial instrument	(99,164)	98,756	(99,164)	98,756
Net increase in insurance and reinsurance receivables	-	-	(19,003)	(49,724)
Net (increase)/decrease in financial assets - Available-for-sale	163,602	(560,000)	311,676	(572,483)
Net (increase)/decrease in financial assets - Held-to-maturity	336,171	(519,849)	336,171	(519,849)
Net (increase)/decrease in other assets	(40,869)	208,427	434,566	(112,482)
Total	(11,934,857)	(7,913,442)	(13,292,546)	(7,542,733)

48 CHANGE IN OPERATING LIABILITIES

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Net decrease in due to customers	(257,334)	(6,827,723)	(324,151)	(6,837,867)
Net increase/(decrease) in other financial liabilities	(503,961)	1,377,121	(277,513)	1,437,754
Net increase in insurance and reinsurance payables	-	-	287,230	323,818
Net increase/(decrease) in other liabilities	(130,033)	115,127	(411,913)	42,577
Total	(891,328)	(5,335,475)	(726,347)	(5,033,718)

49 RELATED PARTY DISCLOSURE

49.1 Parent and Ultimate Controlling Party

The immediate parent of the Company is People's Bank which is a Government owned entity.

49.2 Transactions with Key Management Personnel (KMP) and their Family Members

As per the Sri Lanka Accounting Standard (LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates.

49.2.1 Transactions with Key Management personnel and their Close Family Members

Remuneration to Key Management Personnel

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(a) Remuneration to Board of Directors				
Short term employees benefits	3,015	290	4,093	610
Total	3,015	290	4,093	610

(b) Remuneration to Corporate Management

For the year ended 31st March	Company/Group	
	2016 Rs. '000	2015 Rs. '000
Short term employees benefits	74,227	73,756
Post employment benefits	6,893	7,926
Total	81,120	81,682

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.

49.2.2 Share Transactions with Key Management Personnel

For the year ended 31st March	Company/Group	
	2016	2015
No. of ordinary shares held	2,594,476	2,228,358
Dividend paid (Rs. '000)	2,731	2,467

NOTES TO THE FINANCIAL STATEMENTS

49 RELATED PARTY DISCLOSURE (CONTD.)

49.2.3 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and Other Related Entities

	Board of Directors		Corporate Management		Total	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	557	-	48	450	605	450
Interest expense	-	-	3,257	4,572	3,257	4,572
(b) Items in Statement of Financial Position						
Assets - Loans and receivables	3,470	-	328	3,735	3,798	3,735
Liabilities - Due to customers	-	-	63,183	60,456	63,183	60,456

49.3 Net accommodation as a Percentage of Capital funds

	2016	2015
People's Bank	0.07	0.35
People's Leasing Property Development Limited	4.20	6.67
People's Leasing Fleet Management Limited	0.16	0.24
People's Leasing Havelock Properties Limited	0.43	0.15
People's Microfinance Limited	2.13	2.56
People's Insurance PLC	0.16	0.04
Board of Directors	0.02	0.00
Corporate Management	0.00	0.02

49.4 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	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	71,412	60,594	71,412	60,595
Interest expenses	498,225	182,854	498,225	182,854
	569,637	243,448	569,637	243,449
(b) Items in Statement of Financial Position				
Assets - Loans and receivables	513,256	753,305	513,256	753,304
Liabilities - Due to banks	9,776,731	1,565,938	9,776,731	1,565,938

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 defined benefit plan - 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.

49.4.1 Company

The Company had the under mentioned financial dealings during the financial year with the following related entities.

	Immediate Parent		Subsidiaries		Affiliates	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	235,814	319,036	8,424	8,598	-	-
Interest expense	621,569	139,655	234,108	268,757	-	-
Fee & commission income	343	1,007	489,191	393,461	-	-
Other operating income	-	-	201,468	271,498	-	-
Benefits, claims and underwriting expenditure	-	-	77,210	77,576	-	-
Other operating expenses	31,077	27,698	246,686	245,244	-	-
(b) Items in Statement of Financial Position						
Assets						
Cash and cash equivalents	1,705,417	1,955,057	-	-	-	-
Balances with banks & financial institutions	582,993	74,135	-	-	-	-
Loans and receivables	15,787	73,505	1,611,979	2,040,594	-	-
Financial assets - Held-to-maturity	1,297,097	3,766,540	-	-	-	-
Investments in subsidiaries/affiliates	-	-	1,875,000	1,875,000	586,427	205,160
Other assets	15,769	-	132,779	145,588	-	-
Liabilities						
Due to banks	9,880,596	1,906,781	-	-	-	-
Due to customers	-	-	159,168	92,352	-	-
Debt securities issued	1,065,714	1,065,714	104,056	104,009	-	-
Other financial liabilities	-	-	518,541	451,932	-	-
Other liabilities	4,636	9,241	-	-	-	-
(c) Transactions						
Transaction cost on debenture issue and securitisation	23,935	23,935	-	-	-	-
Dividend paid	1,481,121	1,481,121	-	-	-	-
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	2,966,686	3,208,541	-	-
(d) Off- Balance Sheet Items						
Guarantees	-	-	625,000	325,000	-	-

49.4.2 Group

The Group had the under mentioned financial dealings during the financial year with the following related entities.

	Immediate Parent		Affiliates	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	245,942	336,213	-	-
Interest expenses	621,569	102,903	-	-
Net earned premiums	212,163	232,803	-	-
Fee and commission income	125,249	49,375	-	-
Other operating income	32,143	85,863	-	-
Benefits, claims and underwriting expenditure	78,520	73,332	-	-
Other operating expenses	31,977	28,598	-	-

NOTES TO THE FINANCIAL STATEMENTS

49 RELATED PARTY DISCLOSURE (CONTD.)

	Immediate Parent		Affiliates	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
(b) Items in Statement of Financial Position				
Assets				
Cash and cash equivalents	1,849,447	2,210,581	-	-
Balances with banks & financial institutions	665,689	192,550	-	-
Loans and receivables	15,787	73,505	-	-
Insurance and reinsurance receivables	1,088	10,988	-	-
Financial assets - Held-to-maturity	1,297,097	3,776,540	-	-
Investments in affiliates	-	-	586,427	205,160
Other assets	546,297	1,086,903	-	-
Liabilities				
Due to banks	9,941,131	1,911,404	-	-
Debt securities issued	1,065,714	1,065,714	-	-
Other liabilities	8,712	19,498	-	-

49.5 Transactions with Associate Company

People's Leasing & Finance PLC and People's Bank ('Joint Offerors') on 3rd July 2015 acquired a total of 6,461,543 ordinary shares at a price of Rs. 22 per share representing 9.57% of the voting rights in People's Merchant Finance PLC ('PMF'). Consequent to the aforesaid purchase of ordinary shares, the Joint Offerors owned 32,921,519 voting shares (48.77%) of PMF and as a result, the Joint Offerors were required to make a mandatory offer to the remaining shareholders of PMF.

On 7th July 2015 Joint Offerors announced a mandatory offer to purchase the remaining 34,578,481 ordinary shares aggregating to a total of 51.23% of the shares in issue of PMF at a price of Rs. 22 per share, being the highest price paid by the Joint Offerors during the period of one year prior to the date of the above acquisition.

On 28th August 2015 acceptances of the offer were received in respect of 25,948,729 ordinary shares. From such shares 12,974,364 ordinary shares were purchased by People's Leasing & Finance PLC thereby increasing its holding in PMF to 37.06% and PMF became an associate of People's Leasing & Finance PLC during the month of September 2015.

Pursuant to a direction issued by the Monetary Board of the Central Bank of Sri Lanka, the Company assumed duties as the Managing Agent of People's Merchant Finance PLC with effect from 14th July 2015.

50 FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Policy

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Group's/Company's estimate of assumptions that a market participant would make when valuing the instruments.

50.1 Financial assets – Available-for-sale

Available-for-sale financial assets valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

50.2 Financial Assets at Fair Value Through Profit or Loss - Held-for-trading

Held-for-trading financial assets valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

50.3 Derivatives - Assets & Liabilities

Derivative product is forward foreign exchange contracts valued using a valuation technique with market-observable inputs. The most frequently applied valuation techniques include forward foreign exchange spot & forward premiums.

50.4 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.

50.5 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.

50.6 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 Group/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 Group/Company has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include;

- ▶ Periodic (daily, monthly or quarterly) reviewing of fair value measurements against observable market data.
- ▶ Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgments and assumptions.

50.7 Determination of Fair Value and Fair Value Hierarchy

The Group/Company 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:

As 31st March 2016 Company	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial Assets					
Financial assets – Available-for-sale					
Quoted investment	31.03.2016	255,099	-	-	255,099
Unit trusts	31.03.2016	-	245,258	-	245,258
		255,099	245,258	-	500,357
Financial assets - Held-for-trading					
Quoted investment	31.03.2016	211,651	-	-	211,651
		211,651	-	-	211,651
Non financial assets - Investment property					
Land and building	30.11.2015	-	-	90,752	90,752
		-	-	90,752	90,752
Total		466,750	245,258	90,752	802,760
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant and equipment).	Note 28.4	-	-	977,173	977,173
Total		-	-	977,173	977,173

NOTES TO THE FINANCIAL STATEMENTS

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

As at 31st March 2015 Company	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets – Available-for-sale					
Quoted investment	31.03.2015	416,433	-	-	416,433
Unit trusts	31.03.2015	-	522,766	-	522,766
		416,433	522,766	-	939,199
Financial assets - Held-for-trading					
Quoted investment	31.03.2015	196,193	-	-	196,193
		196,193	-	-	196,193
Total		612,626	522,766	-	1,135,392
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant and equipment)	Note 28.4	-	-	764,816	764,816
Total		-	-	764,816	764,816
Financial Liabilities - Derivative financial instruments					
Forward foreign exchange contracts	31.03.2015	-	92,193	-	92,193
Total		-	92,193	-	92,193

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

As at 31st March 2016 Group	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets – Available-for-sale					
Quoted investment	31.03.2016	255,099	-	-	255,099
Treasury bills	31.03.2016	1,194,219	-	-	1,194,219
Unit trusts	31.03.2016	-	290,638	-	290,638
		1,449,318	290,638	-	1,739,956
Financial assets - Held-for-trading					
Quoted investment	31.03.2016	527,438	-	-	527,438
		527,438	-	-	527,438
Total		1,976,756	290,638	-	2,267,394
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant and equipment)	Note 28.4	-	-	4,040,673	4,040,673
Total		-	-	4,040,673	4,040,673

As at 31st March 2015 Group	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets – Available-for-sale					
Quoted investment	31.03.2015	416,433	-	-	416,433
Treasury bills	31.03.2015	1,049,675	-	-	1,049,675
Unit trusts	31.03.2015	-	577,234	-	577,234
		1,466,108	577,234	-	2,043,342
Financial assets - Held-for-trading					
Quoted investment	31.03.2015	503,268	-	-	503,268
		503,268	-	-	503,268
Total		1,969,376	577,234	-	2,546,610

As at 31st March 2015 Group	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant and equipment)	Note 28.4	-	-	3,269,816	3,269,816
Total		-	-	3,269,816	3,269,816
Financial Liabilities - Derivative financial instruments					
Forward foreign exchange contracts	31.03.2015	-	92,193	-	92,193
Total		-	92,193	-	92,193

There were no material transfers between level 1 and level 2 during the 2015 and 2016. Valuation was carried out by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement).

The following table show total gain and losses recognised in Statement of Profit or Loss during the period relating to assets and liabilities held at the respective period ended.

For the year ended 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Financial Assets				
Financial assets - Held-for-trading				
Quoted equity investments	(40,355)	57,985	(71,903)	120,741
Total	(40,355)	57,985	(71,903)	120,741

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.

	Company		Group	
	Investment property Rs. '000	Freehold Land Buildings Rs. '000	Investment property Rs. '000	Freehold Land Buildings Rs. '000
Balance as at 1st April 2014	55,000	468,348	-	2,646,848
Additions	-	304,591	-	719,389
Disposals / transfers	(52,000)	52,000	-	(2,084)
Total gains / (losses) recognised in Statement of Profit or Loss;				
Fair value recognised during the year	(3,000)	-	-	(4,000)
Depreciation of buildings	-	(406)	-	(21,887)
Fair value disclosed during the year	-	(59,717)	-	(68,450)
Balance as at 31st March 2015	-	764,816	-	3,269,816
Balance as at 1st April 2015	-	764,816	-	3,269,816
Additions	12,352	158,737	-	158,783
Disposals / transfers	78,400	(71,148)	-	-
Total gains / (losses) recognised in Statement of Profit or Loss;				
Fair value recognised during the year	-	-	-	-
Depreciation of buildings	-	(750)	-	(26,327)
Fair value disclosed during the year	-	125,518	-	638,401
Balance as at 31st March 2016	90,752	977,173	-	4,040,673

NOTES TO THE FINANCIAL STATEMENTS

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

Unobservable Inputs Used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used at 31st March 2016 and 31st March 2015 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
Company						
Investment property						
Freehold land	30.11.2015	78,400	MCM	Estimated price per perch	Rs. 350,000	*
Property, plant and equipment						
Freehold land	30.11.2015	762,038	MCM	Estimated price per perch	Rs. 50,000 - 3,750,000	*
Freehold buildings	30.11.2015	59,254	MCM	Estimated price per sq.ft	Rs. 500 - 4,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 20 - 60	*
Property, plant and equipment						
Freehold land	31.03.2015	709,524	MCM	Estimated price per perch	Rs. 30,000 - 3,600,000	*
Freehold buildings	31.03.2015	55,292	MCM	Estimated price per sq.ft	Rs. 500 - 4,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 60	*
Group						
Property, plant and equipment						
Freehold land	31.03.2016	2,732,087	MCM	Estimated price per perch	Rs. 50,000 - 10,000,000	*
Freehold buildings	31.03.2016	1,308,586	MCM	Estimated price per sq.ft	Rs. 500 - 11,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 250	*
Property, plant and equipment						
Freehold land	31.03.2015	2,071,024	MCM	Estimated price per perch	Rs. 30,000 - 6,500,000	*
Freehold buildings	31.03.2015	1,198,792	MCM	Estimated price per sq.ft	Rs. 500 - 10,000	*
			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.

