



PEOPLE'S LEASING &
FINANCE PLC

ANNUAL REPORT 2014/15

365 DAYS THAT WERE...

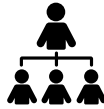


PEOPLE'S LEASING &
FINANCE PLC

ANNUAL REPORT 2014/15

**365
DAYS
THAT
WERE...**

**365
DAYS
THAT
WERE...**



**A CULMINATION OF OUR COLLECTIVE
EFFORTS**



**A RECOGNITION OF OUR AWARD WINNING
STREAK**



**A CONTINUATION OF BEING THE PEOPLE'S
CHOICE IN THE FINANCIAL SPHERES**



**A BRILLIANT EXAMPLE OF OUR
INSPIRATIONAL BRAND OF BUSINESS**



**FOCUSED ON OUR PEOPLE, OUR PLANET AND
OUR PROFIT**



**UTILISED TO MAKE WHAT WE OFFER THE
BEST IN THE INDUSTRY**



A CELEBRATION OF THE POWER OF PLC

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Provides a glimpse of the year's performance

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This is a useful synopsis of the Company performance during the past 365 days from the Management's point of view and narrates how PLC operates sustainably through the Company's engagement with its key stakeholders. The review also provides a glimpse of the future performance of the Company as well.

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Governance ensures the availability of best practices within the organisation and increases its accountability towards the stakeholders. Corporate stewardship review thus provides the Company's governance mechanisms and the measures taken for managing risks associated with the business activities.

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Includes independent assurance on the sustainable performance of the company reported in accordance with the GRI G4 Sustainability Reporting Guidelines at Comprehensive level and all other information required to support the main content of the Annual Report facilitating easy reference to the users.

ABOUT THIS REPORT

G4

Comprehensive

 [G4 - 3, 15, 17, 22, 28, 29, 30, 31, 32, 33](#)

Presenting the second integrated Annual Report, People's Leasing & Finance PLC (PLC) seeks to provide an overview of the integrated nature of the Company's business strategy and operations- combining economic, environment and social facets during the financial year 2014/15. As a leading non- bank financial institution in Sri Lanka, the Company fully recognises its responsibility towards society. Long term sustainability of the Company depends on the successful ties and engagement with shareholders, customers, suppliers, employees, community, environment and other stakeholders. This forms the basis for integrated thinking and integrated reporting of the Company.

The integrated approach seeks to enable stakeholders to make informed assessments and decision on PLC, inter alia, its strategy, operational and financial performance, social and environment responsibility, corporate stewardship and future prospects. Towards this end, the Company has progressively moved towards transparency and cohesiveness in its reporting efforts, combining financial reporting including statutory reporting requirements with management commentary and sustainability reporting.

REPORT SCOPE

This integrated Annual Report of PLC presents both financial and non- financial information of the Company for the financial year ended 31st March 2015 which was derived from the economic, social and environmental performance of the Company. It has been prepared in line with the Integrated Reporting Framework issued by the Integrated Reporting Council (2013). In presenting the sustainability performance, the Company adopts the Global Reporting Initiative (GRI) Version G4 framework. Progressing from the previous year, this year, PLC seeks to report on GRI G4 'in accordance with comprehensive' option, providing a comprehensive approach to sustainability reporting compared to the previous year's reporting of GRI G4 'in accordance with the core option. The GRI Content Index is set out on pages 456 to 466 herein the Annual Report.

Financial Statements that appear in this report 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, Financi Leasing Act No. 56 of 2000, Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. There were no restatements applicable for this year's reporting.



The Code of Best Practice on Corporate Governance is in line with the (Corporate Governance) Direction No.03 of 2008 set for finance companies by the Central Bank of Sri Lanka and also complies with the updated 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.

REPORTING BOUNDARY AND MATERIALITY

G4 - 17

The Annual Report this year comprises reports covering the Company's operations spanning the head office and the branch network for the financial year ended 31st March 2015. Wherever relevant, the preceding years' performance and indicators have been reflected for comparative analysis.

In addition, the report also provides summary reviews on the performance of PLC's five subsidiaries: People's Insurance Limited, People's Leasing Property Development Limited, People's Leasing Fleet Management Limited, People's Microfinance Limited and People's Leasing Havelock Properties Limited for the year ended 31st March 2015.

This report has been prepared laying emphasis on aspects that are most material or significant for the Company as well as for its key stakeholders. The basis on which the materiality is assessed and results of such assessments is given in the Materiality Assessment section on pages 35 to 37 of this report.

EXTERNAL ASSURANCE AND TEST OF COMPLIANCE

The Financial Statements together with related notes are audited by M/s. Ernst & Young Chartered Accountants, Sri Lanka and their assurance is given on page 333 of this Report. The external assurance given by them for sustainability initiatives and measures included in the report is set out on page 454 of this report.

External assurance is also obtained from M/s. Ernst & Young Chartered Accountants on Directors' Statement of Internal Control over Financial Reporting.

FORWARD- LOOKING STATEMENTS

This report includes forward- looking statements- financial forecasts are estimates based on the information as of the date of this report. As changing circumstances may cause deviations in forecasts, shareholders are advised not to place undue reliance on such opinions, statements or forecasts. The Company undertakes no obligation to update publicly or release any revisions

to these forward- looking statements to reflect events or circumstances after the date of this report.

PRESENTATION

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.

CONTACT

Questions and inquiries on this Integrated Annual Report 2014/15 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.

365 DAYS OF STRATEGIC PLANNING



OVERVIEW

“PRESENTS A HOLISTIC SNAPSHOT OF THE COMPANY PERFORMANCE ALONG THE INTERRELATED DIMENSIONS OF PROFITS, PEOPLE AND THE PLANET”

- 8 365 Days of Achievements
- 10 Awards & Achievements
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365 DAYS OF ACHIEVEMENTS

DAY 72 - June 11th

Al-Safa Islamic Finance Unit was honoured with the “Bronze Award” for the “Islamic Finance Entity of the Year 2013/14” at the Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards ceremony.

Head of Recoveries, Al-Safa Islamic Finance Unit of the Company received the Silver Award for the “Rising Islamic Finance Personality of the year 2013/14” at the aforesaid ceremony.

DAY 9 - April 9th

Inaugurated Melsiripura and Giriulla branches.

DAY 11 - April 11th

Inaugurated the 88th branch in Digana



DAY 126 - August 4th

Established a branch in Bentota.

DAY 131 - August 9th

Three employees of the Company secured three awards at the National Sales Congress Awards (NASCO) in the financial product and services category.



APRIL

MAY

JUNE

JULY

AUGUST

SEPTEMBER



DAY 33 - May 3rd

The Annual Reports 2011/12 of PLC and of the subsidiary, People’s Finance PLC was awarded Certificates of Merit in the category of financial services sector at the SAFA Best Presented Annual Report Awards 2012.

DAY 99 - July 8th

Rs. 0.50 per share was paid as final dividend for the year ended 2013/14 amounting to Rs. 790 million.

DAY 163 - September 10th

The Company bagged the “Gold Award” at the “Achiever Awards 2014 for Industrial & Service Excellence” organised by the Ceylon National Chamber of Industries in the National level Large & Extra Large Service category, and was named as one of the top companies in Sri Lanka.

DAY 168 - September 15th

The Company’s 15 million debenture issue was oversubscribed on the day of issue upon which a further 15 million Senior Unsecured Redeemable Debentures was issued.



DAY 253 - December 9th

Awarded “Silver” for overall excellence in financial reporting at CA Sri Lanka’s 50th Annual Reports Awards, “Gold” in the Corporate Social Responsibility reporting and “Gold” in the Finance Companies Category.

DAY 260 - December 16th

Received “Silver Award” at the National Business Excellence Awards.

DAY 266 - December 22nd

The Company was included in the S&P Sri Lanka 20 Index on the Colombo Stock Exchange.

DAY 272 - December 28th

Received “Silver” Award at the SLITAD People Development Awards 2014.

DAY 214 - October 31st

The Company reached the Rs. 6 billion mark in monthly disbursements for the first time in the history of the Company as well as the Non- Bank Financial Institution Sector.



DAY 327 - February 21st

PLC Premier Awards was held to recognise the best performers of the Company.

OCTOBER

NOVEMBER

DECEMBER

JANUARY

FEBRUARY

MARCH



DAY 227 - November 13th

Secured the following awards at the 2014 Spotlight Awards organised by League of American Communications Professionals (LACP);

- Competition Class of Print Annual Reports, Asia Pacific- Gold Award
- Most Creative Annual Report (Worldwide Special Achievement Award)- Silver Award
- Ranked among the Worldwide Top 100 Communication Materials.

DAY 234 - November 20th

Was ranked at the 14th position among the top 25 listed companies in Sri Lanka- 2013/14 by the Business Today magazine.

DAY 239 - November 25th

Ranked amongst the 10 Best Corporates by the Ceylon Chamber of Commerce.

DAY 361 - March 27th

Awarded “Financial Service Provider of the Year” at the SLIM Nielsen Peoples’ Awards 2015 for the third consecutive year.

DAY 365 - March 31st

Cumulative disbursement topped Rs. 60 billion for the first time in the history of the Company and NBFI sector.

DAY 281 - January 6th

Rs. 0.75 per share was paid as interim dividend during the year amounting to Rs. 1,185 million.

DAY 287 - January 12th

Achieved all time high share price of Rs. 28.



AWARDS & ACHIEVEMENTS

**365
DAYS
THAT
WERE...**





CA SRI LANKA 50TH ANNUAL REPORT AWARDS

★ **Silver - Overall Excellence in Financial Reporting**

- Gold- Corporate Social Responsibility Reporting
- Gold - Finance Companies Category

BUSINESS TODAY MAGAZINE

- Ranked 14th among the top 25 listed companies 2013/14

CEYLON CHAMBER OF COMMERCE

- Ranked amongst the best 10 corporates

2014 SPOTLIGHT AWARDS - LACP

- Gold - Competition Class of Print Annual Reports, Asia Pacific
- Silver- Most Creative Annual Report (Worldwide Special Achievement Award)
- Ranked among worldwide top 100 communication materials

ACHIEVER AWARDS 2014 - NATIONAL CHAMBER OF INDUSTRIES

- Gold- for industrial & service excellence
- Named as one of the top companies in Sri Lanka

SRI LANKA ISLAMIC BANKING AND FINANCE INDUSTRY (SLIBFI) AWARDS CEREMONY

- Bronze- for the “Islamic Finance Entity of the Year 2013/14”

NATIONAL SALES CONGRESS AWARDS (NASCO)

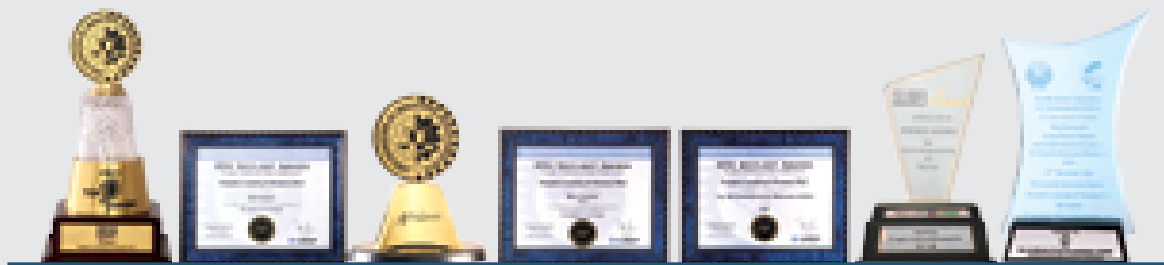
- National Business Excellence Awards -Silver