50.8 Fair Value of Assets and Liabilities not Carried at Fair Value

Set out below is a comparison, by class, of the carrying amount and fair values of the Group's/Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

As at 31st March	Fair value hierarchy	2016		2015	
		Carrying amount Rs. '000	Fair Value Rs. '000	Carrying amount Rs. '000	Fair Value Rs. '000
Company					
Financial Assets					
Cash and cash equivalents		3,206,733	3,206,733	3,139,139	3,139,139
Balances with banks & financial institutions		847,448	847,448	326,321	326,321
Loans and receivables	Level 2	109,872,415	109,379,201	98,411,195	101,467,430
Financial assets - Held-to-maturity	Level 1	4,930,236	4,876,567	5,266,407	5,245,310
Other financial assets		132,779	132,779	253,723	253,723
Total		118,989,611	118,442,728	107,396,785	110,431,923

As at 31st March	Fair value hierarchy	2016		2015	
		Carrying amount Rs. '000	Fair Value Rs. '000	Carrying amount Rs. '000	Fair Value Rs. '000
Company					
Financial Liabilities					
Due to banks	Level 2	26,431,628	25,972,070	21,228,600	21,188,757
Due to customers	Level 2	33,836,428	33,752,251	34,093,762	34,073,257
Debt securities issued	Level 2	34,387,677	34,800,780	28,619,004	31,366,748
Other financial liabilities		2,730,484	2,730,484	3,234,445	3,234,445
Total		97,386,217	97,255,585	87,175,811	89,863,207
Group					
Financial Assets					
Cash and cash equivalents		3,555,643	3,555,643	3,413,951	3,413,951
Balances with banks & financial institutions		2,543,016	2,543,016	1,830,668	1,830,668
Loans and receivables	Level 2	111,156,437	110,051,707	97,996,856	100,141,520
Insurance and reinsurance receivables		206,303	206,303	187,300	187,300
Financial assets – Held-to-maturity	Level 1	4,930,236	4,876,567	5,266,407	5,245,310
Total		122,391,635	121,233,236	108,695,182	110,818,749
Financial Liabilities					
Due to banks	Level 2	28,059,677	26,392,852	22,391,144	22,268,652
Due to customers	Level 2	33,677,260	33,590,359	34,001,411	33,981,304
Debt securities issued	Level 2	34,283,621	34,688,524	28,514,996	31,242,545
Other financial liabilities		2,888,399	2,888,399	3,165,912	3,165,912
Insurance liabilities and reinsurance payable		44,333	44,333	46,300	46,300
Total		98,953,290	97,604,467	88,119,763	90,704,713

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The valuation techniques used to establish the Group's/Company'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/ Company's reported financial performance or position. The fair values calculated by the Group/Company 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.

Loan and Receivables

The fair value of loans and receivables 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 receivables 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 (Saving 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.

NOTES TO THE FINANCIAL STATEMENTS

51 CURRENT/NON CURRENT ANALYSIS

As at 31st March	2016			2015		
	Within	After	Total	Within	After	Total
Company	12 months	12 months	Rs. '000	12 months	12 months	Rs. '000
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and cash equivalents	3,206,733	-	3,206,733	3,139,139	-	3,139,139
Balances with banks & financial institutions	847,448	-	847,448	326,321	-	326,321
Financial assets – Held-for-trading	211,651	-	211,651	196,193	-	196,193
Loans and receivables	42,472,862	67,399,553	109,872,415	41,767,650	56,643,545	98,411,195
Financial assets – Available-for-sale	500,357	-	500,357	939,199	-	939,199
Financial assets – Held-to-maturity	4,905,653	24,583	4,930,236	5,242,151	24,256	5,266,407
Investments in subsidiaries	-	1,875,000	1,875,000	-	1,875,000	1,875,000
Investments in associates	-	586,427	586,427	-	-	-
Investment properties	-	90,752	90,752	-	-	-
Property, plant and equipment	-	1,120,600	1,120,600	-	1,108,681	1,108,681
Goodwill and intangible assets	-	329,963	329,963	-	337,647	337,647
Other assets	764,066	-	764,066	723,197	-	723,197
Total assets	52,908,770	71,426,878	124,335,648	52,333,850	59,989,129	112,322,979
Liabilities						
Due to banks	14,575,997	11,855,631	26,431,628	11,819,749	9,408,851	21,228,600
Due to customers	30,032,523	3,803,905	33,836,428	29,423,523	4,670,239	34,093,762
Debt securities issued	12,450,032	21,937,645	34,387,677	9,831,053	18,787,951	28,619,004
Other financial liabilities	2,730,484	-	2,730,484	3,234,445	-	3,234,445
Derivative financial instruments	-	-	-	92,193	-	92,193
Current tax liabilities	937,999	-	937,999	550,042	-	550,042
Deferred tax liabilities	-	1,821,897	1,821,897	-	1,949,490	1,949,490
Other liabilities	1,417,667	-	1,417,667	1,419,655	-	1,419,655
Total liabilities	62,144,702	39,419,078	101,563,780	56,370,660	34,816,531	91,187,191
Net balance	[9,235,932]	32,007,800	22,771,868	[4,036,810]	25,172,598	21,135,788

As at 31st March	2016			2015		
	Within	After	Total	Within	After	Total
Group	12 months	12 months	Rs. '000	12 months	12 months	Rs. '000
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and cash equivalents	3,555,643	-	3,555,643	3,413,951	-	3,413,951
Balances with banks & financial institutions	2,543,016	-	2,543,016	1,830,668	-	1,830,668
Financial assets – Held-for-trading	527,438	-	527,438	503,268	-	503,268
Loans and receivables	42,166,940	68,989,497	111,156,437	40,939,597	57,057,259	97,996,856
Reinsurance and insurance receivables	206,303	-	206,303	187,300	-	187,300
Financial assets – Available-for-sale	1,739,956	-	1,739,956	2,043,342	-	2,043,342
Financial assets – Held-to-maturity	4,905,653	24,583	4,930,236	5,242,151	24,256	5,266,407
Investments in associates	-	550,257	550,257	-	-	-
Property, plant and equipment	-	4,209,533	4,209,533	-	3,804,706	3,804,706
Goodwill and intangible assets	-	333,175	333,175	-	345,641	345,641
Other assets	1,334,274	-	1,334,274	1,768,840	-	1,768,840
Total assets	56,979,223	74,107,045	131,086,268	55,929,117	61,231,862	117,160,979

As at 31st March	2016			2015		
Group	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
Liabilities						
Due to banks	15,277,800	12,781,877	28,059,677	12,982,293	9,408,851	22,391,144
Due to customers	29,873,355	3,803,905	33,677,260	29,331,172	4,670,239	34,001,411
Debt securities issued	12,445,976	21,837,645	34,283,621	9,727,045	18,787,951	28,514,996
Other financial liabilities	2,888,399	-	2,888,399	3,165,912	-	3,165,912
Derivative financial instruments	-	-	-	92,193	-	92,193
Insurance and reinsurance payable	3,181,588	-	3,181,588	2,894,358	-	2,894,358
Current tax liabilities	1,017,694	-	1,017,694	618,198	-	618,198
Deferred tax liabilities	-	1,840,724	1,840,724	-	1,976,418	1,976,418
Other liabilities	1,467,033	-	1,467,033	1,453,490	-	1,453,490
Total liabilities	66,151,845	40,264,151	106,415,996	60,264,661	34,843,459	95,108,120
Net assets	(9,172,622)	33,842,894	24,670,272	(4,335,544)	26,388,403	22,052,859

52 FINANCIAL REPORTING BY SEGMENT

Accounting Policy

The Group's segmental reporting is based on the following operating segments: Business segments and geographical segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to inter-company counterparts for similar services. Such services are eliminated on consolidation.

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 & 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, Murahba and Trading Murahba products offered to the customers.

Insurance Business

Insurance business segment includes general insurance.

Other Business

This segment include all other business activities that Group engaged other than above segments.

NOTES TO THE FINANCIAL STATEMENTS

52 FINANCIAL REPORTING BY SEGMENT (CONTD.)

	Lease & HP		Loans		Islamic		Insurance		Other		Eliminations		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	12,584,395	14,473,573	4,366,881	3,675,942	838,620	769,617	307,044	287,959	449,727	658,949	(245,500)	(270,949)	18,301,167	19,595,091
Net earned premiums	-	-	-	-	-	-	3,371,843	3,036,834	-	-	(88,672)	(86,932)	3,283,171	2,949,902
Net fee and commission income	696,335	688,534	241,634	174,871	46,404	36,612	-	-	278,829	356,053	(734,898)	(679,478)	528,304	576,592
Net trading income	-	-	-	-	-	-	(31,548)	62,756	(40,355)	57,985	-	-	(71,903)	120,741
Other operating income	310,193	276,736	107,639	70,285	20,671	14,715	771,403	50,262	228,691	191,460	(205,634)	(266,913)	538,963	336,545
Gross income	13,590,923	15,438,843	4,716,154	3,921,098	905,695	820,944	3,724,742	3,437,811	916,892	1,264,447	(1,274,704)	(1,304,272)	22,579,702	23,578,871
Interest expenses	5,556,333	6,915,260	1,928,090	1,756,311	370,272	367,712	-	-	374,850	566,362	(223,495)	(255,373)	8,006,050	9,350,272
Total operating income	8,034,590	8,523,583	2,788,064	2,164,787	535,423	453,232	3,724,742	3,437,811	542,042	698,085	(1,051,209)	(1,048,899)	14,573,652	14,228,599
Credit loss expenses	369,795	1,417,074	(83,686)	257,016	(2,505)	(16,131)	-	-	7,099	12,722	-	-	290,703	1,670,681
Net operating income	7,664,795	7,106,509	2,871,750	1,907,771	537,928	469,363	3,724,742	3,437,811	534,943	685,363	(1,051,209)	(1,048,899)	14,282,949	12,557,918
Depreciation	145,477	167,922	66,422	46,781	17,069	15,171	9,838	11,150	12,900	15,459	46,604	42,437	298,310	298,920
Segment result	4,272,343	4,038,182	1,482,534	1,025,602	284,707	214,726	1,170,881	899,193	288,227	330,729	(195,651)	(248,890)	7,303,041	6,259,542
VAT on financial services	-	-	-	-	-	-	-	-	-	-	-	-	559,964	372,121
Share of profit/(loss) of an associate (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-	(86,170)	-
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	1,965,361	1,785,879
Profit attributable to equity holder	-	-	-	-	-	-	-	-	-	-	-	-	4,741,546	4,101,542
Segment assets	78,122,455	80,447,797	35,669,247	22,411,687	9,166,445	7,267,978	6,085,322	4,801,344	6,927,367	7,406,134	(4,884,568)	(5,173,961)	131,086,268	117,160,979
Total assets	78,122,455	80,447,797	35,669,247	22,411,687	9,166,445	7,267,978	6,085,322	4,801,344	6,927,367	7,406,134	(4,884,568)	(5,173,961)	131,086,268	117,160,979
Segment liabilities	63,294,304	64,773,227	28,898,990	18,044,960	7,426,594	5,851,874	3,723,150	3,406,392	5,612,507	5,963,109	(2,539,549)	(2,931,442)	106,415,996	95,108,120
Total liability	63,294,304	64,773,227	28,898,990	18,044,960	7,426,594	5,851,874	3,723,150	3,406,392	5,612,507	5,963,109	(2,539,549)	(2,931,442)	106,415,996	95,108,120

53 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting period which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

The Board of Directors of the Company has proposed a final dividend of Rs. 0.50 per share for the Ordinary Shareholders of the Company for the year ended 31st March 2016. This will be declared at the Annual General Meeting to be held on 29th June 2016, upon approval of the shareholders.

In accordance with Sri Lanka Accounting Standard - LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognised as a liability as at 31st March 2016. As required by section 56(2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the Company has satisfied the 'Solvency Test' in accordance with section 57 of the Companies Act No 7 of 2007, having obtained a certificate from the auditors, prior to recommending the final dividend for the year.

54 ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

As at 31st March Nature of Assets	Nature of Liabilities	Carrying Amount Pledged				Included under
		Company		Group		
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	
Rentals receivable on lease	Securitisation	26,341,527	19,871,975	26,341,527	19,871,975	Loans and receivables
	Term loan / Debentures	25,910,361	17,179,674	25,910,361	17,179,674	Loans and receivables
Rentals receivable on hire-purchase	Securitisation	3,519,133	9,841,241	3,519,133	9,841,241	Loans and receivables
	Term loan / Debentures	3,448,403	7,606,080	3,448,403	7,606,080	Loans and receivables
Fixed deposit	Overdrafts	-	-	10,000	10,000	Financial liabilities
Freehold land and building	Term loan	-	-	2,963,000	2,078,485	Property, plant and equipment

55 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 on 'Presentation of Financial Statements'. Comparative information is reclassified wherever necessary to comply with the current presentation.

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

	As disclosed previously Rs. '000	Company Current Presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Group Current Presentation Rs. '000	Adjustment Rs. '000
Statement of Financial Position						
Due to customers	34,022,572	34,093,762	71,190	33,930,221	34,001,411	71,190
Debt securities issued	28,690,194	28,619,004	(71,190)	28,586,186	28,514,996	(71,190)

Reclassification of interest payable included in debt securities issued to due to customers.

56 RISK MANAGEMENT

56.1 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 and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a 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 & Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

NOTES TO THE FINANCIAL STATEMENTS

56 RISK MANAGEMENT (CONTD.)

Assets and Liability Committee (ALCO)

ALCO is chaired by the Chief Executive Officer and has representatives from Deputy General Manager Finance, Deputy General Manager Operations, Head of Finance, Head of Risk Management, Head of Treasury. 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.

56.2 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 by monitoring exposures in relation to such limits.

Impairment assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually assessed allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchase and loan 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 purchase and loan, islamic products and factoring receivables and for held-to-maturity debt investments that are not individually significant and for individually significant loans and receivables that have been assessed individually and found not to be impaired.

The Company generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Company would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Company may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans and receivables assessments. The collective assessment takes into account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, loan to collateral ratios) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by Management to ensure alignment with the Company's overall policy.

56.2.1 Maximum Exposure to Credit Risk

Credit quality by class of financial assets

The Group/Company manages the credit quality of financial assets using internal credit ratings. The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Group's/Company's internal credit rating 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'.

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans and receivables by Class of Financial Assets.