SLITAD PEOPLE DEVELOPMENT AWARDS 2014

- Silver Award

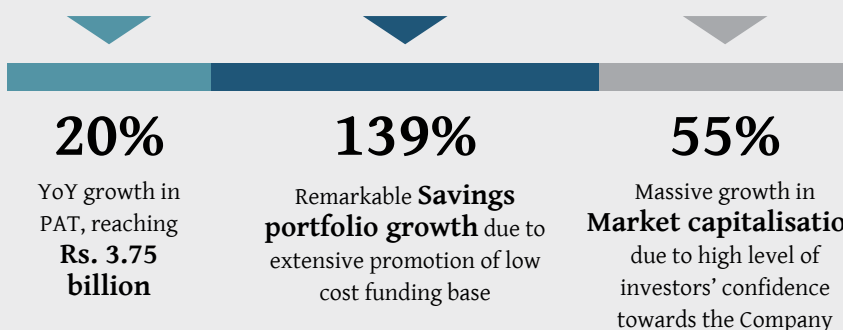
SLIM NEILSEN PEOPLES' AWARDS 2015

- Financial Service Provider of the Year

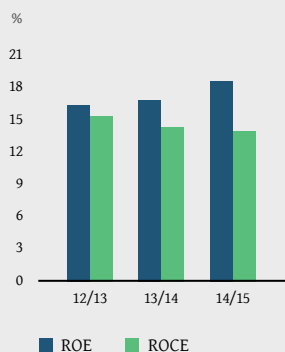


FINANCIAL HIGHLIGHTS

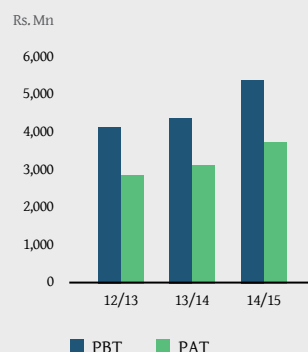
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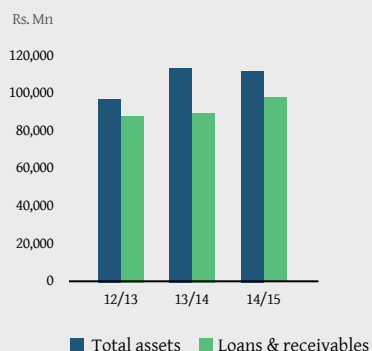
Growth in ROE & ROCE



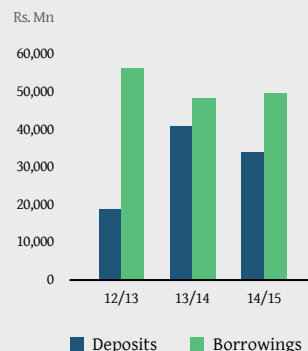
Growth in PBT & PAT



Loans & Receivables to Total Assets



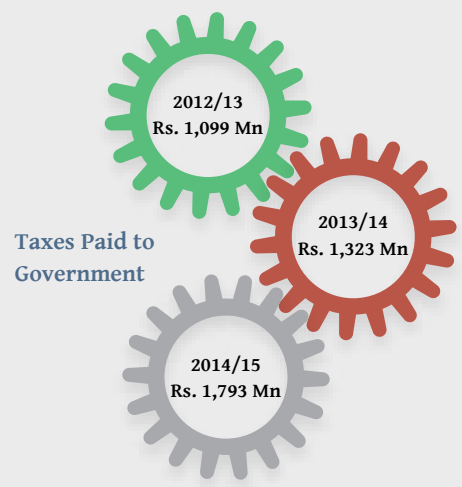
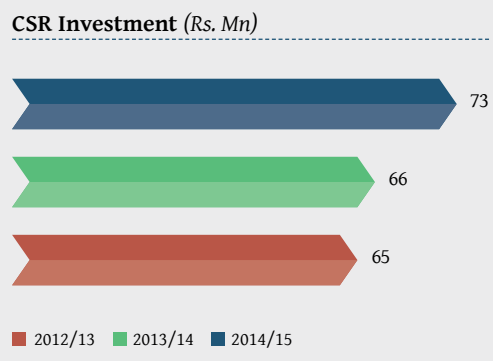
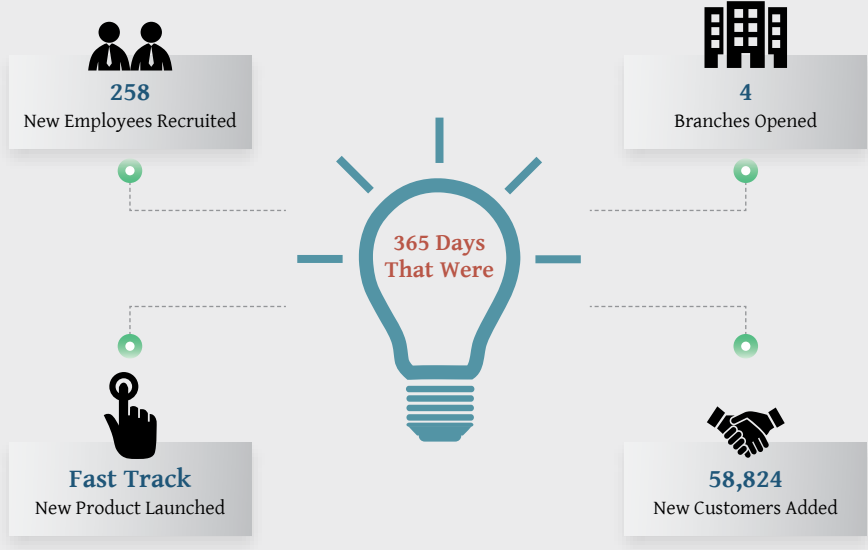
Deposits & Borrowings



	2014/15	2013/14	Change %	2012/13
Financial performance (Rs. Mn)				
Gross income	20,541.63	20,627.79	(0.42)	18,204.81
Non- interest income	1,294.01	1,094.19	18.26	959.88
Operating profit	5,737.69	4,678.97	22.63	4,419.92
Impairment charges	1,644.88	1,217.75	35.08	697.64
PBT	5,375.11	4,386.96	22.52	4,134.84
Taxation	1,622.15	1,263.22	28.41	1,284.88
PAT	3,752.96	3,123.75	20.14	2,849.96
Financial position (Rs. Mn)				
Cash and cash equivalents	3,465.46	14,782.56	(76.56)	4,704.79
Loans & advances	98,411.20	90,218.36	9.08	88,404.48
Total assets	112,322.98	113,776.43	(1.28)	97,436.63
Saving deposits	4,941.09	2,065.66	139.20	747.03
Fixed deposits	29,081.48	38,855.82	(25.16)	18,099.64
Equity	21,135.79	19,195.94	10.11	18,022.69
Key financial indicators				
Operating profit margin (%)	27.93	22.68	5.25	24.28
Cost to income ratio (%)	34.63	37.01	(2.38)	36.54
Lending to loans & advances ratio (%)	61.90	52.80	9.10	46.00
Debt to total assets (Times)	0.44	0.43	0.02	0.58
Return on assets (ROA) (%)	4.75	4.15	0.60	4.70
Return on equity (ROE) (%)	18.61	16.79	1.82	16.36
Return on capital employed (ROCE) (%)	13.92	14.40	(0.48)	15.33
Net assets value per share (Rs.)	13.38	12.15	10.12	11.55
Market value per share- closing (Rs.)	22.10	14.30	54.55	13.10
Market capitalisation (Rs. Mn)	34,914.96	22,592.03	54.55	20,436.00
EPS (Rs.)	2.38	1.98	20.14	1.80
Dividend per share (Rs.)	1.25	1.25	-	1.25
Dividend cover (Times)	1.90	1.58	20.25	1.46
Dividend payout (%)	52.62	63.22	(10.60)	68.42
Dividend yield (%)	5.66	8.74	(3.08)	9.54
PE ratio (Times)	9.30	7.23	28.63	7.26
Earning yield (%)	10.75	13.83	(3.08)	13.77
Statutory ratios				
Minimum core capital (Rs. Mn) - minimum Rs. 400 Mn	20,609.90	17,987.02	14.58	16,854.52
Core capital ratio (%) - minimum 5%	20.22	19.12	1.10	21.15
Total risk weighted capital ratio (%) - minimum 10%	19.04	18.05	0.99	20.06



NON-FINANCIAL HIGHLIGHTS



	Actual 2014/15	Budgeted 2015/16
Customer perspective		
Credit ratings - Fitch Ratings Lanka	AA-(lka)	AA-(lka)*
No. of branches	89	94
No. of window offices	109	111
No. of deposit holders	160,665	195,093
No. of loan & advance customers	99,389	114,753
No. of ATM transactions	171,601	213,876
No. of POS transactions	55,508	69,183
Employees perspective		
No. of employees	1,666	1,870
No. of field officers	612	760
No. of back office staff	1,054	1,110
No. of employees promoted	521	700
No. of new permanent employees added	258	200
Employees' salaries & benefits (Rs. Mn)	1,565.23	1,749.36
Financial assistance for staff (Rs. Mn)	7.47	9.00
Average employee turnover (%)	10.24	9.00
Investment in training (Rs. Mn)	26.76	40.00
Business partners perspective		
Interest cover (Times)	1.58	1.71
Investment in IT (Rs. Mn)	180.96	222.00
Investment in fixed assets (Rs. Mn)	423.24	135.00
Government perspective (Rs. Mn)		
Taxes paid to government	1,792.71	2,242.54
Taxes collected and paid on behalf of government	1,250.23	1,270.40
Transactions with government & related entities:		
Interest income	60.60	70.00
Interest expense	182.85	140.00
Assets in	753.30	870.15
Liabilities to	1,565.94	1,198.97
Investment in government securities	5,266.41	5,744.83
Social perspective		
Economic value added (EVA) (Rs. Mn)	2,740.09	4,343.55
CSR initiatives (Number)	155	180
CSR investments (Rs. Mn)	72.86	108.10
Staff volunteered time on CSR (Hours)	19,474	22,000
Environmental perspective		
Carbon footprint (Tonnes)	2,769.71	2,492.74
Trees planted for carbon credits (Number)	430	600
E-waste recycled (Kg)	5,156.00	5,500.00
Staff volunteered time on CSR (Hours)	19,474	22,000

* Reaffirmed for 2015/16





CHAIRMAN'S MESSAGE



365 DAYS THAT WERE...

“THE COMPANY POSITIVELY RESPONDED, NAVIGATED AND MANAGED ITS BUSINESS MODEL AND OPERATIONS TO MARK THE BEST PERFORMANCE IN ITS HISTORY”



Moving away from short-term measures of focusing merely on commercial viability, the long term approach of integrating social and environmental aspects has indeed set the pace for sustainability in operations



Upholding the right blend between our business strategy with a corporate culture that nurtures governance, environmental and social responsibility; the ensuing years will no doubt bring greater achievements for the Company



DEAR STAKEHOLDER,

As I joined the team governing People's Leasing & Finance PLC at its helm, I am deeply aware of my duty - to give my best, to guide and support this esteemed organisation in its path to sustainable progress. It has been just over a month since I assumed office and I have been truly impressed to learn on how the organisation has moved on from its modest beginnings eighteen years ago - nurturing a solid mainstay with good governance and ethical business practices; and reaching out to excellence in its operations, to become the largest non-banking financial institution in the country.

I consider it an honour, on behalf of the new Board, to present the '365 Days That Were' - Annual Report 2014/15 along with the financial statements. While I leave it to our Chief Executive Officer to elaborate on the year's strategy followed, activities and accomplishments, I will take this opportunity to briefly share my perspective on



CHAIRMAN'S MESSAGE CONTD.



20.14%
Growth in Net Profits

the Company's performance against the macroeconomic landscape that prevailed in the year and future strategy and plans for the forthcoming year - seeking greater and sustainable success.