Company	Neither past due nor impaired				Past due but not impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
	High grade Rs. '000	Standard grade Rs. '000	Sub-standard grade Rs. '000	Un rated Rs. '000			
As at 31st March 2016							
Cash and cash equivalents (excluding cash in hand)	2,784,831	5,224	-	-	-	-	2,790,055
Balances with banks & financial institutions	847,448	-	-	-	-	-	847,448
Financial assets - Held-for-trading	142,505	-	-	69,146	-	-	211,651
Loans and receivables	9,953,160	54,252,397	57,156	-	47,048,529	142,031	111,453,273
Financial assets - Available-for-sale	255,089	245,258	-	10	-	-	500,357
Financial assets - Held-to-maturity	4,930,236	-	-	-	-	-	4,930,236
Other financial assets	-	-	-	132,779	-	-	132,779
Total	18,913,269	54,502,879	57,156	201,935	47,048,529	142,031	120,865,799

As at 31st March 2015							
Cash and cash equivalents (excluding cash in hand)	2,826,122	5,475	-	-	-	-	2,831,597
Balances with banks & financial institutions	326,002	-	-	-	-	-	326,002
Financial assets - Held-for-trading	169,928	2,030	-	24,236	-	-	196,194
Loans and receivables	3,900,362	43,738,639	126,312	4,438,562	47,896,809	435,323	100,536,007
Financial assets - Available-for-sale	522,766	416,423	-	10	-	-	939,199
Financial assets - Held-to-maturity	5,266,407	-	-	-	-	-	5,266,407
Other financial assets	-	-	-	253,723	-	-	253,723
Total	13,011,587	44,162,567	126,312	4,716,531	47,896,809	435,323	110,349,129

Group	Neither past due nor impaired				Past due but not impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
	High grade Rs. '000	Standard grade Rs. '000	Sub-standard grade Rs. '000	Un rated Rs. '000			
As at 31st March 2016							
Cash and cash equivalents (excluding cash in hand)	3,118,596	-	-	-	-	-	3,118,596
Balances with banks & financial institutions	2,543,016	-	-	-	-	-	2,543,016
Financial assets - Held-for-trading	410,549	-	-	116,889	-	-	527,438
Loans and receivables	9,953,160	53,774,745	57,156	-	48,887,072	142,031	112,814,164
Insurance and reinsurance receivables	-	-	-	206,303	-	-	206,303
Financial assets - Available-for-sale	-	1,739,946	-	10	-	-	1,739,956
Financial assets - Held-to-maturity	4,930,236	-	-	-	-	-	4,930,236
Total	20,955,557	55,514,691	57,156	323,202	48,887,072	142,031	125,879,709

As at 31st March 2015							
Cash and cash equivalents (excluding cash in hand)	3,085,763	5,475	-	-	-	-	3,091,238
Balances with banks & financial institutions	1,830,668	-	-	-	-	-	1,830,668
Financial assets - Held-for-trading	424,393	2,030	-	76,845	-	-	503,268
Loans and receivables	4,538,736	43,738,639	126,312	3,887,872	47,439,769	435,323	100,166,651
Insurance and reinsurance receivables	-	-	-	187,300	-	-	187,300
Financial assets - Available-for-sale	1,626,909	416,423	-	10	-	-	2,043,342
Financial assets - Held-to-maturity	5,266,407	-	-	-	-	-	5,266,407
Total	16,772,876	44,162,567	126,312	4,152,027	47,439,769	435,323	113,088,874

NOTES TO THE FINANCIAL STATEMENTS

56 RISK MANAGEMENT (CONTD.)

56.2 Credit risk (Contd.)

Company	Past due but not impaired				Total Rs. '000
	< 3 Rs. '000	3.1 to 6.0 Rs. '000	6.1 to 12.0 Rs. '000	> 12 Rs. '000	
As at 31st March 2016					
Loans and receivables	44,196,224	1,274,803	382,065	1,195,437	47,048,529
As at 31st March 2015					
Loans and receivables	43,288,441	2,173,662	972,066	1,462,640	47,896,809

Group	Past due but not impaired				Total Rs. '000
	< 3 Rs. '000	3.1 to 6.0 Rs. '000	6.1 to 12.0 Rs. '000	> 12 Rs. '000	
As at 31st March 2016					
Loans and receivables	43,235,561	1,980,573	871,670	2,799,268	48,887,072
As at 31st March 2015					
Loans and receivables	42,162,386	2,492,016	1,062,399	1,722,968	47,439,769

Credit risk exposure for each internal credit risk rating

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of qualitative as well as quantitative variables for the measurement of counterparty risk. All internal risk ratings are tailored to various categories and are derived in accordance with the Company's rating policy. The risk ratings of the business borrowers are updated at least annually or earlier if required. The table below shows the Company's internal credit rating of the financial assets.

Company's internal credit rating	Company Rating	Fitch / Ram Rating	2016 Rs. '000	2015 Rs. '000
High Grade				
Risk rating class 1	High	AAA to AA+	12,251,342	8,852,571
Risk rating class 2	High	AA to AA-	1,319,764	1,267,552
Risk rating class 3	High	A+ to BBB+	5,342,163	2,891,464
Standard Grade				
Risk rating class 4	Standard	BBB to BBB-	46,817,480	37,563,804
Risk rating class 5	Standard	BB+ to BB	7,013,477	5,903,344
Risk rating class 6	Standard	BB- to B+	671,922	695,419
Sub Standard Grade				
Risk rating class 7	Sub Standard	B to B-	43,802	103,416
Risk rating class 8	Sub Standard	CCC to CC	6,681	21,646
Risk rating class 9	Sub Standard		6,673	1,250
Unrated			201,935	4,716,531
Total			73,675,239	62,016,997

56.2.2 Analysis of Risk Concentration

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Industry analysis

Company	*Financial Services											Total Rs. '000
	As at 31st March 2016	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	
Cash and cash equivalents	3,206,733	-	-	-	-	-	-	-	-	-	-	3,206,733
Balances with banks & financial institutions	847,448	-	-	-	-	-	-	-	-	-	-	847,448
Financial assets - Held-for-trading	114,906	-	29,862	1,200	-	-	-	59,173	-	-	6,510	211,651
Loans and receivables	2,731,535	1,681,233	19,677	502,944	13,728,536	4,221,837	17,347,120	51,099,066	1,422,429	18,698,896	-	111,453,273
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	-	(1,580,858)
Net loans and receivables	500,357	-	-	-	-	-	-	-	-	-	-	109,872,415
Financial assets - Available-for-sale	4,930,236	-	-	-	-	-	-	-	-	-	-	500,357
Financial assets - Held-to-maturity	132,779	-	-	-	-	-	-	-	-	-	-	4,930,236
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	132,779

Industry analysis

Company	*Financial Services											Total Rs. '000
	As at 31st March 2015	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	
Cash and cash equivalents	3,139,139	-	-	-	-	-	-	-	-	-	-	3,139,139
Balances with banks & financial institutions	326,321	-	-	-	-	-	-	-	-	-	-	326,321
Financial assets - Held-for-trading	141,763	-	28,164	-	-	-	-	22,206	-	-	4,060	196,193
Loans and receivables	1,803,879	2,275,233	10,750	369,594	15,033,463	4,907,300	19,641,605	44,344,151	1,200,033	10,949,999	-	100,536,007
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	-	(2,124,812)
Net loans and receivables	939,189	-	-	-	-	-	-	-	-	10	-	939,199
Financial assets - Available-for-sale	5,266,407	-	-	-	-	-	-	-	-	-	-	5,266,407
Financial assets - Held-to-maturity	253,723	-	-	-	-	-	-	-	-	-	-	253,723

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

NOTES TO THE FINANCIAL STATEMENTS

56 RISK MANAGEMENT (CONTD.)

Industry analysis

Group	*Financial											Total Rs. '000
	As at 31st March 2016	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	
Cash and cash equivalents		3,555,643	-	-	-	-	-	-	-	-	-	3,555,643
Balances with banks & financial institutions		2,543,016	-	-	-	-	-	-	-	-	-	2,543,016
Financial assets - Held-for-trading		327,122	338	58,383	1,200	-	-	116,460	-	-	23,935	527,438
Loans and receivables		2,213,144	1,887,620	19,677	507,297	13,733,613	4,135,845	17,666,654	50,447,696	1,556,792	20,645,826	112,814,164
Less - Impairment charges		-	-	-	-	-	-	-	-	-	-	(1,657,727)
Net loans and receivables		-	-	-	-	-	-	-	-	-	206,303	111,156,437
Reinsurance and insurance receivables		1,739,946	-	-	-	-	-	-	10	-	-	1,739,956
Financial assets - Available-for-sale		4,930,236	-	-	-	-	-	-	-	-	-	4,930,236

Industry analysis

Group	*Financial											Total Rs. '000
	As at 31st March 2015	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	
Cash and cash equivalents		3,413,951	-	-	-	-	-	-	-	-	-	3,413,951
Balances with banks & financial institutions		1,830,668	-	-	-	-	-	-	-	-	-	1,830,668
Financial assets - Held-for-trading		358,764	-	52,214	-	-	-	-	73,275	-	19,015	503,268
Loans and receivables		2,416,982	2,397,189	27,640	371,844	15,035,443	4,586,034	19,857,938	42,705,660	1,281,102	11,486,819	100,166,651
Less - Impairment charges		-	-	-	-	-	-	-	-	-	-	(2,169,795)
Net loans and receivables		-	-	-	-	-	-	-	-	-	187,300	97,996,856
Reinsurance and insurance receivables		2,043,332	-	-	-	-	-	-	10	-	-	2,043,342
Financial assets - Held-to-maturity		5,266,407	-	-	-	-	-	-	-	-	-	5,266,407

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

56.2.3 Fair Value of Collateral and Credit Enhancements Held

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

The main types of collateral obtained are, as follows:

- ▶ For securities lending and reverse repurchase transactions, cash or securities
- ▶ For commercial lending, charges over real estate properties, inventory and trade receivables
- ▶ For retail lending, mortgages over residential properties

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

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

As at 31st March	2016		2015	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Company				
Cash and cash equivalents (excluding cash in hand)	2,790,055	2,790,055	2,831,597	2,831,597
Balances with banks & financial institutions	847,448	847,448	326,321	326,321
Financial assets - Held-for-trading	211,651	211,651	196,193	196,193
Loans and receivables	109,872,415	588,604	98,411,195	469,873
Financial assets - Available-for-sale	500,357	500,357	939,199	939,199
Financial assets - Held-to-maturity	4,930,236	4,930,236	5,266,407	5,266,407
Other financial assets	132,779	132,779	253,723	253,723
Total	119,284,941	10,001,130	108,224,635	10,283,313

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

As at 31st March	2016		2015	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Group				
Cash and cash equivalents (excluding cash in hand)	3,118,596	3,118,596	3,091,238	3,091,238
Balances with banks & financial institutions	2,543,016	2,543,016	1,830,668	1,830,668
Financial assets - Held-for-trading	527,438	527,438	503,268	503,268
Loans and receivables	111,156,437	588,604	97,996,856	1,107,600
Insurance and reinsurance receivables	206,303	206,303	187,300	187,300
Financial assets - Available-for-sale	1,739,956	1,739,956	2,043,342	2,043,342
Financial assets - Held-to-maturity	4,930,236	4,930,236	5,266,407	5,266,407
Total	124,221,982	13,654,149	110,919,079	14,029,823

56.2.4 Offsetting Financial Assets & Liabilities

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

56.2.5 Financial Assets & Liabilities not Subject to Offsetting

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

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56.2.5 Financial Assets & Liabilities not Subject to Offsetting

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

As at 31st March	2016			2015		
	Gross Amount	Qualify for offsetting	Net Amount	Gross Amount	Qualify for offsetting	Net Amount
Company/Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Loans and receivables	1,817,213	930,147	887,066	2,048,599	964,016	1,084,583

56.3 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, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company maintains a portfolio of 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.

A minimum holiday of liquid assets 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 borrowing and any payable.

Further the Company maintaining assets in the form of Sri Lankan government treasury bills & government securities equivalent to 7.5% of the average of its month end total deposit liabilities and unsecured 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 receivables to customers as a percentage of customer savings accounts and fixed deposits.

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

Liquidity ratios	Company		Group	
	2016	2015	2016	2015
As at 31st March				
Advances to deposit ratios (Times)	3.25	2.89	3.30	2.89
Liquidity assets to deposit (%)	24	24	34	28

56.3.1 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 31st March 2016.

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.

56.3.5 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities

As at 31st March 2016	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Cash and cash equivalents	1,694,597	1,512,136	-	-	-	-	3,206,733
Balances with banks & financial institutions	-	771,982	81,715	-	-	-	853,697
Financial assets - Held-for-trading	-	-	211,651	-	-	-	211,651
Loans and receivables	6,053,568	13,077,758	36,626,129	63,585,144	16,261,430	76,729	135,680,758
Financial assets - Available-for-sale	-	500,357	-	-	-	-	500,357
Financial assets - Held-to-maturity	-	2,910,458	2,113,975	4,250	26,063	-	5,054,746
Other financial assets	-	132,779	-	-	-	-	132,779
Total undiscounted financial assets	7,748,165	18,905,470	39,033,470	63,589,394	16,287,493	76,729	145,640,721
Financial liabilities							
Due to banks	451	10,519,826	5,366,746	11,568,817	1,505,911	-	28,961,751
Due to customers	4,379,435	8,244,310	18,545,677	3,464,925	1,224,952	31,670	35,890,969
Debt securities issued	-	4,218,071	7,965,111	22,090,923	8,301,720	-	42,575,825
Other financial liabilities	-	2,730,484	-	-	-	-	2,730,484
Total undiscounted financial liabilities	4,379,886	25,712,691	31,877,534	37,124,665	11,032,583	31,670	110,159,029
Net undiscounted financial assets/(liabilities)	3,368,279	(6,807,221)	7,155,936	26,464,729	5,254,910	45,059	35,481,692

As at 31st March 2015	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	3,139,139	-	-	-	-	-	3,139,139
Balances with banks & financial institutions	-	-	326,321	-	-	-	326,321
Financial assets - Held-for-trading	-	-	196,193	-	-	-	196,193
Loans and receivables	5,075,165	15,778,953	33,498,382	54,081,842	13,587,529	24,114	122,045,985
Financial assets - Available-for-sale	-	939,199	-	-	-	-	939,199
Financial assets - Held-to-maturity	-	3,399,651	1,864,124	4,250	27,444	-	5,295,469
Other financial assets	-	253,723	-	-	-	-	253,723
Total undiscounted financial assets	8,214,304	20,371,526	35,885,020	54,086,092	13,614,973	24,114	132,196,029
Financial liabilities							
Due to banks	75,887	6,628,324	6,166,675	7,936,419	2,539,807	-	23,347,112
Due to customers	5,996,583	6,629,508	17,605,299	3,895,060	1,023,430	27,007	35,176,887
Debt securities issued	70,312	3,023,473	7,782,801	15,823,955	8,673,183	-	35,373,724
Other financial liabilities	129,906	3,104,723	-	-	-	-	3,234,629
Derivative financial instrument	-	20,327	71,866	-	-	-	92,193
Total undiscounted financial liabilities	6,272,688	19,406,355	31,626,641	27,655,434	12,236,420	27,007	97,224,545
Net undiscounted financial assets/(liabilities)	1,941,616	965,171	4,258,379	26,430,658	1,378,553	(2,893)	34,971,484

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As at 31st March 2016	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	2,043,507	1,512,136	-	-	-	-	3,555,643
Balances with banks & financial institutions	-	2,214,541	479,863	-	-	-	2,694,404
Financial assets - Held-for-trading	-	-	527,438	-	-	-	527,438
Loans and receivables	6,312,074	13,358,074	37,140,010	64,033,234	16,196,309	76,729	137,116,430
Reinsurance and insurance receivables	-	565,493	105,291	-	-	-	670,784
Financial assets - Available-for-sale	-	1,739,956	-	-	-	-	1,739,956
Financial assets - Held-to-maturity	-	2,910,458	2,113,975	4,250	26,063	-	5,054,746
Total undiscounted financial assets	8,355,581	22,300,658	40,366,577	64,037,484	16,222,372	76,729	151,359,401
Financial liabilities							
Due to banks	60,986	10,658,850	6,115,052	12,559,332	1,731,031	21,380	31,146,631
Due to customers	4,414,089	8,164,404	18,488,140	3,511,498	1,224,952	31,670	35,834,753
Debt securities issued	-	4,213,895	7,952,366	21,970,118	8,301,720	-	42,438,099
Other financial liabilities	-	2,888,399	-	-	-	-	2,888,399
Insurance and reinsurance payable	-	44,333	-	-	-	-	44,333
Total undiscounted financial liabilities	4,475,075	25,969,881	32,555,558	38,040,948	11,257,703	53,050	112,352,215
Net undiscounted financial assets/(liabilities)	3,880,506	[3,669,223]	7,811,019	25,996,536	4,964,669	23,679	39,007,186