GLOBAL ECONOMY - UNEVEN & MODEST

Moving on to a better terrain from the recessionary trends witnessed for over half a decade, the world economy continued to rebound, albeit, unevenly and still at moderate levels. The advanced nations led by the United States and some core Euro nations saw a revival in their consumer confidence and investor sentiments, powering the trend in growth. Yet, some of the euro zone economies within the periphery continued to be sluggish; whilst Japan, despite fiscal and monetary stimuli regressed towards zero growth. The emerging and developing nations although still strong at a broader level, receded in its growth momentum given the pressures spurred from structural and policy constraints. The sharp decline in oil prices and the movement in exchange rate permeated across the globe - with consequences in varying connotations and levels of impact. On the geopolitical front, uncertainties intensified by the conflicts in the Middle East and in Russia-Ukraine which together with climate change continued to mar global prospects.

The global economic growth in this setting is set at 3.4 percent in 2014 as was the case in the preceding year and the outlook for 2015 is still modest at 3.5 percent. ('World Economic Outlook April 2015', International Monetary Fund)

SRI LANKAN ECONOMY - GROWTH & STABILITY

Amidst uneven global economic trends and internal challenges, Sri Lanka succeeded to maintain a relatively

balanced macroeconomic environment. The economy grew resiliently, reaching to a higher growth of 7.4 percent in 2014 which remained ahead of the regional players and those of the advanced nations. Industry and service sectors marked an improved performance whilst vagaries in weather stifled the agriculture sector from reaching to its potential growth.

The monetary policy continued to be accommodative, underscoring record low market interest rates. Yet, private sector demand for credit was largely sluggish up until the latter part of the year. Inflation complemented by the falling trend in commodity prices in the world market was maintained at mid-single digit for the sixth successive year. The balance of payments marked improvements with a robust official reserve position and relatively stable exchange. Fiscal consolidation however, could not reach the anticipated results. The outlook for the year is set to achieve upper-mid income status and sustain the growth momentum. (Annual Report 2014, Central Bank of Sri Lanka).

NBFIS - DEMONSTRATING RESILIENCE

Defined by the easy stance in monetary policy and the sluggishness in demand for credit, the money markets remained highly liquid. The non-bank financial sector (NBFIS) sustained its positioning in the economy, focusing on maintaining macro-prudential fundamentals. The mergers and acquisitions enabled the sector to further consolidate and improve robustness. The non-performing portfolio was kept at bay, reflecting a marginal increase; and thus, buttressing profitability levels and margins to be broadly in-tact. The growth in the asset base moderated within a backdrop of lower levels of private sector credit.



BUSINESS MODEL - INTEGRATION AT BEST

In the face of complexities within our macro landscape, the Company stood its test on its business model - responding, navigating and managing the operations to mark one of the best year performances in its history. Indeed, the strategy upheld in the year was certainly balanced and smart. Moving away from short-term measures of focusing merely on commercial viability, the long term approach of integrating social and environmental aspects has indeed set the pace for sustainability in operations. The necessary checks and balances with astute policies in risk management together with the commitment to follow through best practices in corporate governance as per the relevant codes issued by the regulatory bodies further fortified the Company's positioning of being the topmost in the industry.

In such a business setting, we have to commend the team of workers for reaching out to an impressive financial performance, bolstering shareholder returns. The Company was able to sustain solid net interest earnings and accomplish an outstanding net profit of Rs. 3.75 billion, up by 20.14 percent over the previous financial year. The operational discipline supported the Company to maintain the quality of its portfolio with the non performing ratio being within target and well below the industry average. Return on Shareholders' Funds were sound at 18.61 percent.

Fortified by the financial prowess and respect commanded within the industry that enabled the best funding options, the financial position as at the year-end was healthy and sound. The capital adequacy ratio of 20.22 percent was well ahead of the norms stipulated by the Central Bank of Sri Lanka.

Based on the financial results achieved by the Company, we propose to declare a dividend of Rs. 0.50 per share as the final dividend to our valued shareholders.

OUTLOOK - GREATER FEATS

Having marked an outstanding corporate journey through the years, upholding the right blend between our business strategy with a corporate culture that nurtures governance, environmental and social responsibility; the ensuing years will no doubt bring greater achievements for the Company. The stronger prospects that lay ahead for the global economy in the medium to long term coupled with Sri Lanka's aspirations to reach a higher plateau in economic activity and social development, our Company has the true potential to reach the zeniths in operations - exploring internal prospects in both breadth and depth in terms of outreach, product versatility, value addition, group synergies and strategic social responsibility; whilst reaching out to opportunities beyond the country's borders, particularly in South and East Asia.

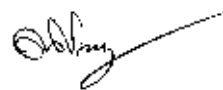
We have the necessary financial capability to reach out to our future aspirations - backed by the strength of the PLC brand; solid repute and standing of the parent company within the financial domain; a well-knit subsidiary network; performance-oriented and dynamic team; perceptive investments in modern technology to suit the new-age world of business; and effective risk management. Characteristic of our Corporate's tradition, we will remain focus in engaging key stakeholders and foster good relations in our mission of creating shared value. The commitment to social responsibility will continue and the decision to allocate 2.5 percent of net profits for social and environmental related initiatives will stand firm.

The mainstay is well set to ensure that these aspirations are met in line with our corporate stewardship underscored by responsibility, accountability and professionalism. I am confident that my Board along with our Chief Executive Officer and his management team is well attuned and committed in this regard.

APPRECIATIONS

As I take on the responsibilities of chairman, I owe it to my colleagues at the Boards of People's Leasing & Finance PLC and of the People's Bank; to extend my sincere gratitude for their unstinted support given to shape and commence due proceedings and take forward the mission of this outstanding organisation. My admiration is with the Chief Executive Officer for his strategic insight and committed drive along with his management team to navigate the operations amidst challenges of our time. I am confident of their spirit of management to brace future endeavours. I am conscious of the role played and extend my commendation to all employees for raising their bar in performance and reaching to excellence in operational duties - a job well done!

Whist extending a thank you to all stakeholders for their trust and confidence placed in our corporate mission, thus far, I call upon all, to rally and support our concerted efforts toward greater goals and prosperity.



Hemasiri Fernando
Chairman
People's Leasing & Finance PLC

29th April 2015
Colombo





CEO'S REVIEW



365 DAYS THAT WERE...

“WE WERE ABLE TO STAND STRONG, UPHOLDING OUR CORPORATE CREDO AND LEADING TO RESOUNDING RESULTS - THE SUCCESS WELL REFLECTED IN THIS YEAR'S ANNUAL REPORT - '365 DAYS THAT WERE' ”



We looked at how best we could reach out to the communities in which we operate, ascertain our carbon- footprint and measures we should adopt towards a 'greener' environment



Our consolidated results in the year under review stood as a testament of the strength of the PLC Group. Cumulative income registered a sound performance



Marking an outstanding performance, People's Leasing & Finance PLC (PLC) made headway in the year 2014/15, amidst a rapidly changing business landscape. Fostering our privileged position within the non- bank financial sector, we stayed firm in our integrated business approach and were passionate in carrying out our action plan to top the bar of distinction. We carefully outweighed the risks and strived to surmount the challenges widespread within the business environment we operated in. With strategic planning and decisive action, we were able to stand strong, upholding our corporate credo, leading to resounding results- the success well reflected in this year's Annual Report- '365 Days That Were'. My review herein establishes, in retrospect, on how we have delivered a successful year; whilst setting out our aspirations that we seek to build on a triple- lined platform, underscoring our long term viability.



CEO'S REVIEW CONTD.



"Our disbursements in the year growing at 28 percent over the preceding year, surpassed the Rs. 60 billion mark"



We maintained our steadfast approach in the reporting year to uphold financial discipline. Our overarching concern was to upkeep the quality of the portfolio

TOWARDS INTEGRATION

Our business strategy remained well- focused to create sustainable value at a holistic level. "With greater engagement with our stakeholders, we sought in the year, to articulate and map our strategic priorities on a tripartite approach, bringing in economic, environmental and social facets that reflect well on our corporate ethos and our goals." We strived to be disciplined and 'hands-on' in our daily operations, extending total product solutions, enhancing processes, strengthening risk management and governance and building on employee expertise, level of productivity and morale. We also looked at being more meaningful in our social responsibility role, seeking to address social and environmental causes that have a wider context in terms of sustainability, both within the organisation and outside. We advocated and gave top priority to uphold ethical business practices in our daily operations and in our management level decision making.

BUSINESS SETTING

Notwithstanding the socio- political challenges that shaped the reporting financial year especially in the latter part of 2014, macroeconomic environment was managed and reached out to a higher GDP growth compared to the year 2013. The monetary policy continued on its accommodative stance, leading to lowest recorded market interest rates and inflation at single digit levels. This interest rate scenario led to the erosion of interest margins. Financial markets remained highly liquid underpinned by the lackluster demand for private sector credit. This business backdrop had serious ramifications on the financial services sector as a whole.

As for the Company, the political developments brought changes to the governance body and required reconstruction of the Board subsequently. Yet, despite the absence of a Board for a short time period, it is noteworthy that we stood our ground and managed our affairs exceptionally well, with due checks and balances in place and close monitoring of decision making- ensuring the continuance of operations.

OPERATIONAL RESULTS

Supported by our far- sighted management practices, we were able to follow through our plans amidst a mixed- signaled business setting and post one of our best years, with outstanding operational and financial results.

Our disbursements in the year growing at 28 percent over the preceding year, surpassed the Rs. 60 billion. We maintained interest income closer to the level achieved in the previous year to reach Rs. 19,247.62 million. However, with our ability to demand best rates, we were able to cap our cost of funds, significantly, resulting in robust net interest income of Rs. 10,000.03 million, corresponding to a 20.95 percent growth. Although overhead expenses remained high, given our scale of operations, this top- line growth supported profit before tax to increase to Rs. 5,375.11 million- an impressive growth of 22.52 percent and register a net profit of Rs. 3,752.96 million. Return on equity was sustained at 18.61 percent, compared to 16.79 percent posted in the previous year.

PORTFOLIO QUALITY

We maintained our steadfast approach in the reporting year to uphold financial discipline. Our overarching concern was to upkeep the quality



of the portfolio. Our operational units across the organisation came together and sought to be 'hands-on' in their management with stronger relationship ties with customers, effective risk assessment, monitoring and taking timely and corrective measures to contain the escalation of defaults, greatly susceptible in a business environment such as ours. Our collections given these concerted efforts were well over 90 percent whilst our non-performing ratio stood at 2.72 percent. Although, trending upwards by approximately 25 percent as compared to the previous year, the non-performing ratio was well in line with our risk tolerance standards and below that of the average ratio of 6.9 percent within the industry. (Annual Report 2014, Central Bank of Sri Lanka)

FUNDING & FINANCIAL POSITION

In the reporting year, we sought to structure an optimal funding strategy that had a best-fit with the prevailing market scenario whilst fueling to meet our corporate plans and enabling a stronger financial position. Our approach looked to structure a right mix in funding that would cap maturity mismatches between assets and liabilities.

The market in the year was characterised by lowest interest rates and higher level of liquidity. In this context, we leveraged upon our business acumen backed by two international ratings, inter alia, to negotiate some of the best terms in raising funds, a true advantage over most of our peers. Our strategy sought to keep a healthy mix between short-term and long term funds. We resorted mostly for fixed-rate based funding from local banks and financial institutions. As a tactical move, we contained our exposure to fixed deposits to reduce maturity

mismatches; but, kept up the momentum to gather savings including minor savings- laying claim to low cost funds. Resorting to foreign funding within our market scenario was not warranted as was the case in the preceding year.

We maintained an exceptionally sound financial position as at 31st March 2015. This position of over Rs.100 billion was the largest asset base within the non-bank financial institutions sector and even on par with some of the players within the banking sector. Our total portfolio reached Rs. 98,411.20 million as at the year-end whilst shareholder funds remained positive and strong. Capital adequacy ratio was akin to the preceding year and way above the specified minimum as per regulatory guidelines- validating our ability to make way for our ambitious growth targets in the long term, creditworthiness and solvency.