As at 31st March 2015	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	3,413,950	-	-	-	-	-	3,413,950
Balances with banks & financial institutions	4,939	623,121	1,325,779	-	-	-	1,953,839
Financial assets - Held-for-trading	307,074	12,522	196,193	-	-	-	515,789
Loans and receivables	5,081,702	16,914,178	34,098,375	55,127,011	13,730,842	24,114	124,976,222
Reinsurance and insurance receivables	115,394	69,222	10,039	-	-	-	194,655
Financial assets - Available-for-sale	1,104,143	939,199	-	-	-	-	2,043,342
Financial assets - Held-to-maturity	-	3,399,651	1,864,125	4,250	27,444	-	5,295,470
Total undiscounted financial assets	10,027,202	21,957,893	37,494,511	55,131,261	13,758,286	24,114	138,393,267
Financial liabilities							
Due to banks	92,112	6,676,945	6,327,651	8,377,543	2,757,985	203,826	24,436,062
Due to customers	5,996,583	6,673,192	17,660,716	3,895,060	1,023,430	27,007	35,275,988
Debt securities issued	70,312	3,023,473	7,782,801	15,823,955	8,673,183	-	35,373,724
Other financial liabilities	129,906	3,237,430	373,544	-	-	-	3,740,880
Derivative financial instrument	-	20,327	71,866	-	-	-	92,193
Insurance and reinsurance payable	-	46,300	-	-	-	-	46,300
Total undiscounted financial liabilities	6,288,913	19,677,667	32,216,578	28,096,558	12,454,598	230,833	98,965,147
Net undiscounted financial assets/(liabilities)	3,738,289	2,280,226	5,277,933	27,034,703	1,303,688	[206,719]	39,428,120

56.3.4 Commitments and Guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Company	On Demand 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
As at 31st March 2016						
Guarantees	-	5,050	505,100	128,950	-	639,100
Letter of credits	-	13,143	-	-	-	13,143
Accidents of leased out vehicles	-	98,204	32,721	-	-	130,925
Capital commitment	-	1,568,642	-	-	-	1,568,642
Total commitments and guarantees	-	1,685,039	537,821	128,950	-	2,351,810
As at 31st March 2015						
Guarantees	-	-	6,375	327,000	-	333,375
Letter of credits	-	13,859	-	-	-	13,859
Accidents of leased out vehicles	-	77,030	2,222	-	-	79,252
Capital commitment	-	573,957	-	-	-	573,957
Forward exchange contracts	-	729,050	2,670,570	-	-	3,399,620
Total commitments and guarantees	-	1,393,896	2,679,167	327,000	-	4,400,063

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
As at 31st March 2016						
Guarantees	-	5,050	505,100	128,950	-	639,100
Letter of credits	-	13,143	-	-	-	13,143
Accidents of leased out vehicles	-	98,204	32,721	-	-	130,925
Capital commitment	-	1,628,356	538,966	-	-	2,167,322
Total commitments and guarantees	-	1,744,753	1,076,787	128,950	-	2,950,490
As at 31st March 2015						
Guarantees	-	-	6,375	327,000	-	333,375
Letter of credits	-	13,859	-	-	-	13,859
Accidents of leased out vehicles	-	77,030	2,222	-	-	79,252
Capital commitment	-	799,726	545,987	136,390	-	1,482,103
Forward exchange contracts	-	729,050	2,670,570	-	-	3,399,620
Total commitments and guarantees	-	1,619,665	3,225,154	463,390	-	5,308,209

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

56.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

56.4.1 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.

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56 RISK MANAGEMENT (CONTD.)

56.4 Market Risk (Contd.)

56.4.1 Interest Rate Risk (Contd.)

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31st March 2016 and 31st March 2015 to a reasonable possible change in interest rates, with all other variable constant.

As at 31st March	2016 Rs. '000	2015 Rs. '000
Assets	-	-
Liabilities	4,788,250	4,269,800
Gap	(4,788,250)	(4,269,800)
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	(23,941)	(27,622)
1%	(47,882)	(55,245)
-0.50%	23,941	27,622
-1%	47,882	55,245

Interest Rate Risk Exposure on Financial Asset and Liabilities

The table below analyses the Company's interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

As at 31st March 2016	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non- interest bearing Rs. '000
Assets								
Cash and cash equivalents	3,206,733	63,077	1,512,136	-	-	-	-	1,631,520
Balances with banks & financial institutions	847,448	30,645	740,558	76,245	-	-	-	-
Financial assets - Held-for-trading	211,651	-	-	-	-	-	-	211,651
Loans and receivables	111,453,273	6,414,018	9,945,421	27,694,281	52,624,771	14,703,231	71,551	-
Less - Impairment charges	(1,580,858)	-	-	-	-	-	-	-
Net loans and receivables	109,872,415	-	-	-	-	-	-	-
Financial assets - Available-for-sale	500,357	-	-	-	-	-	-	500,357
Financial assets - Held-to-maturity	4,930,236	-	2,908,343	1,997,310	-	24,583	-	-
Other financial assets	132,779	-	-	-	-	-	-	132,779
Total	119,701,619	6,507,740	15,106,458	29,767,836	52,624,771	14,727,814	71,551	2,476,307
Liabilities								
Due to banks	26,431,628	65,034	12,387,511	3,773,937	9,256,970	948,176	-	-
Due to customers	33,836,428	5,722,654	7,648,465	16,661,404	2,902,755	869,480	31,670	-
Debt securities issued	34,387,677	1,908,166	4,104,986	7,727,686	13,773,305	6,873,534	-	-
Other financial liabilities	2,730,484	-	-	-	-	-	-	2,730,484
Total	97,386,217	7,695,854	24,140,962	28,163,027	25,933,030	8,691,190	31,670	2,730,484
Total interest sensitivity gap	22,315,402	(1,188,114)	(9,034,504)	1,604,809	26,691,741	6,036,624	39,881	(254,177)

As at 31st March 2015	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	3,139,139	1,608,895	-	-	-	-	-	1,530,244
Balances with banks & financial institutions	326,321	-	-	326,321	-	-	-	-
Financial assets - Held-for-trading	196,193	-	-	-	-	-	-	196,193
Loans and receivables	100,536,007	5,310,253	12,211,991	25,147,218	44,878,083	12,952,905	35,557	-
Less - Impairment charges	(2,124,812)	-	-	-	-	-	-	-
Net loans and receivables	98,411,195	-	-	-	-	-	-	-
Financial assets - Available-for-sale	939,199	-	-	-	-	-	-	939,199
Financial assets - Held-to-maturity	5,266,407	-	3,398,589	1,843,562	-	24,256	-	-
Other financial assets	253,723	-	-	-	-	-	-	253,723
Total	108,532,177	6,919,148	15,610,580	27,317,101	44,878,083	12,977,161	35,557	2,919,359
Liabilities								
Due to banks	21,228,600	127,797	6,226,515	5,465,437	6,985,284	2,423,567	-	-
Due to customers	34,093,762	6,067,773	6,266,128	17,089,622	3,662,920	980,312	27,007	-
Debt securities issued	28,619,004	355,376	2,703,055	6,772,622	11,987,758	6,800,193	-	-
Other financial liabilities	3,234,445	-	-	-	-	-	-	3,234,445
Derivative financial instrument	92,193	-	20,327	71,866	-	-	-	-
Total	87,268,004	6,550,946	15,216,025	29,399,547	22,635,962	10,204,072	27,007	3,234,445
Total interest sensitivity gap	21,264,173	368,202	394,555	(2,082,446)	22,242,121	2,773,089	8,550	(315,086)

Interest Rate Risk Exposure on Financial Asset and Liabilities

The table below analyses the Group's interest rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

As at 31st March 2016	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	3,555,643	238,536	1,512,136	-	-	-	-	1,804,971
Balances with banks & financial institutions	2,543,016	30,645	2,098,340	414,031	-	-	-	-
Financial assets - Held-for-trading	527,438	-	-	-	-	-	-	527,438
Loans and receivables	112,814,164	5,563,254	10,128,195	28,133,218	53,496,033	15,421,913	71,551	-
Less - Impairment charges	(1,657,727)	-	-	-	-	-	-	-
Net loans and receivables	111,156,437	-	-	-	-	-	-	-
Reinsurance and insurance receivable	206,303	-	-	-	-	-	-	206,303
Financial assets - Available-for-sale	1,739,956	49,745	534,100	610,374	-	-	-	545,737
Financial assets - Held-to-maturity	4,930,236	-	2,908,343	1,997,310	-	24,583	-	-
Total	124,659,029	5,882,180	17,181,114	31,154,933	53,496,033	15,446,496	71,551	3,084,449
Liabilities								
Due to banks	28,059,677	447,328	12,454,842	4,026,115	9,997,837	1,112,175	21,380	-
Due to customers	33,677,260	5,696,914	7,570,456	16,605,985	2,902,755	869,480	31,670	-
Debt securities issued	34,283,621	1,904,110	4,104,986	7,727,686	13,673,305	6,873,534	-	-
Other financial liabilities	2,888,399	-	-	-	-	-	-	2,888,399
Insurance and reinsurance payable	44,333	-	-	-	-	-	-	44,333
Total	98,953,290	8,048,352	24,130,284	28,359,786	26,573,897	8,855,189	53,050	2,932,732
Total interest sensitivity gap	25,705,739	(2,166,172)	(6,949,170)	2,795,147	26,922,136	6,591,307	18,501	151,717

NOTES TO THE FINANCIAL STATEMENTS

56 RISK MANAGEMENT (CONTD.)

56.4 Market Risk (Contd.)

56.4.1 Interest Rate Risk (Contd.)

As at 31st March 2015	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	3,413,951	1,641,975	210,345	-	-	-	-	1,561,631
Balances with banks & financial institutions	1,830,668	4,904	620,391	1,192,315	-	-	-	13,058
Financial assets - Held-for-trading	503,268	-	-	196,194	-	-	-	307,074
Loans and receivables	100,166,651	3,847,775	12,547,955	25,450,330	44,793,067	13,490,649	36,875	-
Less - Impairment charges	(2,169,795)	-	-	-	-	-	-	-
Net loans and receivables	97,996,856	-	-	-	-	-	-	-
Reinsurance and insurance receivable	187,300	-	-	-	-	-	-	187,300
Financial assets - Available-for-sale	2,043,342	1,049,675	-	-	-	-	-	993,667
Financial assets - Held-to-maturity	5,266,407	-	3,398,589	1,843,562	-	24,256	-	-
Total	111,241,792	6,544,329	16,777,280	28,682,401	44,793,067	13,514,905	36,875	3,062,730
Liabilities								
Due to banks	22,391,144	181,040	5,626,067	6,606,561	6,985,284	2,788,366	203,826	-
Due to customers	34,001,411	5,975,422	6,266,128	17,089,622	3,662,920	980,312	27,007	-
Debt securities issued	28,514,996	251,367	2,703,055	6,772,624	11,987,758	6,800,192	-	-
Other financial liabilities	3,165,912	-	-	-	-	-	-	3,165,912
Derivative financial instrument	92,193	-	20,327	71,866	-	-	-	-
Insurance liabilities and reinsurance payables	46,300	-	-	-	-	-	-	46,300
Total	88,211,956	6,407,829	14,615,577	30,540,673	22,635,962	10,568,870	230,833	3,212,212
Total interest sensitivity gap	23,029,836	136,500	2,161,703	(1,858,272)	22,157,105	2,946,035	(193,958)	(149,483)

56.4.2 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The only currency risk faced by the Company is from the funds borrowed in USD. This exposure has been effectively managed by investing the USD borrowings in a fixed deposit. Therefore, currency risk to the Company is minimal.

The tables below indicate the currencies to which the Company had significant exposures as at 31st March 2016 and the effect to the Gains/Losses in case of a market exchange rates up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the LKR, with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non trading monetary assets and liabilities).

Impact on Statement of Profit or Loss due to Exchange Rate Shocks

	Change in currency rate in %	2016 Effect on profit before tax Rs. '000	2015 Effect on profit before tax Rs. '000
USD	1	59	-
USD	-1	(59)	-

56.4.3 Equity Price Risk

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

1% increase/decrease in equity market prices	2016			2015		
	Net asset value	Profit before tax	Other comprehensive income	Net asset value	Profit before tax	Other comprehensive income
Financial assets - Held-for-trading	2,116	2,116	-	1,977	1,977	-
Financial assets - Available-for-sale	2,551	-	2,551	532,158	-	532,158

56.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

56.6 Insurance Risks

People's Insurance PLC (PI) is a subsidiary of the Company whose principle line of business is carrying out general insurance business. The following are the risks and their management arising from PI for its statutory year ended 31st March.

56.6.1 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.

56.6.2 Nature and Extent of Risks Arising from Insurance Contracts

Objectives, Policies and Processes for Managing Risks Arising from Insurance Contracts

PI willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PI's risk management framework focuses on strategic risk, assumed risks and the potential risks. PI identifies and categorises risks in terms of their source, their impact on PI and preferred strategies for dealing with them.

Method used to Manage Risks

Risk appetite and risk tolerance

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

Identification of Shock Losses

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

NOTES TO THE FINANCIAL STATEMENTS

56 RISK MANAGEMENT (CONTD.)

56.6 Insurance Risks (Contd.)

56.6.2 Nature and Extent of Risks Arising from Insurance Contracts (Contd.)

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

	31st March 2016			31st March 2015		
	Gross liabilities	Reinsurance receivable	Net liabilities	Gross liabilities	Reinsurance receivable	Net liabilities
Motor	977,814	27,122	950,692	841,945	47,931	794,014
Marine	2,974	2,100	874	4,012	1,608	2,404
Fire	121,485	62,498	58,987	131,635	64,345	67,290
Miscellaneous	166,883	3,878	163,005	205,130	1,510	203,620
Total	1,269,156	95,598	1,173,558	1,182,722	115,394	1,067,328

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 2016

Accident Period	Current estimate of cumulative claims incurred						Total Rs. '000
	2010/11 Rs. '000	2011/12 Rs. '000	2012/13 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	
2015	1,738	6,061	(4,327)	39,511	29,470	2,787,942	2,860,395
2014	1,465	1,577	28,391	(15,126)	2,040,473	-	2,056,780
2013	3,148	50,297	(167,837)	2,042,094	-	-	1,927,702
2012	4,224	(58,704)	2,042,934	-	-	-	1,988,454
2011	2,762	1,396,938	-	-	-	-	1,399,700
2010	213,653	-	-	-	-	-	213,653
Current estimate of cumulative claims incurred	226,990	1,396,169	1,899,161	2,066,479	2,069,943	2,787,942	10,446,684

Gross Non-Life Insurance Outstanding Claims Provision for 2015

Accident Period	Cumulative payments to date						Total Rs. '000
	2010/11 Rs. '000	2011/12 Rs. '000	2012/13 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	
2015	(1,718)	(20,011)	(55,031)	(32,152)	(406,035)	(2,291,631)	(2,806,578)
2014	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)	-	(1,967,676)
2013	(3,495)	(57,574)	(252,384)	(1,621,312)	-	-	(1,934,765)
2012	(5,154)	(311,763)	(1,465,583)	-	-	-	(1,782,500)
2011	(72,227)	(893,614)	-	-	-	-	(965,841)
2010	(134,902)	-	-	-	-	-	(134,902)
Cumulative payments to date	(219,825)	(1,302,177)	(1,802,758)	(1,983,457)	(1,992,414)	(2,291,631)	(9,592,262)
Total gross claims outstanding	7,165	93,992	96,403	83,022	77,529	496,311	854,422

Net Non-Life Insurance Outstanding Claims Provision for 2016

Accident Period	Current estimate of cumulative claims incurred						Total Rs. '000
	2010/11 Rs. '000	2011/12 Rs. '000	2012/13 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	
2015	1,599	9,474	(3,990)	36,321	7,435	2,794,530	2,845,369
2014	1,465	2,382	28,151	(15,127)	2,023,094	-	2,039,965
2013	3,157	51,344	(158,485)	2,034,121	-	-	1,930,137
2012	4,239	(15,515)	1,976,422	-	-	-	1,965,146
2011	4,621	1,224,086	-	-	-	-	1,228,707
2010	209,132	-	-	-	-	-	209,132
Current estimate of cumulative claims incurred	224,213	1,271,771	1,842,098	2,055,315	2,030,529	2,794,530	10,218,456