CONSOLIDATED RESULTS

Our consolidated results in the year under review stood as a testament of the strength of the PLC Group. Cumulative income registered a sound performance with a gross income of Rs. 23,578.87 million. Out of the subsidiaries, People's Insurance contributed the largest share to the consolidated income followed by People's Leasing Property Development Limited. Profit before tax stood at Rs. 5,887.42 million whilst net profit after tax, remained robust, with a growth of 18.43 percent. Group's return on equity reached 19.61 percent, as against the 18.22 posted in the previous year.

The PLC Group as at the year-end sustained a healthy financial position, with net assets growing at 11.56 percent to Rs. 22.05 billion. The return on assets touched 5 percent.

EMERGING SUBSIDIARIES

Our business strategy was focused on building best-in-class subsidiaries, well-suited to support our corporate mission. We engaged, guided and remained supportive of their efforts to generate long-term value. With our repute, brand strength, financial astuteness and network, we were able to extend a solid platform for subsidiaries to reach higher ground, enabling them to make further improvements and bring in innovation to their operational processes, reinforce synergies, capture market opportunities and adopt best and current practices in business; thus, culminating as demonstrated this year with our subsidiaries posting noteworthy top-line results and returns.

Insurance Amongst the Top-Tier

Our flagship subsidiary, People's Insurance once again, for the third successive year clinched its positioning amongst the top-tier non-life insurers, ranking number fifth within an intensely competitive industry. Even amidst a volatile business backdrop in the year, People's Insurance stood strong, growing its premium income ahead of the industry average and succeeding to reach an outstanding underwriting profit of Rs. 176.70 million, distinct from most other insurers.

Progressing steadily, People's Insurance prepares to meet the imminent transition within the changing regulatory framework. The proposed listing on the Colombo Stock Exchange is scheduled to take-off by the end of 2015 and the risk based capital model will be implemented by 2016 as a mandated requirement. Currently, plans are underway to tie-up with a foreign strategic insurance partner to support this subsidiary to



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enhance its competencies and know-how for a more dynamic product line, systems and processes.

Strengthening Fleet Management

Demonstrating the power of synergies, we were able to muster improvements to our fleet management arm, moving towards greater consolidation and returns. Whilst reinforcing its fleet services for the Group, this year, this subsidiary sought to prop its operations at the valuation department, facilitating greater engagement with PLC as well as People's Insurance on their claims management process. For the first time, after revamping the operations in recent years, People's Leasing Fleet Management was able to give us a dividend on our investment.

Reaching out to Grass- Roots

Signifying our commitment towards our approach to be an inclusive and responsible business, our microfinance venture firmed up its operational systems, processes and procedures and sought to advocate micro entrepreneurship amongst the grass-root communities; thus, empowering them to better their socio-economic standing. People's Microfinance, in just four years after taking-off, has been able to build a substantial customer-base, especially comprising women - the true life of a household with a greater sense of thrift and responsibility and the key to influence the next generation. Our microfinance portfolio reached over Rs. 1 billion in the reporting year.

Property Development

Gradually taking shape and positioning its presence within the PLC Group, our property development ventures moved ahead in the year under review. Posting healthy results including a dividend declared of Rs. 11 million, People's Leasing Property Development

finalised the construction and handed over Vavuniya branch phase II project to our parent, People's Bank whilst six other projects are currently in the pipeline.

People's Leasing Havelock Properties, our BOI approved venture, made steady progress with the construction of our proposed office complex in Colombo 05. Purchasing the adjoining land of 72.25 perches, Havelock Properties went in for a scope-change expanding the proposed building complex. The estimated cost increase is 29.53 percent and the completion of the project is scheduled in May 2016.

However, our plans to set up a 30-room guest house property in Jaffna as reported in the preceding year, in collaboration with the Urban Development Authority did not materialise as anticipated. The timing was not opportune to take-off this project which we believe could be revisited within our medium to long term plans.

VAST OUTREACH & PRODUCT SUITE

Our vast distribution channel, enabled us to reach out and serve a wider customer-base across the island, even covering the most socially and economically backward areas. Our branches as at the year-end reached 89 with 109 window operations including our four new branches we established in strategic locations.

With our core expertise in leasing and finance the Company services including loans, Islamic finance and deposits along with the support of subsidiary services from insurance, fleet management, vehicle valuations and microfinance, we were able to offer a total solution to diverse customer segments. We were proactive in bringing further innovation along with

value-addition and sought to bundle-products and cross-sell, tailored to suit individual customer requirements. We also pursued on strengthening our new product range; especially margin-trading which we strived to develop with better systems, processes and team.

Customer Orientation

Pursuing to grow our top-line with a minimum target range of 10 to 15 percent, we gave further thought this year, on bracing our customer centric approach with professionalism and responsibility. We strived to better our ties with them- networking at dedicated events organised at the branch level, rewarding loyalty and extending the best in service combined with employee training and due investments in systems and processes, thus, enabling responsiveness, efficiency and speedy turn-arounds. These efforts in effect supported us to grow our market share with the 19.78 percent growth in customer base to 260,054 ; we retained our positioning at the forefront of the leasing sector for the 13th consecutive year and maintained our dominance within the non-bank financial service sector.

Engaging & Empowering Employees

Employee engagement stayed at the heart of our corporate strategy. We remained true to our conviction that employees who have been empowered and cultured with rounded-skills, motivation and ethical values have been the essence of our feats thus far, and will stand as the cornerstone of the Group's way forward. It is in this light that we continue to engage our employees, respect their individualism, build capacity, support to develop their careers and ensure their overall wellbeing.





2,769.71 Tonnes Carbon Footprint



“Silver Award”
Overall Excellence in Financial Reporting



One of the Top Ten Corporate Citizens

This year, we invested Rs. 26.76 million on training for the employees across the organisation from the head office to branches, some programmes specifically tailored to address well-assessed skill gaps in line with our corporate goals. We continued to encourage our employees to further their professional studies, availing our comprehensive reimbursement scheme whilst giving them top exposures with acclaimed trainers and institutions within the County as well as abroad.

We were also steadfast in the year to sustain our performance based work environment. Fostering and upholding our corporate values of equality, we strived to bring all our employees to top their performance targets through a well-structured and transparent evaluation scheme. We recognised our best performers along with top branches at our Annual Branch Competition; and this year, we celebrated the accomplishments of more than 50 employees across the branch and window network and at the head office.

SOCIAL RESPONSIBILITY- ‘WE CARE’

In the reporting year, we were committed and followed through a well-thought out plan to carry out social responsibility initiatives and projects. We looked at how best we could reach out to the communities in which we operate, ascertain our carbon-footprint and measures we should adopt towards a ‘greener’ environment.

Our CSR team with volunteers from the head office and at the branch level came together, commendably to structure and take-off a strategic campaign ‘We Care’ - with five focused areas encompassing environmental conservation, building

entrepreneurship and inculcating financial literacy, uplifting the standards of education, advocating road discipline and extending a hand for other community priorities. Under this campaign, we carried out 132 projects at a total investment of over Rs. 70 million with impressive volunteer hours of 10,546.

RECOGNITION FOR EXCELLENCE

Within a span of 18 years, we have emerged as an exemplary organisation, carving out our corporate journey on strategies combined with social consciousness and responsibility. Indeed, the many awards we have received through the years and the recognition gained both locally and internationally for our business astuteness, progressive initiatives and best practices have been our inspiration to continue to scale the heights for preeminence within the industry.

We continue to be the only organisation within the non bank financial sector of the country to enjoy two international ratings- from Fitch Rating International - ‘B+’, a notch below the Sovereign, and from Standard & Poor’s - ‘B+/B’, on par with the Sovereign. Fitch Ratings Lanka has rated PLC at - ‘AA-’, the highest rating to be obtained within the industry. It is also our privilege to be selected and included in the S&P Sri Lanka 20 Index on the Colombo Stock Exchange; as one of the twenty largest blue chip companies - certainly, establishing further, our financial prowess and standing within the business arena of this country. Complementing, we were able to retain our title as the people’s choice for the ‘Financial Service Provider of the Year’ for the third consecutive year, at the SLIM Nielsen People’s Awards 2014.



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Correspondingly, we were acclaimed to be amongst the 'Ten Best Corporate Citizens' by the Ceylon Chamber of Commerce recognising our commitment and proactive steps we have taken towards embracing sustainability facets within our operations. We also secured two 'Gold' awards at the 'CNCI Achiever of Industrial Excellence Awards- 2014', organised by the Ceylon National Chamber of Industries and a 'Silver' award at the National Business Excellence Awards 2014, organised by the National Chamber of Commerce of Sri Lanka. Our employee development initiatives were commended with a 'Silver award' at the 'People's Development Awards 2014' organised by the Sri Lanka Institute of Training and Development. Sri Lanka Islamic Banking and Finance Industry Awards also recognised our inclusive approach and initiatives under our Islamic finance operations in compliance to the Shari'ah guidelines.

TOPPING REPORTING STANDARDS

We further pursued in the year to bring quality and standards to our reporting initiatives. We took firm steps to strengthen the integrated reporting process combined with the latest standards of the Global Reporting Initiatives, seeking to articulate our business approach, performance and future plans intertwined with sustainability facets, moving beyond short- termism.

These efforts which mirrored our passion and our quest to uphold ideals of transparency and accountability were indeed recognised with three coveted awards for our Annual Report 2013/14, themed 'The Choice of the People' at the prestigious 50th Annual Report Awards 2014 organised by The

Institute of Chartered Accountants of Sri Lanka. We were truly honoured to be the first non- bank financial institution in the history of the Awards to be presented with a 'Silver' award for 'Overall Excellence in Annual Financial Reporting'. We also clinched the overall 'Gold award' for Corporate Social Responsibility Reporting and for the 7th consecutive year, we retained our 'Gold' title for the 'Best Annual Report in the Finance Sector'. Complementing further, our Annual Report 2013/14 was acclaimed with two awards by the League of American Communication Professionals at the 2014 Spotlight Awards. The Report was ranked at No. 26 amongst the top hundred, moving up ten notches from rank 36 in the preceding year. Our Annual Report was also acclaimed at the Best Presented Annual Report Awards 2014 organised by the South Asian Federation of Accountants.

ASPIRATIONS & PLANS

We operate in a paradoxical business environment- filled with challenges, yet, optimistic with exciting opportunities. Positioned at the helm, we have 'what it takes' to gear our organisation to take on the opportunities and stand upright against the challenges.

Our Corporate Plan set on an integrated business approach have clearly articulated our strategic priorities for the next three years. With a targeted top- line growth of 20 percent and 25 percent on a consolidated basis, we intend to be focused on growing our market segments and outreach, further consolidating our distribution channel. We propose to add another a few new branches within the next three years, but, more so, strengthen our cost effective window

operation. We plan to decentralise the administration function under four regional heads, managing the branches on a cluster- basis, thus, enabling effective strategy implementation and cost rationalisation, apt for a rapidly growing organisation such as ours. We will continue to be bullish on our diversification initiatives, particularly concentrating on margin trading and taking- off factoring as a new product. We also plan to build our brand presence with focused branding campaigns and take on business development initiatives to attract customers as well as investors both locally and internationally. We will also give our utmost support to buoy the subsidiaries- to be more operationally efficient and synergise effectively to meet our collective goals.

Apart from the top- line initiatives, we will remain committed to be prudent in managing the quality of our portfolio. We will seek to adopt effective funding strategies, responsive to market dynamics and thereby, ensure the strength of our financial position. Risk and compliance management will definitely play a critical role in the ensuing years. Focused measures will be adopted to strengthen our ethical business practices including better systems to prop know your customer policies and arrest anti- money laundering and anti- competitive behaviour. We also hope to take our social responsibility project 'We Care' to the next level, with greater emphasis on initiatives that are strategic to what we do whilst being more responsive to stakeholder aspirations.

In the medium to long term, our plans look beyond the country's border especially moving into the South Asian region.

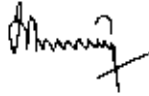


APPRECIATIONS

Closing on my review of '365 Days That Were', I am deeply aware of the role each and every stakeholder played in taking forward our corporate mission. I am truly grateful for their confidence, trust and support unstintingly extended to champion our goals, even amidst the most trying periods.

Whilst welcoming our new Chairman and Board and looking forward for their visionary thinking and leadership, my appreciation is extended to our former Board and the Board of People's Bank for their contribution and guidance. I take this as a privilege to set on record my deepest appreciation and congratulate our outstanding team at PLC and at the subsidiaries. I am impressed with their vitality, team effort and enthusiasm to see through our strategic targets for the year- indeed, a job- well- done and sincerely hope that they will continue to stand upright and be energetic in taking the PLC Group towards higher goals. I wish to thank our regulators- Central Bank of Sri Lanka, Securities & Exchange Commission of Sri Lanka and the Colombo Stock Exchange for their proactive and reformist policies and measures brought in to ensure a fair and just platform for the industry to grow and prosper.

My gratitude is extended to all stakeholders- customers, investors, suppliers, strategic partners and others for being beside us through the years. We solicit your continuous support in our path ahead- taking PLC Group towards sustainable advancement in these challenging times.



D P Kumaraage

Chief Executive Officer/General Manager

Peoples' Leasing & Finance PLC

29th April 2015

Colombo





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



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



OUR PHILOSOPHY

CUSTOMERS

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

TEAM SPIRIT

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

OTHER STAKEHOLDERS

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

ENVIRONMENT

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

ORGANISATIONAL EXCELLENCE

Be the premier leasing company in Sri Lanka.


OUR CORE VALUES

Economic viability, environmental responsibility and social accountability.



ORGANISATIONAL PROFILE

“PLC HAS BUILT A SOLID MAINSTAY WITH A TRADITION THAT UPHOLDS EXCELLENCE IN ALL ASPECTS OF ITS BUSINESS, THUS MAINTAINING THE MARKET LEADERSHIP WITHIN THE LEASING SECTOR FOR 13 CONSECUTIVE YEARS AND DOMINANCE WITHIN THE NON- BANK FINANCIAL SECTOR”

 G4-3, 5, 6, 7, 9, 13

Founded in 1995, People's Leasing & Finance PLC (PLC) is today, Sri Lanka's front- runner organisation within the non- bank financial institutions sector. As a Licensed Finance Company PLC currently operates under the Companies Act No. 7 of 2007 whilst governed under the Finance Business Act No. 42 of 2011. In its 18- year corporate journey, PLC has built a solid mainstay with a tradition that upholds excellence in all aspects of its business, thus maintaining the market leadership within the leasing sector for 13 consecutive years and dominance within the non- bank financial sector.

The brand “People’s” has indeed positioned the Company at the very heart of Sri Lanka, well reflected through the recognition received from the public through Slim Nielsen ‘People’s Award for the Best Financial Services Provider’ for three consecutive years. With a diverse customer base ranging from individuals, small and medium enterprises to blue chip corporates across the island, PLC has been a solid partner in the country's development process- reaching out to support the quality of life of millions of Sri Lankans over the years as a true corporate citizen in the country.

In 2011, broad basing its ownership on the Colombo Stock Exchange (CSE), following a successful and the second largest Initial Public Offer in the history of the Colombo Bourse, PLC changed its status in to a public quoted limited liability company from a public limited company. By 2012, PLC which was a Specialised Leasing Company, moved on to become a Licensed Finance Company, pursuant to the receipt of Finance Business License from the Monetary Board, Central Bank of Sri Lanka. This license permitted the Company to further diversify its product portfolio- paving the way to take public deposits. Thus, the total product portfolio of the Company now comprises of finance leases, term loans, Islamic finance, margin trading, public deposits and issuance of debt instruments.

The Company at present is included in the S&P Sri Lanka 20 Index on the CSE. The Company also has the honour of being the highest rated non- bank financial institution in the country with two international ratings.

The versatile product range, nationwide outreach and a strong foundation built on talented people both management and staff combined with the best in business ethics have firmly set the path for the Company to move towards its long term viability.

MARKETS SERVED

Today, PLC is privileged to serve its customers through head office in Colombo, 89 branches and 109 window offices across the island, touching lives of many, especially in the rural areas and enabling its customers to withdraw through its Parent's ATM network. PLC and its 5 fully owned subsidiaries' business activities are currently based in Sri Lanka.



SCALE OF OPERATIONS

PLC is the only non- bank financial institution with an asset base of over Rs. 100 billion, making it to be the largest non- bank financial institution in the county. The Company’s total revenue for the year accounted for Rs. 20,541.63 million, reflecting the scale of operations. During the year, the Company achieved its highest ever disbursements which totaled to Rs. 60.92 billion. With a staff strength of 1,666 employees increasing from the previous year of 1,575, PLC has the necessary expertise and commitment to reach out to different customer segments with diverse socio-economic and cultural backgrounds.

PLC managed to make a mark overseas in the preceding financial year by obtaining a secured USD 50 million syndicated loan from the Middle East. In September 2014, PLC experienced its second successful debenture issue, raising Rs. 3 billion in addition to the first successful debenture issue of Rs. 6 billion effected in the financial year 2012/13.

However no significant change occurred during the reporting period regarding the company’s size, structure, ownership or its supply chain.

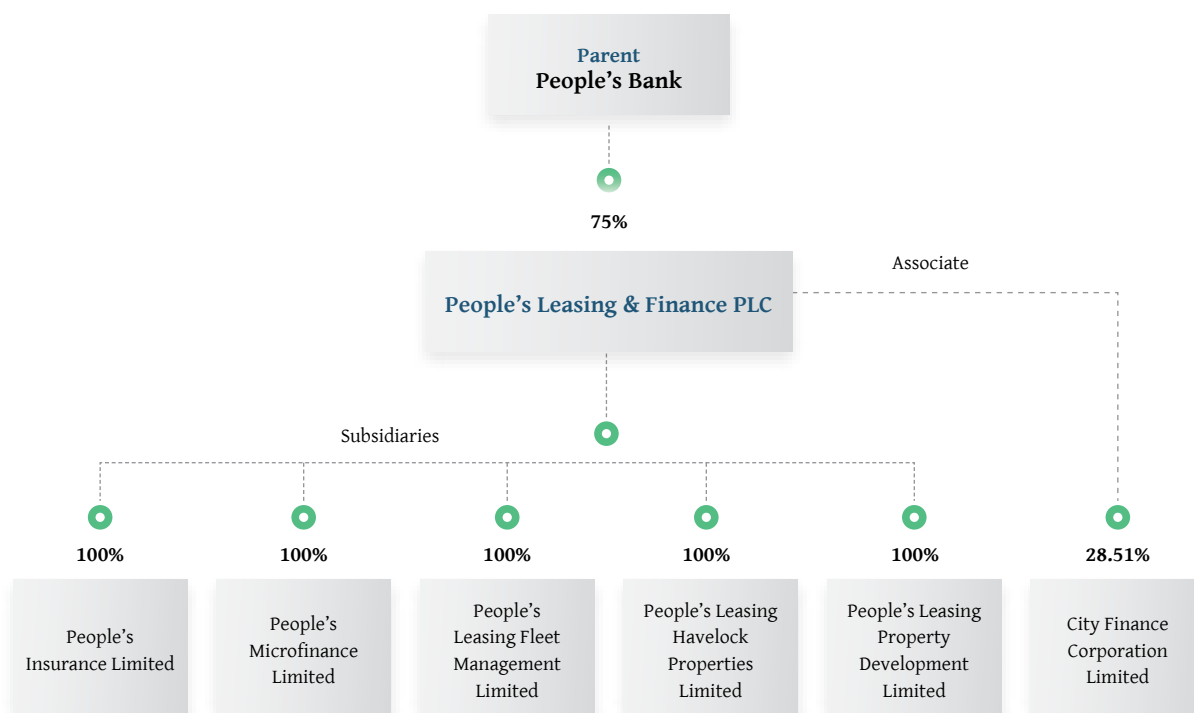
GROUP STRUCTURE

The PLC Group has now become a leading financial conglomerate in Sri Lanka with 5 established fully owned subsidiaries united under the PLC name. Through these subsidiaries, the Group has a ‘one- stop’ product offer - leasing and finance services, insurance, micro finance, fleet management and property development to its valued customers.

CORPORATE MEMBERSHIPS & ASSOCIATIONS



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



365 DAYS OF RELENTLESS ENERGY

MANAGEMENT DISCUSSION & ANALYSIS

“Covers an array of discussions and analysis in the light of the management; also touches upon the upcoming year, outlining future goals and approaches, along with the Company’s previous year triple bottom line performance”

- 34 Our Approach to Sustainability
- 38 Sustainability Approach
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- 94 Subsidiary Review
- 105 Support Services Review
- 118 Human Capital Management Review
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OUR APPROACH TO SUSTAINABILITY

OUR MATERIALITY ASSESSMENT IDENTIFIES MATERIAL ISSUES THAT WARRANT TO BE ADDRESSED THROUGH SUSTAINABILITY FRAMEWORK AND ACTION PLANS TO MEET EXPECTATIONS OF STAKEHOLDERS ENGAGED.

➔ G4 - 18, 24, 25

STAKEHOLDER ENGAGEMENT

Effective engagement through consistent dialogue with key stakeholders is central to business sustainability, both in terms of understanding opinions and concerns, and in delivering the Company's commitments. Stakeholder engagement supports the Company to better respond to their expectations, drive performance improvements, and ultimately enhance the value creation process. The outcomes and the findings of stakeholder engagement are in turn communicated to the senior management for their due deliberations - reviewing corporate policies, setting strategies, goals and action plans within the strategic planning process.

In July 2014, PLC initiated an independent stakeholder engagement through an external consultancy firm which is currently ongoing. The scope of the three- phased stakeholder engagement assignment covers both internal and external stakeholder segments as follows:

Phase One:

Interview with 23 corporate staff members including the heads of departments to ascertain the internal gap analysis in terms of stakeholder expectations and PLC's course of action.

Phase Two:

Brainstorm with the corporate management to identify key stakeholders and prioritise them in terms of importance and influence. Stakeholder importance deals with the quality of relationship links with core business activities whereas influence considers the level of their power over the organisation.

Phase Three:

Further brainstorm with the corporate management on the findings established from both internal and external stakeholder engagements and support to formulate an integrated plan interlinking sustainability facets into business strategy.

As at 31st March 2015, the first two phases were completed. The methodology encompassed focused groups and one- to- one interviews with samples from different stakeholder groups based on well- structured and customised questionnaires including both open and close-ended questions.

The corporate management was presented with the findings from the survey including the key stakeholder groups and the gaps identified within the engagement process. The key

stakeholders identified and prioritised during these phases included parent company, shareholders, customers, employees, suppliers, investment managers, representatives of government institutions, regulators and community representatives.


The third phase is ongoing and is scheduled to be completed in the ensuing year.

STAKEHOLDER RECOMMENDATIONS

Further to the on- going independent stakeholder engagement assignment, PLC also continued to engage key stakeholders during the reporting year 2014/15. Their expectations and concerns were taken on board to enhance the responsiveness of the business strategy and day to day operations. The stakeholder concerns also supported the Company to identify material aspects within the reporting process. The engagements, concerns raised and PLC's response in return are presented under the respective chapters as follows.