Net Non-Life Insurance Outstanding Claims Provision for 2015

Accident Period	Cumulative payments to date						Total Rs. '000
	2010/11 Rs. '000	2011/12 Rs. '000	2012/13 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2015/16 Rs. '000	
2015	(1,614)	(20,011)	(33,200)	(31,455)	(379,867)	(2,303,638)	(2,769,785)
2014	(2,329)	(17,417)	(29,152)	(329,883)	(1,581,958)	-	(1,960,739)
2013	(3,495)	(32,280)	(226,969)	(1,616,605)	-	-	(1,879,349)
2012	(5,123)	(248,760)	(1,457,470)	-	-	-	(1,711,353)
2011	(71,904)	(890,083)	-	-	-	-	(961,987)
2010	(132,617)	-	-	-	-	-	(132,617)
Cumulative payments to date	(217,082)	(1,208,551)	(1,746,791)	(1,977,943)	(1,961,825)	(2,303,638)	(9,415,830)
Total gross claims outstanding	7,131	63,220	95,307	77,372	68,704	490,892	802,626

SUPPLEMENTARY INFORMATION

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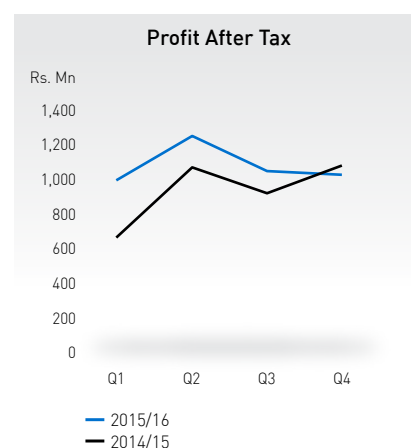
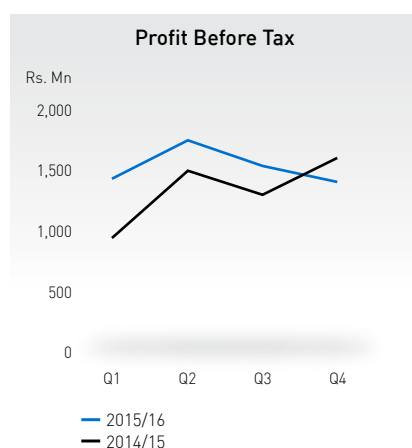
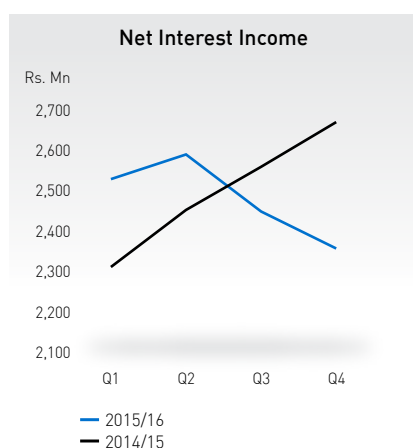
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QUARTERLY ANALYSIS

INCOME STATEMENT

(Rs. Mn)

Company	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	2015	2014	2015	2014	2015	2014	2016	2015	2016	2015
Interest income	4,519	4,934	4,479	4,917	4,442	4,760	4,436	4,637	17,876	19,248
Less: Interest expenses	1,987	2,622	1,887	2,462	1,992	2,197	2,075	1,967	7,941	9,248
Net interest income	2,532	2,312	2,592	2,455	2,450	2,563	2,361	2,670	9,935	10,000
Net fee and commission income	211	186	225	235	252	217	264	236	952	874
Net trading income	6	15	5	32	(18)	10	(33)	1	(40)	58
Other operating income	72	28	187	140	46	28	93	166	398	362
Total operating income	2,821	2,541	3,009	2,862	2,730	2,818	2,685	3,073	11,245	11,294
Less: Impairment charges for loans and receivables and other losses	298	617	82	252	(89)	415	(33)	361	258	1,645
Net operating income	2,523	1,924	2,927	2,610	2,819	2,403	2,718	2,712	10,987	9,649
Less:	-	-	-	-	-	-	-	-	-	-
Personnel expenses	423	380	433	384	464	409	487	392	1,807	1,565
Depreciation of property, plant and equipment	50	49	47	51	49	51	51	50	197	201
Amortisation	1	4	1	4	7	4	4	4	13	16
Other operating expenses	507	479	552	569	602	539	620	542	2,281	2,129
Total operating expenses	981	912	1,033	1,008	1,122	1,003	1,162	988	4,298	3,911
Operating profit before value added tax (VAT) on financial services	1,542	1,012	1,894	1,602	1,697	1,400	1,556	1,724	6,689	5,738
Less: Value added tax (VAT) on financial services	108	66	138	101	153	88	147	108	546	363
Operating profit after value added tax (VAT) on financial services	1,434	946	1,756	1,501	1,544	1,312	1,409	1,616	6,143	5,375
Less: Income tax expense	428	275	500	426	487	389	381	532	1,796	1,622
Profit for the period	1,006	671	1,256	1,075	1,057	923	1,028	1,084	4,347	3,753

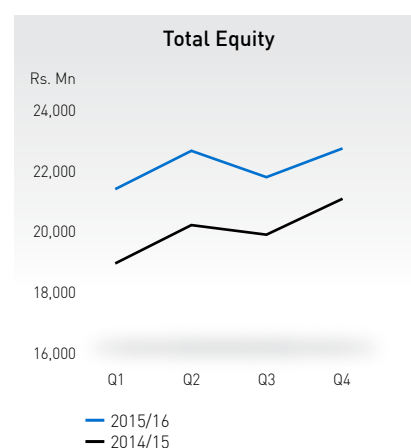
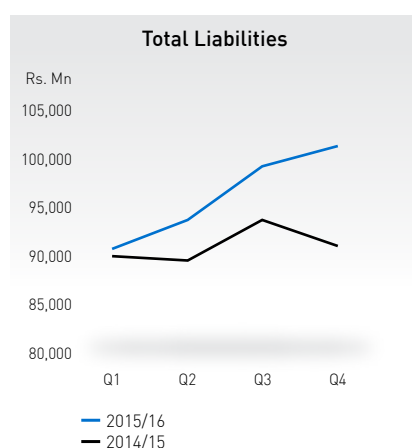
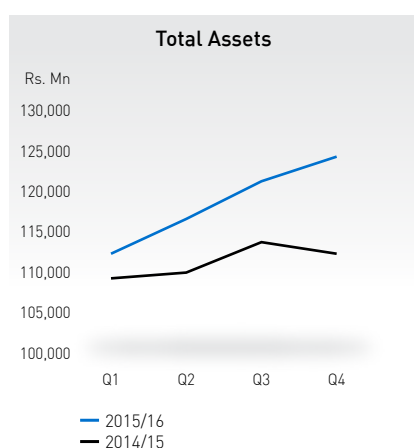


QUARTERLY ANALYSIS

STATEMENT OF FINANCIAL POSITION

(Rs. Mn)

Company	1st Quarter As at 30th June		2nd Quarter As at 30th Sep		3rd Quarter As at 31st Dec		4th Quarter As at 31st Mar	
	2015	2014	2015	2014	2016	2015	2016	2015
Assets								
Cash and cash equivalents	2,278	7,232	1,712	5,242	3,147	5,617	3,207	3,139
Balances with banks & financial institutions	331	312	335	317	340	322	847	326
Derivative financial instrument	-	-	24	-	21	-	-	-
Financial assets - Held-for-trading	191	200	261	209	243	193	212	196
Loans and receivables	99,268	92,732	103,302	94,182	107,424	96,929	109,872	98,411
Financial assets - Available-for-sale	1,021	269	822	875	843	897	500	939
Financial assets - Held-to-maturity	5,385	4,797	5,469	4,554	4,484	5,210	4,930	5,266
Investments in subsidiaries	1,875	1,475	1,875	1,875	1,875	1,875	1,875	1,875
Investments in associates	-	-	586	-	586	-	586	-
Investment property	4	55	83	55	87	55	91	-
Property, plant and equipment	1,074	797	1,139	948	1,121	1,068	1,121	1,109
Goodwill and intangible assets	335	344	338	345	331	342	330	338
Other assets	652	1,064	693	1,430	756	1,316	765	724
Total assets	112,414	109,277	116,639	110,032	121,258	113,824	124,336	112,323
Liabilities								
Due to banks	21,729	10,953	25,036	13,288	24,794	18,224	26,432	21,229
Due to customers	34,025	40,803	34,287	39,922	33,790	37,994	33,836	34,023
Debt securities issued	26,788	31,380	27,245	29,514	32,819	29,317	34,388	28,690
Other financial liabilities	4,256	4,676	3,385	4,656	3,799	5,839	2,730	3,234
Derivative financial instruments	93	131	-	174	-	131	-	92
Current tax liabilities	763	557	581	479	755	573	938	550
Deferred tax liabilities	1,949	1,573	1,949	1,573	1,949	1,573	1,822	1,949
Other liabilities	1,375	165	1,450	182	1,508	190	1,418	1,420
Total liabilities	90,978	90,238	93,933	89,788	99,414	93,841	101,564	91,187
Equity								
Capital	12,986	12,786	13,036	12,836	13,086	12,886	13,136	12,936
Statutory reserve fund	1,254	1,050	1,317	1,103	1,370	1,150	1,422	1,204
Retained earnings	6,606	3,771	7,749	4,693	6,774	5,511	7,682	6,490
Other reserves	590	1,432	604	1,612	614	436	532	506
Total equity	21,436	19,039	22,706	20,244	21,844	19,983	22,772	21,136
Total liabilities and equity	112,414	109,277	116,639	110,032	121,258	113,824	124,336	112,323



TEN YEAR SUMMARY

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
FINANCIAL CAPITAL										
Operating result (Rs. Mn)										
Income	19,186	20,542	20,628	18,205	12,912	9,212	7,155	6,396	4,590	3,861
Interest income	17,876	19,248	19,534	17,245	12,002	8,263	6,523	5,745	3,973	3,294
Interest expenses	7,941	9,248	11,266	10,140	6,302	3,542	3,133	3,209	2,161	1,548
Net interest income	9,935	10,000	8,268	7,105	5,700	4,722	3,390	2,536	1,812	1,747
Non-interest income	1,310	1,294	1,094	960	910	949	632	651	617	566
Impairment charges for loans and receivables and other losses	258	1,645	1,218	698	308	18	533	55	223	625
Other operating expenses (Note 2)	4,844	4,274	3,757	3,232	2,522	1,931	1,389	1,242	853	672
Profit before tax (PBT)	6,143	5,375	4,387	4,135	3,781	3,721	2,100	1,890	1,353	1,016
Income tax expense	1,796	1,622	1,263	1,285	1,206	1,142	900	843	550	268
Profit after tax (PAT)	4,347	3,753	3,124	2,850	2,575	2,580	1,200	1,047	803	748
Return on assets (ROA) (%)	5.19	4.75	4.15	4.70	5.62	8.59	7.45	8.18	7.17	6.29
Cost to income ratio (%)	38.22	34.63	37.01	36.54	32.58	27.49	27.70	30.49	33.65	28.00
Financial position (Rs. Mn)										
Cash, balances with banks & reverse repo	4,054	3,465	14,783	4,705	1,730	1,529	2,085	1,652	484	212
Loans and receivables	109,872	98,411	90,218	88,404	71,289	49,385	26,717	22,533	19,222	15,913
Investments in subsidiaries	1,875	1,875	1,475	1,475	3,118	1,805	900	225	-	-
Investments in government securities	4,930	5,266	4,747	540	-	-	-	-	-	-
Total assets	124,336	112,323	113,776	97,437	78,658	55,849	30,848	25,558	20,672	17,046
Borrowings	60,819	49,848	48,605	56,232	58,740	39,930	20,072	17,003	14,752	11,626
Deposits from customers (Note 3)	33,836	34,094	40,921	18,847	-	-	-	-	-	-
Total equity	22,772	21,136	19,196	18,023	16,809	8,442	6,229	5,447	3,617	3,030
Total liabilities and shareholders' funds	124,336	112,323	113,776	97,437	78,658	55,849	30,848	25,558	20,672	17,046
Financial cash flows (Rs. Mn)										
Cash flows from operating activities	(8,533)	(7,351)	17,218	6,819	(4,956)	(19,535)	(1,257)	(1,458)	(2,501)	85
Cash flows from investing activities	(397)	(231)	(170)	(89)	(1,507)	(88)	(998)	(1,405)	(57)	(245)
Cash flows from financing activities	9,156	(738)	(8,927)	(4,007)	6,031	18,977	2,481	3,555	2,208	(246)
Total net cash inflows/outflows	227	(8,320)	8,121	2,723	(432)	(646)	226	692	(350)	(406)
Statutory ratios										
<i>Capital adequacy ratios</i>										
Core capital ratio (required min - 5%) (%)	19.56	20.22	19.12	21.15	25.50	-	-	-	-	-
Total risk weighted capital ratio (required min - 10%) (%)	18.14	19.04	18.05	20.06	25.50	-	-	-	-	-
HUMAN CAPITAL										
Number of employees	1,834	1,666	1,575	1,388	1,050	855	586	498	442	407
Profit before tax per employee (Rs. Mn)	3.51	3.32	2.96	3.39	3.97	5.16	3.87	4.02	3.19	2.64
Employees' salaries & benefits (Rs. Mn)	1,807	1,565	1,338	1,026	763	593	386	320	262	190
SOCIAL AND NATURAL CAPITAL										
Taxes paid to governments (Rs. Mn)	2,915	1,793	581	848	1,703	1,098	918	493	343	334
Taxes collected on behalf of government (Rs. Mn)	1,313	1,250	1,411	908	706	539	1,491	933	761	352
Investment on CSR (Rs. Mn)	76	72	56	40	26	22	13	17	9	2
Carbon footprint (Tonnes of CO ₂ equivalent) (Note 4)	3,059	2,770	-	-	-	-	-	-	-	-