Stakeholder Segment & Report Content	
Stakeholder Segment Engaged	Key Sections in Response
Parent Company, Shareholder	Finance Review, Contribution to the Economy, Investor Relations
Supplier, Investment Manager & Lender	Contribution to the Economy
Employee	Human Capital Management Review
Customer	Customer & Product Responsibility Review
Shareholder, Regulator	Corporate Governance
Society	Social Review
Environment	Environment Review

 G4 - 19, 23

MATERIALITY ASSESSMENT

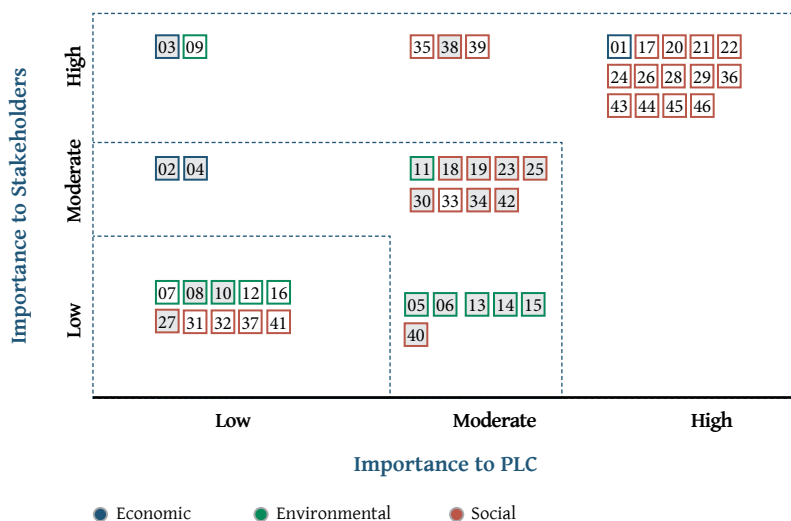
Materiality is about identifying issues that matter most to the business and to our stakeholders. We plot the economic, social and environmental issues that are of most concern to our prioritised stakeholders, against the impacts they may have on our operations.

In 2014/15, we undertook a materiality assessment involving the PLC management, which included analysis across a range of issues. This was complemented by a detailed media scan to identify key issues within the finance sector. Material issues identified were also considered with regard to the degree of importance stakeholders place on the issue in different parts of the value chain.

The process supported the Company to identify, review and prioritise issues based on their significance to stakeholders and to the business operations. It also provided a basis for developing the content of sustainability reporting, as well as shaping the sustainability strategy.

Findings from the on-going stakeholder engagement are expected to be incorporated to this analysis further fine tuning PLC's material matrix. The remarks on priority levels including justification for low priority status is presented at the beginning of respective reviews.

Based on the findings of the stakeholder engagement, materiality assessment table (Pages 36 to 37), was derived and the following matrix was developed. Changes for 2013/14 are highlighted in the matrix itself in alignment with the sustainability strategy.



STAKEHOLDER ENGAGEMENT CONTD.

No.	Aspect	Importance to Stakeholders					Importance to PLC					Materiality
		Reasonable estimable sustainability impacts, risks or opportunities	Main sustainability interests and topics raised by Civil Society	Interest & expectations of stake holders invested in the success of the organisation	Future Challenges for the sector	Relevant laws regulations, international agreements	Organisational values, policies, strategies, operational management system	Significant risk to organisation	Critical factor for organisation's success	The core competencies of the organisation	Reporting priorities	
Economic												
1	Economic performance	●	●	●	●	●	●	●	●	●	●	High
2	Market presence	●	●	●	●	●	●	●	●	●	●	Moderate
3	Indirect economic impacts	●	●	●	●	●	●	●	●	●	●	High
4	Procurement practices	●	●	●	●	●	●	●	●	●	●	Moderate
Environmental												
5	Materials	●	●	●	●	●	●	●	●	●	●	Low
6	Energy	●	●	●	●	●	●	●	●	●	●	Moderate
7	Water	●	●	●	●	●	●	●	●	●	●	Low
8	Biodiversity	●	●	●	●	●	●	●	●	●	●	Low
9	Emissions	●	●	●	●	●	●	●	●	●	●	High
10	Effluents and waste	●	●	●	●	●	●	●	●	●	●	Low
11	Products and services	●	●	●	●	●	●	●	●	●	●	Moderate
12	Compliance	●	●	●	●	●	●	●	●	●	●	Low
13	Transport	●	●	●	●	●	●	●	●	●	●	Moderate
14	Overall	●	●	●	●	●	●	●	●	●	●	Moderate
15	Supplier environment assessment	●	●	●	●	●	●	●	●	●	●	Moderate
16	Environment grievance mechanism	●	●	●	●	●	●	●	●	●	●	Low
Social: Labour Practices and Decent Work												
17	Employment	●	●	●	●	●	●	●	●	●	●	High
18	Labour/management relations	●	●	●	●	●	●	●	●	●	●	Moderate
19	Occupational health and safety	●	●	●	●	●	●	●	●	●	●	Moderate
20	Training and education	●	●	●	●	●	●	●	●	●	●	High
21	Diversity and equal opportunity	●	●	●	●	●	●	●	●	●	●	High
22	Equal remuneration for women and men	●	●	●	●	●	●	●	●	●	●	High
23	Supplier assessment for labour practices	●	●	●	●	●	●	●	●	●	●	Moderate
24	Labour practices grievance mechanisms	●	●	●	●	●	●	●	●	●	●	High



No.	Aspect	Importance to Stakeholders			Importance to PLC							Materiality
		Reasonable estimable sustainability impacts, risks or opportunities	Main sustainability interests and topics raised by Civil Society	Interest & expectations of stake holders invested in the success of the organisation	Future Challenges for the sector	Relevant laws regulations, international agreements	Organisational values, policies, strategies, operational management system	Significant risk to organisation	Critical factor for organisation's success	The core competencies of the organisation	Reporting priorities	
Social: Human Rights												
25	Investment and procurement practices	●	●	●	●	●	●	●	●	●	●	Moderate
26	Non- discrimination	●	●	●	●	●	●	●	●	●	●	High
27	Freedom of association and collective bargaining	●	●	●	●	●	●	●	●	●	●	Low
28	Child labour	●	●	●	●	●	●	●	●	●	●	High
29	Forced and compulsory labour	●	●	●	●	●	●	●	●	●	●	High
30	Security practices	●	●	●	●	●	●	●	●	●	●	Moderate
31	Indigenous rights	●	●	●	●	●	●	●	●	●	●	Low
32	Assessments	●	●	●	●	●	●	●	●	●	●	Low
33	Supplier human rights assessment	●	●	●	●	●	●	●	●	●	●	Moderate
34	Human rights grievance mechanisms	●	●	●	●	●	●	●	●	●	●	Moderate
Social: Society												
35	Local communities	●	●	●	●	●	●	●	●	●	●	High
36	Anti- corruption	●	●	●	●	●	●	●	●	●	●	High
37	Public policy	●	●	●	●	●	●	●	●	●	●	Moderate
38	Anti- competitive behavior	●	●	●	●	●	●	●	●	●	●	High
39	Compliance	●	●	●	●	●	●	●	●	●	●	High
40	Supplier assessment for impact on society	●	●	●	●	●	●	●	●	●	●	Moderate
41	Grievance mechanism for impact on society	●	●	●	●	●	●	●	●	●	●	Low
Social: Product Responsibility												
42	Customer health and safety	●	●	●	●	●	●	●	●	●	●	Moderate
43	Product and service labeling	●	●	●	●	●	●	●	●	●	●	High
44	Marketing communications	●	●	●	●	●	●	●	●	●	●	High
45	Customer privacy	●	●	●	●	●	●	●	●	●	●	High
46	Compliance	●	●	●	●	●	●	●	●	●	●	High

● High ● Moderate ● Low





SUSTAINABILITY FRAMEWORK

CONTRIBUTING TO PEOPLE'S FINANCIAL NEEDS WHILE BEING CONSCIOUS ON ENVIRONMENTAL AND SOCIAL IMPACT WITHIN OUR BUSINESS PROCESSES AND SOLVING THEM.

SUSTAINABILITY MISSION

Support sustainable value creation for our stakeholders through responsible and sustainable growth.

SUSTAINABILITY GOAL

To become the most admired socially responsible finance company in Sri Lanka by 2020.

SUSTAINABILITY STRATEGY

Our Sustainability Strategy of 'Good Corporate Citizenship' underscores value creation to PLC's stakeholders including shareholders, employees, customers, business partners, communities and environment in which we operate, through focused CSR initiatives of the Company, Shari'ah fund investments on community and direct impact on sustainability.



OUR SUSTAINABILITY FRAMEWORK

The sustainability framework encompasses the manner in which the business is managed, taking into account economic, social and environmental risks and opportunities. The framework sets out the process of value creation and sharing amongst stakeholders in line with PLC's vision of becoming a legend in the financial services sector, with customer friendly, creative and innovative total solutions.



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 positively to our stakeholders; where sustainable development will be a two-way process built on a win- win platform; and where we unequivocally continue to create an environment that will develop, sustain and spur sustained growth among all stakeholders.'

Governance & Stakeholder Engagement	Mitigate Adverse Impacts from Operations	Support Economic, Environment and Social Development
<ul style="list-style-type: none"> Comply with relevant standards, laws and regulations. Identify and engage stakeholders in economic, social and environmental issues. Give precedence to SMEs, the disadvantaged and rural communities. Disclose in reporting, in line with globally recognised standards and guidelines. 	<ul style="list-style-type: none"> Manage social and environmental risks and opportunities. Mitigate adverse impacts on people, their rights, livelihoods, culture and environment. Improve environmental and social performance through a participatory evaluation process. 	<ul style="list-style-type: none"> Undertake social and environmental responsible investments. Foster economic opportunities through promotion of entrepreneurship. Build capacities and meet infrastructure based priorities to support needy communities. Enhance capacities of national partners through private- public partnerships.

Sustainability Governance Steering Committee (SGSC)

➔ G4 - 34, 35, 36, 37, 48



The SGSC as the apex body to oversee triple- bottom- line performance of the Company.

Role - Sustainability Governance Steering Committee

- Acts as a catalyst and a knowledge center for embedding sustainable development mindset and action across the Company.
- Reviews the Company's strategy on sustainable development and sustainability reporting.
- Recommends standards and policies to meet sustainability principles.
- Ensures that the Company plans programmes to achieve sustainability strategy.
- Ensure conformance to and compliance with sustainability guidelines and progress made within stipulated time periods.
- Recommends new methods/ tools for monitoring and reporting.
- Oversees due diligence criteria for evaluation of strategic partnerships.
- Formally reviews and approach the sustainability report and ensures that all material aspects are covered.

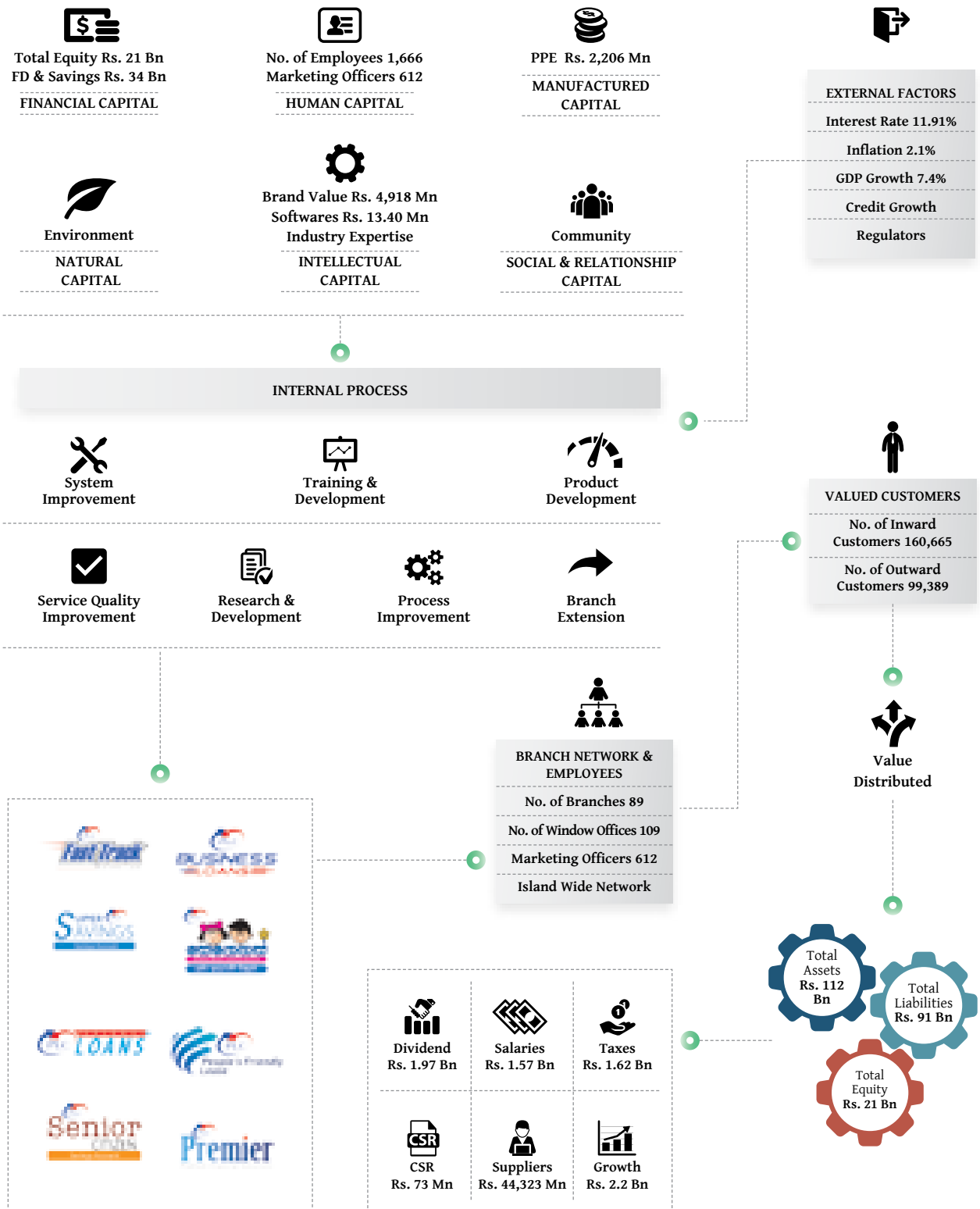
Role of Sustainability Governance Steering Committee

With the delegated authority from the Board of Directors, the Sustainability Governance Steering Committee (SGSC) continues to plan, implement, monitor, report and review corporate social responsibility/sustainability initiatives undertaken by both at the head office and the branch network. The committee comprises the corporate management, heads of the departments and officers- in-charge.



SUSTAINABILITY FRAMEWORK CONTD.

OUR BUSINESS MODEL





ECONOMIC REVIEW

OUTLINES THE GLOBAL AND DOMESTIC ECONOMIC CONTENTS THAT DIRECTLY IMPACT THE COMPANY

“THE GEOPOLITICAL TENSION IN THE MIDDLE-EAST AND RUSSIA-UKRAINE, CHANGES TO MONETARY POLICY WITH GREATER MOVEMENT IN EXCHANGE RATES, DEFLATIONARY TRENDS AND THE OIL CRISIS WITH MIXED IMPACTS BROADLY UNDERLINED THE WORLD ECONOMY IN THE YEAR 2014”

GLOBAL ECONOMY

Global Economic Growth	
<ul style="list-style-type: none"> World Economy 2013: 3.4% 2014: 3.4% 2015: 3.5% 	<ul style="list-style-type: none"> Advanced Economies 2013: 1.4% 2014: 1.8% 2015: 2.4%
<ul style="list-style-type: none"> Emerging & Developing Economies 2013: 5.0% 2014: 4.6% 2015: 4.3% 	<ul style="list-style-type: none"> Emerging & Developing Asia 2013: 7.0% 2014: 6.8% 2015: 6.6%

Source: World Economic Outlook, April 2014, IMF

The geopolitical tension in the Middle-East and Russia-Ukraine, changes to monetary policy with greater movement in exchange rates, deflationary trends and the oil crisis with mixed impacts broadly underlined the world economy in the year 2014 - setting the pace of global growth to remain flat year-on-year, with uneven growth patterns across economies.

The United States and United Kingdom out of the advanced nations kept its momentum in economic activity, with better sentiments from both the consumer and investor standpoint and posted stronger results. The core within the Eurozone led by Germany saw steady growth, although, still below potential. However, the periphery Euro economies continued to witness deflationary trends underpinning sluggish levels in economic activity. Japan despite the

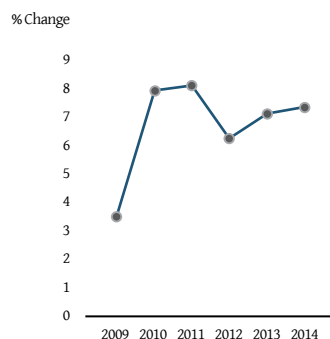
recent ‘Abenomic’ reforms, saw the economy deteriorating to post negative growth. The emerging and developing economies led by China, continued to slide down towards a lower growth levels, although still robust compared to the advanced nations. These economies collectively took up a major share of three-fourths, of global growth.

As per the World Economic Outlook, April 2015, International Monetary Fund, the rate of global economic growth remained at 3.4 percent in 2014, as in 2013. Advanced economies saw the pace of growth increase to 1.8 percent from 1.4 percent in the previous year, whilst the emerging markets and developing economies clocked up a lower rate of growth of 4.6 percent compared to the 5 percent growth of 2013.



ECONOMIC REVIEW CONTD.

GDP Growth Trends



Source: Annual Report 2014, Central Bank of Sri Lanka

Overall, global growth is projected to reach 3.5 percent in 2015. Growth is expected to be stronger in advanced economies, but weaker in emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporters. Emerging and developing Asia's growth forecast has been trimmed to 6.6 percent in 2015 compared to 6.8 in 2014.

SRI LANKAN ECONOMY

Sri Lanka Economy Key Indicators		GDP Growth	Per Capita Income
		2013: 7.2%	2013: US\$ 3,280
		2014: 7.4%	2014: US\$ 3,625
Inflation (YOY)	Balance of Payment	Budget Deficit	
2013: 4.7%	2013: US\$ 985 Mn	2013: (5.9%) of GDP	
2014: 2.1%	2014: US\$ 1,369 Mn	2014: (6.0%) of GDP	
Average Weighted Lending Rate	Exchange Rate (RS/US\$)		
2013: 15.18%	2013: 130.75		
2014: 11.91%	2014: 131.05		

Source: Annual Report 2014, Central Bank of Sri Lanka

GDP GROWTH

The Sri Lankan economy resilient in the face of domestic as well as external challenges saw real GDP growing at 7.4 percent in 2014, in comparison to the growth of 7.2 percent in 2013. Accordingly, the GDP per capita increased to US dollars 3,625 in 2014 from US dollars 3,280 in the previous year.

From a sector point of view, the industry and service sectors continued to perform well in 2014 with a growth of 11.4 percent and 6.5 percent respectively. In terms of sub sectors, construction registered an impressive growth of 20.2 percent within the industry sector as compared to 14.4 percent growth in the preceding year. Dampened by erratic and adverse weather conditions, agriculture sector did not achieve its potential and grew by just 0.3 percent over 2013.

Sectoral Dynamics - 2014 vs. 2013

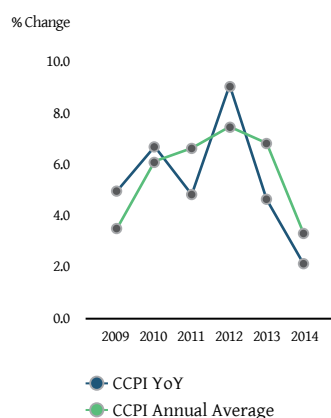
	Rate of Change (%)		Share of GDP (%)
	2014	2013	2014
Agriculture	0.3	4.7	10.1
Industry	11.4	9.9	32.3
Manufacturing	8.0	7.5	17.2
Construction	20.2	14.4	9.7
Services	6.5	6.4	57.6
Transport and Communication	7.3	9.4	14.6
Banking, Insurance and Real Estate	5.9	6.6	8.7

Source: Annual Report 2014, Central Bank of Sri Lanka



Inflation

Movement in CCPI

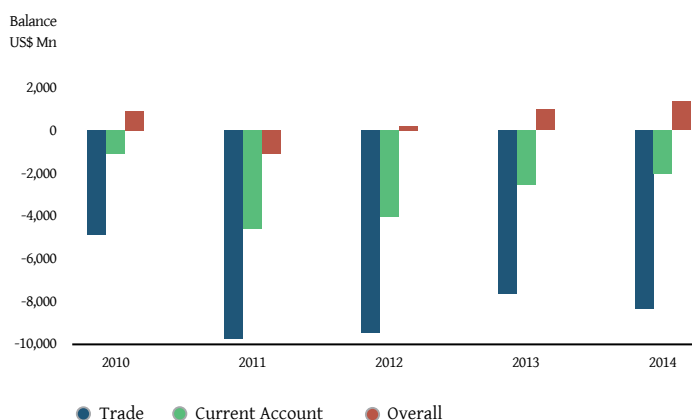


Source: Annual Report 2014, Central Bank of Sri Lanka

With monetary policy continuing to be on an accommodative stance coupled with a considerable decline in global commodity prices, especially from the second half of the year, inflation was maintained at single digit levels for the sixth successive year and more so, at the lower-end. As measured by the year-on-year change in the Colombo Consumers' Price Index (CCPI) (2006/07=100), headline inflation fell further to 2.1 percent in December 2014 from 4.7 percent in 2013. The annual average rate of inflation decelerated to 3.3 percent from 6.9 percent in 2013. The downward revision to administered prices of electricity, water, LP gas and fuel, in the latter half of the year, resulted in headline inflation declining to 1.5 percent in November, the lowest recorded for 2014.

External Sector

External Sector Performance



Source: Annual Report 2014, Central Bank of Sri Lanka

The external sector marked a sound performance, with improved demand conditions for exports. Export earnings grew by 7.1 percent in US dollar terms in 2014 in contrast to 6.3 percent in 2013. Both agriculture and industrial exports contributed towards the better results in export earnings. However, import expenditure in the year increased by 7.9 percent. This was mainly spurred motor vehicle imports on account of the tariff reduction and depreciation of the Japanese Yen.

In this scenario, underscored by higher imports, trade deficit increased in nominal terms by 8.9 percent, year-on-year, whilst the current account deficit buttressed by higher inflows from remittances and trade in services narrowed by 20.5 percent compared to the previous year. The inflows to the government, banks and the corporate sector cushioned the financial account, supporting the balance of payment to record a higher surplus of US\$ 1,369 compared to the surplus of US\$ 985 million recorded in the preceding year. This represented an improved gross official reserve position of 5.1 months of imports vis-à-vis 5 months in 2013.

Exchange Rate

In the first nine months of 2014, backed by higher export earnings, workers' remittances and inflows to the financial account, the Sri Lankan rupee appreciated by 0.29 percent as against the US dollar. However, this trend was reversed fourth quarter of 2014. Consequently, by the year-end, rupee depreciated by 0.23 percent against the US dollar, to Rs. 131.05. The rupee appreciated against all other major currencies as a result of cross currency exchange rate movements.



ECONOMIC REVIEW CONTD.

Fiscal Performance

Fiscal Indicators - 2014 vs. 2013		
	% of GDP	
	2014	2013
Budget deficit	6.0	5.9
Government debt - domestic	43.7	44.2
Government debt - foreign	31.8	34.1

Source: Annual Report 2014, Central Bank of Sri Lanka

Fiscal policy in the year 2014 focused on capping the budget deficit at 5.2 percent from 5.9 percent of GDP in 2013. The emphasis was to streamline and bring in reforms to the tax structure and thus, enhance revenue whilst balancing recurrent expenditure with public investments to reach the potential in economic growth.