TEN YEAR SUMMARY

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
RELATIONSHIP CAPITAL										
Number of branches	92	89	85	33	34	30	23	19	19	18
Number of shareholders	9,407	8,880	10,054	9,488	10,113	8	9	9	9	9
Number of ordinary shares (Mn)	1,580	1,580	1,580	1,560	1,560	50	50	50	50	50
Earnings per share - Company (Rs.)	2.75	2.38	1.98	1.80	1.63	1.63	0.76	0.66	0.51	0.47
Net assets value per share (Rs.)	14.41	13.38	12.15	11.41	10.64	5.34	3.94	3.45	2.29	1.92
Market price per share (Rs.) (Note 5)										
Highest	26.50	28.00	15.70	16.70	18.30	-	-	-	-	-
Lowest	15.40	14.20	13.00	10.30	11.00	-	-	-	-	-
Closing	16.00	22.10	14.30	13.10	11.60	-	-	-	-	-
Market capitalisation (Rs. Mn)	25,278	34,915	22,592	20,436	18,096	-	-	-	-	-
Price earnings ratio (PE) (Times)	5.82	9.30	7.23	7.28	7.12	-	-	-	-	-
Dividend per share (DPS) (Rs.)	1.25	1.25	1.25	1.25	1.00	1.50	1.50	1.50	1.50	1.50
Dividend paid (Rs. Mn)	1,975	1,975	1,975	1,950	855	75	75	75	75	75
Dividend yield (%)	7.81	5.66	8.74	9.54	8.62	-	-	-	-	-
Dividend cover (times)	2.20	1.90	1.58	1.46	3.01	34.40	16.00	13.96	10.70	9.97
Dividend payout (%)	45.43	52.62	63.22	68.42	33.20	2.91	6.25	7.16	9.34	10.03
Return on equity (ROE) (%)	19.80	18.61	16.79	16.36	20.39	35.17	20.56	23.10	24.15	26.70
Return on capital employed (ROCE) (%)	11.99	13.92	14.40	15.33	13.35	15.02	19.90	22.71	19.13	17.50
Debt equity (Times)	2.67	2.36	2.68	3.29	3.49	5.11	4.18	4.38	4.67	4.74
Debt equity with contingencies (Times)	2.77	2.57	2.80	3.39	3.51	5.12	4.19	4.39	4.69	3.75
Current ratio (Times)	0.85	0.93	0.88	0.85	0.58	0.71	0.82	0.92	0.86	0.97
Interest cover (Times)	1.77	1.58	1.39	1.41	1.60	2.05	1.67	1.59	1.63	1.66
INTELLECTUAL CAPITAL										
Brand value (Rs. Mn)	9,317	4,918	4,265	3,015	1,796	1,915	623	-	-	-
Credit ratings & key accolades										
Fitch Ratings Lanka	AA-(lka)	AA-(lka)	AA-(lka)	AA-(lka)	A+(lka)	A(lka)	A-(lka)	A-(lka)	A-(lka)	A-(lka)
Fitch Ratings International	B	B+	B+	B+	-	-	-	-	-	-
Standard & Poor's	B+/B	B+/B	B+/B	B+/B	-	-	-	-	-	-
CA Sri Lanka Annual Report Awards:										
Overall - Financial reporting	-	Silver	-	-	-	-	-	-	-	-
Overall - CSR	-	Gold	-	-	-	-	-	-	-	-
Overall - Management Commentary	Silver	-	-	-	-	-	-	-	-	-
Sector	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Silver	Silver
SLIM Nielsen										
- Financial Service Provider of the Year	Winner	Winner	Winner	Winner						
Business Today										
- Top 25 Listed Corporate Entities	17th Position	14th Position	18th Position	-	-	-	-	-	-	-
CCCSL - Ten Best Corporate Citizen Award	Winner	Winner	-	Winner	-	Winner	Winner	-	-	-
SAFA - Best Presented Annual Report Award	Second runner-up	Second runner-up	Certificate of Merit	Certificate of Merit	-	-	-	-	-	-

Note

- [1] Prior to 2012, all figures are as per Sri Lanka Accounting Standards (SLASs) prevailed at that time
- [2] Figures include total operating expenses and VAT on financial services (excluding impairment)
- [3] After receiving the finance license in 2012, the Company started accepting fixed & savings deposits.
- [4] The Company initiated to evaluation of carbon emission from 2014.
- [5] The Company's ordinary shares were quoted on the CSE on 03.11.2011

INDEPENDENT ASSURANCE REPORT

G4-33



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF PEOPLE'S LEASING & FINANCE PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT 2015-16

INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of People's Leasing & Finance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting indicators under the annual report- 2015-16 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 125 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Comprehensive guidelines.

BASIS OF OUR WORK AND LEVEL OF ASSURANCE

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In

accordance' - Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

MANAGEMENT OF THE COMPANY'S RESPONSIBILITY FOR THE REPORT

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

ERNST & YOUNG'S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance'

- Comprehensive guidelines. This report is made solely to the Company in accordance with our engagement letter dated 25 January 2016. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

KEY ASSURANCE PROCEDURES

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2016.

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

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INDEPENDENT ASSURANCE REPORT

- ▶ Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Comprehensive guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

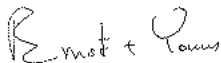
LIMITATIONS AND CONSIDERATIONS

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

CONCLUSION

Based on the procedures performed, as described above, we conclude that;

- ▶ The information on financial performance as specified on page 125 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2016.
- ▶ Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4- 'In accordance' Comprehensive Sustainability Reporting Guidelines.



Chartered Accountants
18 May 2016
Colombo

GRI CHECKLIST

G4-32

GRI: G4 – “In Accordance” Comprehensive			
GRI Indicator	Description	Page No.	Reason for Omission
Strategy and Analysis			
G4-1	Statement from the Chairman and CEO	15-16, 41-45	
G4-2	Description of key impacts, risk and opportunities	34-37	
Organisational Profile			
G4-3	Name of the organisation	21	
G4-4	Primary brands, products and services	56	
G4-5	Location of the organisation’s Headquarters	Back inner cover	
G4-6	Number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specially relevant to the sustainability topics covered in the report	Back inner cover	
G4-7	Nature of ownership and legal form	Back inner cover	
G4-8	Markets served (including geographic breakdown, sectors served and types of customers and beneficiaries)	Back inner cover	
G4-9	Scale of the organisation	12, 21	
G4-10	Total workforce by employment type, employment contract and region broken down by gender	84-85	
G4-11	Percentage of total employees covered by collective bargaining agreements	91	
G4-12	Organisation’s supply chain	70-71	
G4-13	Significant changes during the reporting period regarding the organisation’s size, structure, ownership or its supply chain	199	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	67, 221, 228	
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribe or which it endorses	6	
G4-16	Membership of associations (such as industry associations) and national or international advocacy organisations in	21	
Identified Material Aspects and Boundaries			
G4-17	Organisation’s entities covered by the report	6	
G4-18	Process for defining report content	27-28	
G4-19	Material aspects identified in the process for defining report content	27-28	
G4-20	Aspect boundary within the organisation	28, 82	
G4-21	Aspect boundary outside the organisation	28, 54, 69, 95, 105, 122	
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements	6	
G4-23	Significant changes from previous reporting periods in the scope, aspects and boundaries	28	

GRI CHECKLIST

GRI: G4 – “In Accordance” Comprehensive			
GRI Indicator	Description	Page No.	Reason for Omission
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	26	
G4-25	Basis for identification and selection of stakeholders with whom to engage	26	
G4-26	Organisation’s approach to stakeholder engagement including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	54, 69, 72, 82, 95, 105	
G4-27	Key topics and concerns raised through stakeholder engagements and how the organisation responded to them	27, 54, 69, 72, 82, 95, 105	
Report Profile			
G4-28	Reporting period	6	
G4-29	Date of most recent previous report	6	
G4-30	Reporting cycle	6	
G4-31	Contact point for questions regarding the report or its contents	7	
G4-32	Compliance with GRI G4 guidelines, GRI content index and external assurance report	6, 339-347	
G4-33	Policy and current practice with regard to seeking external assurance for the report	6, 337-338	
Governance			
G4-34	Governance structure of the organisation, including committees of the highest governance body responsible for decision-making on economic, environmental and social impact	149, 151	
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executive and other employees	148, 151	
G4-36	Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics and whether post holders report directly to the highest governance body	148, 154	
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	154	
G4-38	Composition of the highest governance body and its committees	150, 152	
G4-39	Whether the Chair of the highest governance body is also an executive officer	152	
G4-40	Process and criteria used for nomination and selection of members to the highest governance body and its committees	156	
G4-41	Processes in place for the highest governing body to ensure conflicts of interests are avoided and managed	153	
G4-42	Highest governance body’s and senior executive’s roles in the development, approval and updating of the organisation’s purpose, value or mission statements, strategies, policies and goals related to economic, environmental and social impacts	153	

GRI: G4 – “In Accordance” Comprehensive			
GRI Indicator	Description	Page No.	Reason for Omission
G4-43	Measures taken to develop and enhance the highest governance body’s collective knowledge of economic, environmental and social topics	156	
G4-44	Processes for evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social topics and actions taken in response to them	155	
G4-45	Highest governance body’s role in the identification and management of economic, environmental and social impacts, risk and opportunities.	156, 158	
G4-46	Highest governance body’s role in reviewing the effectiveness of the organisation’s risk management processes for economic, environmental and social topics	158	
G4-47	Frequency of the highest governance body’s review of economic, environmental and social impacts, risks and opportunities	152	
G4-48	Highest committee or position that formally reviews and approves the organisation’s sustainability report and ensures that all material Aspects are covered	154	
G4-49	Process for communicating critical concerns to the highest governance body	153	
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanisms used to address and resolve them	153	
G4-51	Remuneration policies for the highest governance body and senior executives	89, 206-207	
G4-52	Process for determining remuneration	89, 206	
G4-53	How stakeholders’ views are sought and taken into account regarding remuneration including the results of votes on remuneration policies and proposals	168	
G4-54	Ratio of the annual total compensation for the organisation’s highest paid individual in each country of significant operations to the median annual total compensation for all employees in the same country	N/A	Due to confidentiality reasons not reported.
G4-55	Ratio of percentage increase in annual total compensation for the organisation’s highest paid individual in each country of significant operations to the median annual total compensation for all employees in the same country	N/A	Due to confidentiality reasons not reported.
Ethics and Integrity			
G4-56	Organisation’s values, principles, standards and norms of behavior	18, 93, 157	
G4-57	Internal and external mechanism for seeking advice on ethical and lawful behavior and matters related to organisational integrity	92, 157	
G4-58	Internal and external mechanism for reporting concerns about unethical or unlawful behavior and matters related to organisational integrity	92, 157	

GRI CHECKLIST

DMA and Indicators	Material Aspects	Page No.	Reason for Immateriality
Category : Economy			
Material Aspect : Economic Performance			
G4 - DMA			
G4-EC1	Direct economic value generated and distributed	125	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	122	
G4-EC3	Coverage of the organisation's retirement benefit obligation	89	
G4-EC4	Financial assistance received from the government		No any financial assistance received from the government
Material Aspect : Market Presence EC5-EC6			Whilst PLC extends all employees with due compensation on par with industry standards, minimum wage for finance sector at entry level is not specified by the Department of Labor.
Material Aspect : Indirect Economic Impact			
G4-EC7	Development and impact of infrastructure investments and services supported	124	
G4-EC8	Significant indirect economic impacts, including the content of impacts	123	
Material Aspect : Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	71	
Category : Environmental			
Material Aspect : Materials EN1-EN2			Being an automated service organization, moving towards a paperless mission, and following a lean cost structure, material consumption was not reported.
Material Aspect : Energy			
G4-EN3	Energy consumption within the organisation	109	
G4-EN4	Energy consumption outside the organisation	109	
G4-EN5	Energy intensity	109	
G4-EN6	Reduction of energy consumption	109	
G4-EN7	Reductions in energy requirements of products and services	109	
Material Aspect : Water EN8-EN10			Being a service organization, water use is confined to basic needs at workplace and staff.
Material Aspect : Biodiversity EN11-EN14			As a financial services provider PLC operations have no significant negative impact on biodiversity.
Material Aspect : Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	110	
G4-EN16	Energy indirect greenhouse (GHG) emissions (Scope 2)	110	

DMA and Indicators	Material Aspects	Page No.	Reason for Immateriality
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	110	
G4-EN18	Greenhouse gas (GHG) emissions intensity	110	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	108	
G4-EN20	Emissions of Ozone-Depleting Substances (ODS)	110	
G4-EN21	NOx, SOx and other significant air emissions	110	
Material Aspect : Effluents and Waste			
G4-EN22	Total water discharged by quality and destination	111	
G4-EN23	Total weight of waste by type and disposal method	110	
G4-EN24	Total number and volume of significant spills	111	
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention	111	
G4-EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	111	
Material Aspect : Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	111	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	111	
Material Aspect : Compliance EN29			Being a service organization, no direct impact on environment and no incident of noncompliance with environmental laws and regulations were reported.
Material Aspect : Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	109	
Material Aspect : Overall			
G4-EN31	Total environmental protection expenditures and investments by type	115	
Material Aspect : Supplier Environmental Assessment EN32-EN33			Majority of our suppliers are not manufacturers and PLC supplier assessment ensures that suppliers do not violate any regulation or legislation that negatively impacts the environment.
Material Aspect : Environmental Grievance Mechanism EN34			PLC being a financial services provider grievances on environmental impacts are not significant.

GRI CHECKLIST

DMA and Indicators	Material Aspects	Page No.	Reason for Immateriality
Category : Social			
Sub Category : Labor Practices and Decent Work Place			
G4-DMA			
Material Aspect : Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	85-88	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	89	
G4-LA3	Return to work and retention rates after parental leave, by gender	88	
Material Aspect : Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	91	
Material Aspect : Occupational Health & Safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	90	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	91	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	91	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	90	
Material Aspect : Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	93-94	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	93	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	89	
Material Aspect : Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	84	
Material Aspect : Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	89	

DMA and Indicators	Material Aspects	Page No.	Reason for Immateriality
Material Aspect : Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	71	
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	71	
Material Aspect : Labor Practices Grievance Mechanism			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	92	
Sub Category : Human Rights			
G4-DMA			
Material Aspect : Investment HR1-HR2			Being financial service provider investment agreement with human rights clauses are not material. However, fundamental human rights are covered in training and orientation of new staff.
Material Aspect : Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	84	
Material Aspect : Freedom of Association and Collective Bargaining HR4			Employees are not covered by collective bargaining agreements. However, grievance redress system is in place and welfare measures throughout promote harmonious relationships among employees.
Material Aspect : Child Labor HR5			As a policy PLC does not recruit people less than 18 years of age and through the supplier assessment PLC screens suppliers for no incidents of child labour.
Material Aspect : Forced or Compulsory Labor HR6			In a performance based rewards culture, PLC does not encourage forced labour and additional hours staff dedicate are on their own interest.
Material Aspect : Security Practices			
G4-HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	93	
Material Aspect : Indigenous Rights HR8			PLC operations does not impinge on lives of indigenous people.
Material Aspect : Assessment HR9			Being a financial services provider, PLC upholds ideals in human rights.
Material Aspect : Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	71	

GRI CHECKLIST

DMA and Indicators	Material Aspects	Page No.	Reason for Immateriality
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	71	
Material Aspect : Human Rights Grievance Mechanism			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	92	
Sub Category : Society			
G4-DMA			
Material Aspect : Local Communities			
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	97	
G4-S02	Operations with significant actual and potential negative impacts on local communities	103	
Material Aspect : Anti-corruption			
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	227	
G4-S04	Communication and training on anti-corruption policies and procedures	66-67	
G4-S05	Confirmed incidents of corruption and actions taken	67	
Material Aspect : Public Policy S06			No any political contributions were made
Material Aspect : Anti-competitive Behavior			
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	66	
Material Aspect : Compliance			
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	68	
Material Aspect : Supplier Assessment for Impacts on Society S09-S010			Majority of our suppliers are not manufacturers and supplier assessment at PLC ensures that no negative impact on society takes place.
Material Aspect : Grievance Mechanism for Impacts on Society S011			Being a financial service provider no grievances were reported.
Sub Category : Product responsibility			
G4-DMA			
Material Aspect : Customer Health and Safety PR1-PR2			Being a financial service provider product offer of PLC does not have any significant health/safety impact

DMA and Indicators	Material Aspects	Page No.	Reason for Immateriality
Material Aspect : Product and Service Labeling			
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	66	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	66	
G4-PR5	Results of surveys measuring customer satisfaction	64	
Material Aspect : Marketing Communications			
G4-PR6	Sale of banned or disputed products	64-65	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	64-65	
Material Aspect : Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	67	
Material Aspect : Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	68	

ABBREVIATIONS

A INST TT	Associate-ship in the Institute of Travel and Tourism	FBIM	Fellowship of the British Institute of Management
AAT	Association of Accounting Technicians of Sri Lanka	FCMA	Fellow Chartered Management Accountant
ACA	Associate Chartered Accountant	GDP	Gross Domestic Product
AFSA	Asian Financial Services Association	GHG	Direct Greenhouse Gas
AGM	Annual General Meeting	GL	General Ledger
AIB	American Institute of Baking	GRI	Global Reporting Initiative
ALCO	Assets and Liability Management Committee	HR	Human Resources
ANOC	Association of National Olympic Committees	IBSL	Insurance Board of Sri Lanka
AOS	Accident and Orthopaedic Service	ICT	Information and Communications Technology
AQM	Air Quality Management	LFC	Licensed Finance Companies
ATM	Automated Teller Machine	IIRC	International Integrated Reporting Council
AWPLR	Average Weighted prime Lending Rate	IPFM	Institute of Professional Financial Managers
B.A	Bachelor of Arts	IPO	Initial Public Offering
B.Com	Bachelor of Commerce	IRMC	Integrated Risk Management Committee
BAC	Board Audit Committee	IRMOC	Integrated Risk Management Operating Committee
BCP	Business Continuity Plan	IRR	Internal Rate of Return
BFIS	Bank Finance and Insurance Sector	ISMS	Information Security Management System
BOI	Board of Investment	ISO	International Organisation for Standardisation
BSc	Bachelor of Science	IT	Information Technology
CBSL	Central Bank of Sri Lanka	IUCN	International Union for Conservation of Nature
CCR	Core Capital Ratio	KMP	Key Management Personnel
CEO	Chief Executive Officer	KPIs	Key Performance Indicators
CIM	Chartered Institute of Marketing	KRI	Key Risk Indicators
CIMA	Chartered Institute of Management Accountants	LACP	League of American Communications Professionals
CMA	Certified Management Accountant	LKAS	Sri Lanka Accounting Standards
CSE	Colombo Stock Exchange	LTV	Loan to Value Ratio
CSR	Corporate Social Responsibility	MBA	Master of Business Administration
DGM	Deputy General Manager	MIS	Management Information Systems
DNV	Det Norske Veritas	MSc	Master of Science
DP	Dividend Pay-out	MVA	Market Value Added
DRP	Disaster Recovery Plan	NASCO	National Sales Congress
EGM	Extraordinary General Meeting	NAVPS	Net Asset Value Per Share
EIR	Effective Interest Rate	NBFI	Non-Bank Financial Institution
EPF	Employees Provident Fund	NBT	Nation Building Tax
EPS	Earnings per Share	NC	Not Computed
ETF	Employees Trust Fund	NIBM	National Institute of Business Management
EVA	Economic Value Addition	NIM	Net Interest Margin

NPL	Non-Performing Loans	SM-RMC	Senior Manager-Risk Management & Control
OCA	Olympic Council of Asia	SRR	Standard Reserve Requirement
PAT	Profit After Tax	SUROL	Society for the Uplift and Rehabilitation of Leprosy
PBT	Profit Before Tax	TOR	Terms of Reference
PBV	Price to Book Value	TRWCR	Total Risk Weighted Capital Ratio
PGDip	Post Graduate Diploma	VAPT	Vulnerability Assessment and Penetration Test
PI	People's Insurance PLC	VAT	Value Added Tax
PLC	People's Leasing & Finance PLC		
PIM	Post Graduate Institute of Management		
PLFML	People's Leasing Fleet Management Limited		
PLHPL	People's Leasing Havelock Properties Limited		
PLPDL	People's Leasing Property Development Limited		
PMB	People's Merchant Finance PLC		
PML	People's Microfinance Limited		
RNC	Remuneration & Nomination Committee		
ROA	Return On Assets		
ROCE	Return on Capital Employed		
ROE	Return On Equity		
RPT	Related Party Transaction		
RPTRC	Related Party Transactions Review Committee		
SAFA	South Asian Federation of Accountants		
SDFR	Standing Deposit Facility Rate		
SEC	Securities and Exchange Commission of Sri Lanka		
SGSC	Sustainability Governance Steering Committee		
SL B&B	Sri Lanka Business & Biodiversity		
SLBC	Sri Lanka Broadcasting Corporation		
SLC	Specialised Leasing companies		
SLCF	Sri Lanka Climate Fund		
SLFR	Standing Lending Facility Rate		
SLFRS	Sri Lanka Financial Reporting Standards		
SLIBFI	Sri Lanka Islamic Banking and Finance Industry		
SLIBOR	Sri Lanka Inter Bank offered Rate		
SLICM	Sri Lanka Institute of Credit Management		
SLIPS	Sri Lanka Interbank Payment System		
SLIM	Sri Lanka Institute of Marketing		
SLITAD	Sri Lanka Institute of Training & Development		
SMC	Senior Management Committee		
SME	Small and Medium Enterprises		

BASIS OF RATIO

Ratio	Definition
Earnings per share (EPS) (Rs.)	$\frac{\text{Profit/loss attributable to ordinary shareholders}}{\text{Average number of shares}}$
Net assets value per share (NAPS) (Rs.)	$\frac{\text{Total shareholders' equity}}{\text{Number of shares}}$
Market capitalisation (Rs.)	Market price per share*Number of shares
Price earnings (PE) (Times)	$\frac{\text{Market price per share}}{\text{Earnings per share}}$
Dividend yield (%)	$\frac{\text{Dividend per ordinary share*100}}{\text{Market price per share}}$
Dividend cover (Times)	$\frac{\text{Profit/loss attributable to ordinary shareholders}}{\text{Total dividend paid to shareholders}}$
Dividend payout (%)	$\frac{\text{Total dividend paid to shareholders *100}}{\text{Profit/loss attributable to ordinary shareholders}}$
Earnings yield (%)	$\frac{\text{Earnings per share *100}}{\text{Market price per share}}$
Return on equity (ROE) (%)	$\frac{\text{Profit/loss attributable to ordinary shareholders*100}}{\text{Average shareholders' equity}}$
Return on asset(ROA) (%)	$\frac{\text{Profit before tax*100}}{\text{Total average assets}}$
Return on capital employed (ROCE) (%)	$\frac{\text{Profit before interest and tax*100}}{\text{Borrowings+Deposits+Equity}}$
Debt to equity (Times)	$\frac{\text{Borrowings}}{\text{Total shareholders' equity}}$
Debt equity with contingencies (Times)	$\frac{(\text{Borrowings+contingencies})}{\text{Total shareholders' equity}}$
Debt to total assets (Times)	$\frac{\text{Borrowings}}{\text{Total assets}}$
Cost to income ratio (%)	$\frac{\text{Total operating cost without VAT on financial services*100}}{\text{Net operating income}}$

Ratio	Definition
Interest cover (Times)	$\frac{\text{Profit before interest and tax}}{\text{Interest expenses}}$
Operating profit margin (%)	$\frac{\text{Operating profit before VAT on financial services*100}}{\text{Interest income}}$
Net interest margin (%)	$\frac{\text{Net interest income*100}}{\text{Average interest earning assets}}$
Advances to deposits (Times)	$\frac{\text{Gross loans and receivables}}{\text{Total deposits}}$
Provision cover	$\frac{\text{Provisions (CBSL)}}{\text{Non-performing assets}}$
Price to book value (PBV) (Times)	$\frac{\text{Market price per share}}{\text{Net assets per share}}$
Total return of share (%)	$\frac{((\text{Closing market price}-\text{Opening market price})+\text{DPS}) *100}{\text{Opening market price}}$
Current ratio (Times)	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Employee turnover ratio(%)	$\frac{\text{Number of attritions during the year*100}}{\text{Average number of employees during the year}}$
Total impairment provision to gross portfolio (%)	$\frac{\text{Total impairment provision*100}}{\text{Gross loans and receivables}}$
Individual impairment to total loans & receivables (%)	$\frac{\text{Individual impairment*100}}{\text{Gross loans and receivables*100}}$
Collective impairment to total loans & receivables (%)	$\frac{\text{Collective impairment*100}}{\text{Gross loans and receivables}}$
Non-performing ratio	$\frac{\text{Gross non performing portfolio*100}}{\text{Gross loans and receivables}}$
Gross non-performing advances ratio (%)	$\frac{\text{Non-performing portfolio (net of interest In suspense and unearned income)*100}}{\text{Gross portfolio (net of interest in suspense and unearned income)}}$

GLOSSARY

A

Accounting policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate

An entity in which the investor has significant influence and which is neither a subsidiary nor an interest in a joint venture.

Available-for-sale financial assets

Non derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

Core capital ratio

The relationship between capital and risk-weighted assets as prescribed by the Central Bank of Sri Lanka.

Cash equivalents

Short-term, highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective impairment

Impairment assessment on a collective basis for homogeneous groups of loans and receivables that are not considered individually significant and to cover losses which have been incurred but have not yet been identified at the reporting date.

Commercial paper

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities, which are debt, is usually issued at a discount, reflecting prevailing interest rates.

Commitments

Credit facilities approved but not utilised by the customers as at the reporting date.

Consolidated financial statements

Financial statements of a holding Company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation existing on the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cost to income ratio

Total operating expenses as a percentage of total operating income.

Credit ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

D

Deferred tax

Sum set aside for tax in the financial statements that may become payable/receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Is the removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Dividend cover

Profit attributable to shareholders divided by dividends paid to ordinary shareholders including tax withheld. This ratio measures the number of times dividend is covered by current year's attributable profits.

Dividend yield

Dividend earned per share as a percentage of its market value.

E

Earnings per ordinary share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

Economic value added (EVA)

A measure of productivity, which, takes into consideration cost of total invested equity.

Effective interest rate (EIR)

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective tax rate

Income tax expense divided by the profit before tax.

GLOSSARY

Employee retention ratio

Represents the number of employees retained out of the employees attrition during the year as a percentage of average number of employees for the year end.

Equity method

Method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and comprehensive income of the investor include the investor's share of the profit or loss and comprehensive income of the investee.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.



Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Finance lease

A lease in which, the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

Financial asset

Is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial liability

Is a contractual obligation to deliver cash or another financial asset to another entity.

Foreign exchange contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.



Group

A Group is a parent and all its subsidiaries.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfill the obligations of a person owing a debt if that person fails to perform.



Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements. (Interest rates, prices and commodities ect.)

Held-to-maturity investments (HTM)

Non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold to maturity.

Hire purchase

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.



Impaired loans and receivables

Loans and receivables where the Company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment provisions/Allowances

Provision held as a result of the raising of a charge against profit for the incurred loss. An impairment provisions may either be identified or unidentified and individual (specific) or collective (portfolio).

Individual impairment

Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

Intangible asset

An identifiable non-monetary asset without physical substance.

Interest cover

Number of times interest expense is covered by earnings before interest and tax.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Interest spread

This represents the difference between the average interest rate earned and the average interest rate paid on interest bearing liabilities

Investment properties

A property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.



Key management personnel (KMP)

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.



Liquid assets

Assets held in cash or in a form that can be converted to cash readily, such as deposits with banks, bills of exchange and treasury bills.

Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loss given default (LGD)

The percentage of an exposure that a lender expects to lose in the event of obliger default.



Market capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at a day.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net assets value per share

Shareholders' fund excluding preference shares if any, divided by the number of ordinary shares in issue.

Net interest income

The difference between income earned from interest bearing assets and cost incurred on financial instrument/facilities used for funding the interest bearing assets.

Net interest margin

Net interest income expressed as a percentage of average interest earning assets.

Non performing portfolio

The aggregate value of the advances portfolio that has being delinquent for a period of more than six months.

Non performing ratio (NPA ratio)

Total non-performing leases, hire purchase loans and other advances divided by total advances portfolio.

P

Parent

A parent is an entity which has one or more subsidiaries.

Price Earnings ratio (P/E ratio)

Market price per share divided by earnings per share.

R

Related parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on assets (ROA)

Profit after tax expressed as a percentage of the average assets; indicates overall effectiveness in generating profits with available assets.

Return on equity (ROE)

Net profit attributable to owners, expressed as percentage of average ordinary shareholders' equity.

Reverse repurchase agreements

Is the purchase of securities with the agreement to sell them at a higher price at a specific future date.

Risk weighted assets

Sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors prescribed by the Central Bank of Sri Lanka.

S

Segmental analysis

Disclosure of Company's assets, income and other information; broken down by activity and geographical area.

Shareholders' funds

Consist of issued and fully paid up ordinary shares, redeemable preference shares and other reserves.

Staff turnover ratio

Represents the number of employees attrition during the year as a percentage of average number of employees for the year end.

Statutory reserve fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No 1 of 2003.

Subsidiary

An enterprise that is controlled by another enterprise which is known as the parent.

T

Tier I Capital (Core capital)

Representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital (Supplementary capital)

Representing general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

V

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Y

Yield

Rate of return on an investment in percentage terms, taking in to account annual income and any change in capital value.

BRANCH NETWORK

Branch	Address	Telephone
Central		
Dambulla	513/1, Kadapaha, Anuradhapura Road, Dambulla	066-2284252
Digana	118, Rajawella 2, Rajawella	081-2376923
Hatton	199/B/1, Dimbulla Road, Hatton	051-2225683
Kandy	177, D S Senanayaka Weediya, Kandy	081-2236280
Kandy - Alsaifa	45, Katugasthota Road, Kandy	081-2205043
Mahaiyawa	No. 288, Katugasthota Road, Kandy	081-2205947
Matale	96/1/11, King's Street, Matale	066-2226400
Nawalapitiya	75, Ambagamuwa Road, Nawalapitiya	054-2224481/2/3
Nuwara Eliya	36, K Ramanathan Complex, Park Road, Nuwara Eliya	052-2224120
Pilimathalawa	No. 174, Kandy Road, Pilimathalawa	081-2056336/7/8
Eastern		
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara	063-2223053
Batticaloa	No. 26, New Kalmunai Road, Batticaloa	065-2226512
Kalawanchikudi	Ward No. 9, Main Street, Kalawanchikudi	065-2251660
Kalmunai	No. 82, Main Street, Kalmunai	067-2225486
Kanthale	72/1, Agrabodhi Mawatha, Kantale	026-2234484
Kattankudy	No. 187, Main Street, Kattankudy	065-2248341
Muttur	Main Street, Muttur	026-2238276
Trincomalee	445/1, Dockyard Road, Trincomalee	026-2225285
North Central		
Anradhapura	387, Harischandra Mawatha, Anuradhapura	025-2224903
Gampola	No. 131, Nuwara Eliya Road, Gampola	081-2353030/ 081-2354151/ 9/79
Kekirawa	12/A, Thalawa Road, Kekirawa	025-2264821
Medawachchiya	17, Mannar Junction, Medawachchiya	025-2245209
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa	027-2225793
Thambuttegama	No. 326, Queen Junction, Kurunegala Road, Thambuttegama	025-2276180/ 025-2275511

Branch	Address	Telephone
North Western		
Chilaw	No. 10, Colombo Road, Chilaw	032-2224101
Giriulla	Sangarakshitha Vidyala Building, Ground Floor, Kurunegala Road, Giriulla	037-2288801
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya	037-2283490/ 037-2281353/7
Kurunegala	103A, Colombo Road, Kurunegala	037-2221582
Melsiripura	237, Dambulla Road, Melsiripura	037-2250229
Puttalam	No. 97B, Kurunegala Road, Puttalam	032-2266893/4
Wariyapola	No. 41, Kurunegala Road, Wariyapola	037-2233426
Wennappuwa	No. 327 1/1, Colombo Road, Wennappuwa	031-2245663
Northern		
Chunnakam	No. 15, K K S Road, Chunnakam	021-2241105
Jaffna	No. 12, Stanley Road, Jaffna	021-2228031
Kilinochchi	253, Kandy Road, Kilinochchi	021-2280125
Mannar	109, Hospital Road, Sinnakadai, Mannar	023-2251342
Vavuniya	91/1, Station Road, Vauniya	024-2225485
Sabaragamuwa		
Balangoda	No. 118, A Barns Rathwaththa Mawatha, Balangoda	045-2289500
Embilipitiya	122, New Town Road, Embilipitiya	047-2261971
Kegalle	345, Main Street, Kegalle	035-2230101
Ratnapura	102, Colombo Road, Ratnapura	045-2224755
Pelmadulla	118/1, Rathnapura Road, Pelmadulla	045-2276081
Kalawana	43, Mathugama Road, Kalawana	045-2256001/2
Sothorn		
Akuressa	No. 75, Matara Road, Akuressa	041-2284711/ 041-2284903
Ambalangoda	15A, Wickramasooriya Road, Ambalangoda	091-2255647
Ambalanthota	32 1/1, Tissa Road, Ambalanthota	047-2225265
Bentota	147, Galle Road, Bentota	034-2271630
Deniyaya	150, Akuressa Road, Deniyaya	041-2273341/ 041-2273713/4
Elpitiya	40, Ambalangoda Road, Elpitiya	091-2290837
Galle	118, Matara Road, Galle	091-2247521

Branch	Address	Telephone
Hambantota	102/K, Baddewela Road, Hambantota	047-2221276
Matara	45/A, Anagarika Dharmapala Mw, Matara	041-2220129
Neluwa	No. 08, Dellawa Road, Neluwa	091-2255647
Tangalle	138A, Matara Road, Tangalle	047-2242501/4
Thissamaharamaya	No. 171, Main Street, Thissamaharama	047-2239703/ 047-2239671/2
Uva		
Badulla	No. 33, 9 Modern Complex, Cocowatta Road, Badulla	055-2223903/4
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	057-2221145
Mahiyanganaya	No. 03, Siri Jayasanka Building, Kandy Road, Mahiyanganaya	055-2257739
Monaragala	No. 32, Pothuvil Road, Monaragala	055-2277485
Welimada	No. 11A, Borlanda Road, Welimada	057-2244994/6/7
Wellawaya	No. 128, Monaragala Road, Wellawaya	055-2274035/45
Western		
Awissawella	15, Kudagama Road, Awissawella	036-2233791
Battaramulla	No. 261, Main Street, Battaramulla	011-2886820
Colpetty	No. 385, Galle Road, Colombo 03	011-2376476
Dehiwala	No. 119, Galle Road, Dehiwala	011-2720720
Gampaha	No. 65, Yakkala Road, Gampaha	033-2232732
Grandpass	No. 361, Grandpass Road, Colombo 14	011-2340013
Havelock	No. 62, Havelock Road, Colombo 05	011-2592424
Homagama	121/3, Highlevel Road, Homagama	011-2098141
Horana	No. 101, Rathnapura Road, Horana	034-2267701/6
Ja-Ela	112/A, Negambo Road, Ja-Ela	011-2228074
Kadawatha	657A, Kandy Road, Bandarawatta, Kadawatha	011-2926908/10
Kaduwela	349/A/1, New Kandy Road, Kothalawala, Kaduwela	011-2548578
Kalutara	No. 314 1/1, Main Street, Kalutara South	034-2235799
Kelaniya	965, Kandy Road, Wedamulla, Kelaniya	011-2914112

Branch	Address	Telephone
Kirindiwela	153, Sujaya Building, Gampaha Road, Kirindiwela	033-5622733
Maharagama	134/C/2, High Level Road, Maharagama	011-2851628
Mathugama	No. 4/29, Agalawaththa Road, Mathugama	034-2249230/1
Merigama	69/A, Giriulla Road, Merigama	033-2275256/7/8
Metropolitan	No. 67, Sir Chittampalam A Gardiner Mawatha, Colombo 02	011-2481000
Minuwangoda	26/H, Colombo Road, Minuwangoda	011-2298641
Moratuwa	553, Galle Road, Rawathawaththa, Moratuwa	011-2648471
Negombo	No. 29/1, Colombo Road, Negambo	031-2223230
Nittambuwa	83, Kandy Road, Nittambuwa	033-2298110
Nugegoda	290, Highlevel Road, Nugegoda	011-2813990
Panadura	482, Arthur V Dies Mw, Panadura	038-2237331/ 038-2244397
Pettah	No. 319, Main Street, Colombo 11	011-2437708
Piliyandala	71, Moratuwa Road, Piliyandala	011-2609835
Union Place	No. 167, Union Place, Colombo 02	0112-377877
Ward Place	No. 24A, Ward Place, Colombo 07	011-2678691
Wattala	540, Negombo Road, Wattala	011-2948441/ 011-2981835
Wellawatta	No. 507, Wellawatta, Colombo 06	011-2361562/3

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Twentieth (20th) Annual General Meeting of People's Leasing & Finance PLC will be held on 29th June 2016 at 2.00 p.m. at People's Bank Staff Training College Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2016 and the report of the Auditors thereon.
2. To declare a Final Dividend of Cents 50 (Rs. 0.50) per Ordinary Share, as recommended by the Board of Directors.
3. To re-elect as a director Dr. Ali Asgar Shabbir Gulamhusein, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.
4. To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the financial year ending 31st March 2017.
5. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31st March 2017.

By Order of the Board



Rohan Pathirage
Company Secretary
People's Leasing & Finance PLC

Notes

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead. A form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

Colombo, on this 27th day of May 2016.

FORM OF PROXY

I/ we of
 being a member/s of
 People's Leasing & Finance PLC hereby appoint Mr/Mrs/Miss
 (holder of N.I.C. No.) of whom failing:

- | | |
|--|--------------|
| 1. Mr. Hemasiri Fernando | whom failing |
| 2. Mr. Michael Pradeep Amirthanayagam | whom failing |
| 3. Mr. Jehan Prasanna Amaratunga | whom failing |
| 4. Mr. Namasivayam Vasantha Kumar | whom failing |
| 5. Mr. Johnson Anthony Fernando | whom failing |
| 6. Mr. Mohamed Anise Mohamed Rizwan | whom failing |
| 7. Mr. Rathnayake Mudiyansele Jayasena | whom failing |
| 8. Dr. Ali Asgar Shabbir Gulamhusein | |

as my/ our Proxy to represent me/ us and vote on my/ our behalf at the Twentieth Annual General Meeting of the Company to be held on 29th June 2016 at 2.00 p.m. at People's Bank Staff Training Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No. –

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2016 and the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of Cents 50 (Rs. 0.50) per Ordinary Share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a director Dr. Ali Asgar Shabbir Gulamhusein, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the financial year ending 31st March 2017.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the Board of Directors to determine contributions to charities and other donations for the financial year ending 31st March 2017.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of.....2016

.....
 Signature

.....
 Shareholder's N.I.C./ P. P./ Co. Reg. No.

NOTES:

- Proxy need not be a member of the Company.
- Instructions as to completion of this Form of Proxy are given overleaf.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. As provided for in Article 19(5) of the Articles of Association of the Company the instrument appointing a proxy should be in writing.
2. The full name and the address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall -
 - (a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
 - (c) in the case of joint-holders, be signed by the joint-holder whose name appears first in the Register of Members.
4. The completed Form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy.

6. An extract of Articles 15, 18 and 22 of the Articles of Association of the Company which deals with meetings of shareholders and voting by shareholders is produced below for the information of the Shareholders,

“15. Method of Holding Meetings

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.

18. Voting

- (1) Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
- (2) A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
- (3) At a meeting of shareholders, a poll may be demanded by —
 - (a) the chairperson; or
 - (b) not less than five (5) shareholders having the right to vote at the meeting; or
 - (c) a shareholder or shareholders representing not less than ten per centum of the total voting rights of all shareholders having the right to vote at the meeting.
- (4) A poll may be demanded either before or after the vote is taken on a resolution, however the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

- (5) If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.

- (6) The chairperson of a shareholders' meeting is not entitled to a casting vote.”

22. Votes of Joint Holders

Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote.”

CORPORATE INFORMATION

G4-5, 6, 7, 8

NAME OF COMPANY

People's Leasing & Finance PLC
(Subsidiary of People's Bank)

LEGAL FORM

Public Limited Liability Company
(Incorporated and domiciled in
Sri Lanka) quoted in the Colombo
Stock Exchange

DATE OF INCORPORATION

22nd August 1995

COMPANY REGISTRATION NUMBER

PB 647 PQ

ACCOUNTING YEAR-END

31st March

STOCK EXCHANGE LISTING

The Ordinary shares of the
Company were quoted on the
Main Board of the Colombo Stock
Exchange (CSE) on 24th
November 2011.

Senior, Unsecured, Redeemable,
Rated four year (2013/17) and
five year (2013/18) Debentures
were listed on the Debt Securities
Main Board of Colombo Stock
Exchange on 4th April 2013.

Senior, Unsecured, Redeemable,
Rated three year (2014/17) and
four year (2014/18) Debentures
were listed on the Debt Securities
Main Board of Colombo Stock
Exchange on 3rd October 2014.

Senior, Unsecured, Redeemable,
Rated four year (2015/19) and
five year (2015/20) Debentures
were listed on the Debt Securities
Main Board of Colombo Stock
Exchange on 20th November
2015.

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

1161, Maradana Road, Borella,
Colombo 08, Sri Lanka.
Postal Code: 00200
Telephone: +94 11 2631631
Fax: +94 11 2631980/81
Email: plclease@plc.lk
Web Address: www.plc.lk

COMPANY SECRETARY

Mr. Rohan Pathirage

REGISTRARS

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Telephone: +94 11 2573894,
+94 11 2576871
Fax: +94 11 2573609
E-mail: sspsec@sltnet.lk

AUDITORS

M/s. Ernst & Young
Chartered Accountants,
201, De Saram Place,
P.O. Box 101,
Colombo 10,
Sri Lanka.

BANKERS

People's Bank
Sampath Bank PLC
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
HSBC
National Development Bank PLC
Nations Trust Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Deutsche Bank
Habib Bank
Union Bank of Colombo PLC
Public Bank Berhad
Citibank N.A.
Indian Bank
Indian Overseas Bank
Pan Asia Banking Corporation PLC
Axis Bank

BRANCHES

Akuressa, Ambalangoda,
Ambalanthota, Ampara,
Anuradhapura, Awissawella,
Badulla, Balangoda,
Bandarawela, Battaramulla,
Batticaloa, Benthot, Chilaw,
Chunnakam, Colpetty, Dambulla,
Dehiwala, Deniyaya, Digana,
Elpitiya, Embilipitiya, Galle,
Gampaha, Gampola, Giriulla,
Grandpass, Hambantota, Hatton,
Havelock, Homagama, Horana,
Ja-Ela, Jaffna, Kadawatha,
Kaduvela, Kalawanchikudi,
Kalawana, Kalmunai, Kalutara,
Kandy, Kandy - Alsafa,
Kanthale, Kattankudy, Kegalle,
Kekirawa, Kelaniya, Kilinochchi,
Kirindiwela, Kuliypitiya,
Kurunegala, Mahaiyawa,
Maharagama, Mahiyanganaya,
Mannar, Matale, Matara,
Medawachchiya, Mathugama,
Melsiripura, Merigama,
Metropolitan, Minuwangoda,
Monaragala, Moratuwa, Mutur,
Nawalapitiya, Negombo, Neluwa,
Nittambuwa, Nugegoda, Nuwara
Eliya, Panadura, Pelmadulla,
Pettah, Pilimathalawa,
Piliyandala, Polonnaruwa,
Puttalam, Ratnapura,
Tangalle, Thambuttegama,
Thissamaharamaya, Trincomalee,
Union Place, Vavuniya, Ward
Place, Wariyapola, Wattala,
Wellimada, Wellawaya,
Wellawatta, Wennappuwa

BOARD OF DIRECTORS AND BOARD

SUB-COMMITTEES Board of Directors

Mr. Hemasiri Fernando -
Chairman
Mr. M.P. Amirthanayagam -
Deputy Chairman
Mr. J.P. Amaratunga
Mr. N.Vasanth Kumar
Mr. J.A. Fernando
Mr. M.A.M. Rizwan
Mr. R.M. Jayasena
Dr. A.A.S. Gulamhusein

Board Sub-Committees

Integrated Risk Management
Committee
Mr. M.P. Amirthanayagam -
Chairman
Mr. N. Vasanth Kumar
Mr. D. P. Kumara
Mr. Sanjeeva Bandaranayake
Mr. L. Fernando
Mr. R. Tennakoon

Board Audit Committee

Mr. J.P. Amaratunga - Chairman
Mr. M.P. Amirthanayagam
Mr. M.A.M. Rizwan

Remuneration & Nomination Committee

Mr. J.P. Amaratunga - Chairman
Mr. M.P. Amirthanayagam
Mr. J.A. Fernando

Related Party Transactions Review Committee

Mr. M.P. Amirthanayagam -
Chairman
Mr. J.A. Fernando
Mr. M.A.M. Rizwan

Strategic Evaluation Committee

Mr. M.P. Amirthanayagam -
Chairman
Mr. J.P. Amaratunga
Mr. N. Vasanth Kumar

SUBSIDIARY AND ASSOCIATE COMPANIES

Subsidiary Companies

People's Leasing Fleet
Management Limited
People's Leasing Property
Development Limited
People's Leasing Havelock
Properties Limited
People's Insurance PLC
People's Microfinance Limited

Associate Company

People's Merchant Finance PLC

CORPORATE MEMBERSHIPS

Asian Leasing and Finance
Association
Credit Information Bureau of Sri
Lanka
Financial Ombudsman-Sri Lanka
Leasing Association of Sri Lanka

VEHICLE YARDS

No. 429, 2nd Division, Darley
Road, Colombo 10, Sri Lanka.
No. 496, Makola North, Makola,
Sri Lanka.
No. 225/D, Nayagala Road,
Heiyanthuduwa, Mabima,
Sri Lanka.
No. 8, Pothuvil Road, Monaragala,
Sri Lanka
Ketagalolla, Beligamuwa,
Galwela, Sri Lanka

TAX PAYER IDENTITY NUMBER (TIN)

114 156396 0000

VAT REGISTRATION NUMBER

114 156396 7000

CENTRAL BANK REGISTRATION NUMBER

046 (Under the Finance Business
Act No.42 of 2011)

CREDIT AGENCY STATUS

An approved Credit Agency under
the Mortgage Act No.6 of 1949
and the Trust Receipt Ordinance
No.12 of 1947 by the Department
of Commerce.

CREDIT RATING

'AA-' (lka) stable by Fitch Ratings
Lanka Limited
'B+/B' outlook negative by
Standard & Poor's Rating
Services
'B' outlook negative by Fitch
Ratings International

For any clarification on this Report please write to:

The Chief Financial Officer,
People's Leasing & Finance PLC
1161, Maradana Road,
Colombo 08, Sri Lanka.
Postal Code: 00200
Telephone: +94 11 2631631
Fax: +94 11 2631980/81

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