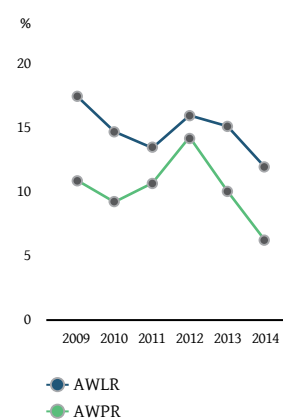
However, fiscal targets could not be realised as anticipated in the 2014. A shortfall in revenue was registered - declining to 12.2 percent of GDP, compared to 13.1 percent in 2013. From the expenditure standpoint, recurrent expenditure was maintained as a percentage of GDP below the level of the previous year whilst capital

expenditure was rationalised, bringing down capital expenditure and net lending to 18.3 as a percentage of GDP vis-à-vis 19.2 percent in the prior year. The budget deficit thus, increased to 6.0 percent of GDP, above the targeted and changing the course from a declining trend, witnessed in the recent past.

The deficit this year continued to be largely financed through domestic sources, accounting for 43.7 percent of GDP. Funding from the non bank sector took up a significant portion of the total financing. Foreign financing accounted for 31.8 percent of GDP, down from the previous year.

Monetary Policy and Interest Rates

Trends in Interest Rates



Source: Annual Report 2014, Central Bank of Sri Lanka

Key Monetary Policy Measures - 2014/15

Standing Rate Corridor 02-Jan-2014	The Policy Rate Corridor was renamed as the Standing Rate Corridor (SRC), and the Repurchase rate and Reverse Repurchase rate were renamed as the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR), respectively. SLFR reduced by 50 bps to 8.00%. The Standing Deposit Facility (SDF) was uncollateralised with effect from 1-Feb-2014.
Access to the SDF 23-Sep-2014	Rationalised access to SDF by OMO participants at 6.50% to a maximum of three times per calendar month. Special interest rate of 5.00% applicable for any deposit on SDF exceeding three times. Withdraw 5.00% special SDF rate with effect from 2nd March 2015.
Policy Rates 15-Apr-2015	Reduced the SDFR and SLFR by 50 bps to 6.00% and 7.50%, respectively

Source: Annual Report 2014, Central Bank of Sri Lanka



In a low inflation environment and with the aim of stimulating private sector credit growth, the Central Bank continued to maintain a relaxed monetary policy stance during 2014. In January 2014, the Central Bank moved on to a standard rate corridor and reduced the Standing Lending Facility Rate (SLFR), by 50 basis points to 8.00 percent, while the Standing Deposit Facility Rate (SDFR) remained unchanged at 6.50 percent. In addition, limits were also placed on accessing the Standing Deposit Facility (SDF) of the Central Bank by the participants in the open market operation.

Given these measures, market interest rates declined notably to record lows, although, lending rates were relatively rigid in response. Continuing from the preceding year, given the steep fall in gold prices, pawning advances by commercial banks declined. This together with the private sector's inclination to resort to internal funding sources resulted in a sluggish credit growth for the first part of the year. However, the move to rationalise the SDF supported to buoy private sector credit towards the latter part of 2014.

With private sector credit at bay, the money market remained highly liquid throughout the year. Net purchases of foreign currency by the Central Bank from the domestic foreign exchange market, foreign currency swap arrangements with commercial banks and part-purchases of proceeds of the International Sovereign Bond issued in January 2014, injected a substantial amount of rupee liquidity to the domestic money market. Total market liquidity stood at Rs. 330.9 billion by end-year compared to Rs. 71.7 billion recorded at the end 2013.

Financial Sector

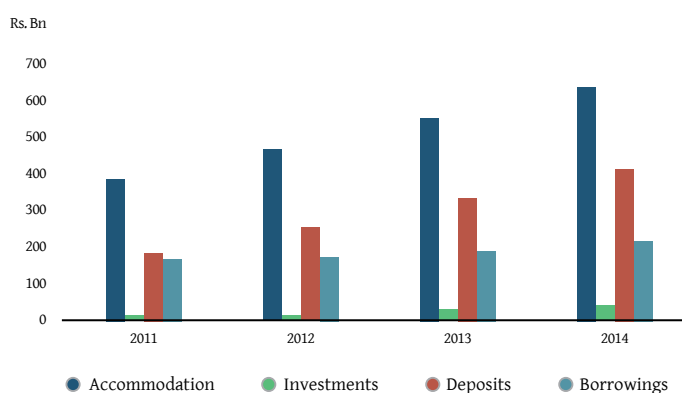
The financial sector showed a stronger performance in 2014 compared to the previous year, with macro-prudential concerns in-tact. Both the banking sector and the non-bank financial institutions (NBFI) sector improved and posted better results.

Non Bank Finance Sector

LFC & SLC Sector	2014	2013
Income & Profitability		
Net Interest Income (Rs. Bn)	62.2	44.1
Profit After Tax (Rs. Bn)	13.9	7.7
Assets & Liabilities		
Asset Base (Rs. Bn)	853.3	717.7
Liabilities (Rs. Bn)	748.3	627.0
Key Indicators		
Net Interest Margin (%)	8.0	6.6
Gross NPA Ratio (%)	6.9	6.7
Return on Assets (%)	3.0	2.1
Return on Equity (%)	13.1	8.2
Capital Adequacy Ratio (% Risk Weighted Assets)	13.5	14.8
Core Capital Adequacy Ratio (% of Risk Weighted Assets)	13.0	13.5

Source: Annual Report 2014, Central Bank of Sri Lanka

LFC & SLC Sector - Assets & Liabilities



Source: Annual Report 2014, Central Bank of Sri Lanka





NBFI Sector **48** LFCs & **8** SLCS

During 2014, the Central Bank followed through with its plans for sector consolidation, seeking to enable greater resilience to internal and external shocks. A total of 10 Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) completed their respective consolidation plans, whilst 22 companies are currently at the feasibility stage. Several measures were also adopted to strengthen risk management and build capacity of the LFC and SLC sector.

Representing seven percent of Sri Lanka's financial system, NBFI by end 2014 comprised 48 LFCs and eight SLCs. The sector asset growth moderated to 18.9 percent during 2014, compared to a growth of 20.3 percent in 2013, given the lower demand for credit, especially in first half of the year. The total asset base of the sector stood at Rs. 853 billion.

The accommodation portfolio including finance leases, hire purchase and secured advances moderated in its growth to 16 percent compared to 17.3 percent growth registered in the previous year. The growth in finance leases continued to slide down, contracting to 11 percent from 16 percent in 2013; and distinctly in contrast to the growth of nearly 90 percent achieved in 2011. Secured loans, however, grew by 46 percent. Pawning further contracted in its share within the total loan portfolio to 3.5 percent. The investment portfolio in the backdrop of bullish trends that prevailed in the year on the Colombo Stock Exchange grew markedly by 39.6 percent to Rs. 42 billion.

Deposits remained the main source of funding with the share marginally improving to 48.5 percent as compared to 2013. Short term deposits remained the best option given the lower cost of funds. The deposits grew by 22.7

percent to Rs. 414 billion compared to a 32.7 percent growth registered in the preceding year. The share of borrowings decreased to 25.4 percent from 26.8 percent in 2013. With the improvements in sector profitability, capital elements registered a solid increase to Rs. 117 billion representing 20.3 percent compared to just three percent increase registered in the previous year.

The quality of the credit portfolio continued to be challenged especially in the aftermath of the difficulties faced by the pawning industry during the period 2012 -2013, given the gold market crash. The non performing accommodations (NPAs) grew by 19.9 percent during 2014 to Rs. 44.3 billion compared to Rs. 36.9 billion in 2013. However, in relative terms to total loans outstanding, the increase in the NPA ratio was marginal, moving up from 6.7 percent in 2013 to 6.9 percent in 2014.

In the backdrop of low cost funding sources available in the market, net interest income of the sector grew notably to Rs. 62.2 billion, corresponding to 40.9 percent growth over 2013. This is despite higher operational costs and provisioning. The sector posted a profit after tax of Rs. 13.9 billion, corresponding to an impressive growth of 79.6 percent over the previous year. Return on assets and return on equity stood at 3.0 percent and 13.1 percent respectively, compared to 2.1 percent and 8.2 percent in 2013.

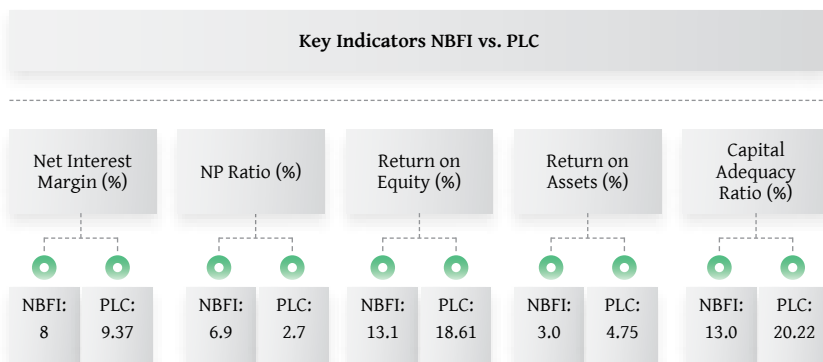
With a significant growth in profits, capital funds recorded an increase of 20.9 percent in 2013 to Rs. 114 billion as at end-year, a sound improvement compared to 9.6 percent increase in 2013. However, growth in risk weighted assets tempered down the capital adequacy within the sector, although



“REINFORCING THE STRENGTH AND STANDING AT THE HELM OF THE NBFi SECTOR, PLC IN THE YEAR 2014/15 MARKED AN OUTSTANDING PERFORMANCE”

sound and above the minimum prescribed. The capital adequacy ratio as a percent of risk weighted assets declined marginally by 1.3 percentage points from the previous year to 13.5 percent; whilst the core capital ratio as percent of risk weighted assets stood at 13 percent marginally down from 13.5 percent in 2013.

Company Performance vs NBFIs



Source: Annual Report 2014, Central Bank of Sri Lanka

Reinforcing the strength and standing at the helm of the NBFi sector, PLC in the year 2014/15 marked an outstanding performance. Responding with perceptive strategies in the face of challenges that entailed in the year, PLC was able to register robust top-line results with profits after tax reaching to highest ever recorded within the corporate’s history whilst maintaining a sound financial performance. In terms of the industry averages, in all key indicators, PLC demonstrated its prowess and eminence, fitting for its leadership positioning within the sector.

Major Economic Policy Changes & Measures - NBFi Sector - 2014

Financial Sector Consolidation 17 January 2014	Announced the master plan on the proposed financial sector consolidation programme.
Revision of Interest Rate 31 March 2014	Revised the maximum limit on rates of interest on time deposits, non-transferable certificate of deposits and debt instruments.
Maximum Interest Rates 30 June 2014	Prescribed to apply the Weighted Average Yield Rate of 91 day and 364 day Treasury Bills applicable for the first quarter of 2014, on the determination of maximum interest rates on time deposits, non-transferable certificate of deposits and debt instruments.

Source: Annual Report 2014, Central Bank of Sri Lanka

ECONOMIC REVIEW CONTD.

ECONOMIC OUTLOOK

Economic Outlook - Key Indicators			
Key Indicators	2014	2015	2016
Real GDP Growth (%)	7.4	7.0	7.5
Annual Average Inflation (%)	3.3	3.0	4.0
Per Capita Income (US\$)	3,625	4,009	4,469
External Official Reserves (Months of Imports)	5.1	6.2	5.2
Budget Deficit (% of GDP)	(6.0)	(4.4)	(4.2)
Growth in Credit to the Private Sector (%)	8.8	15.5	15.0

The socio-political uncertainties that prevail in 2015 spurred by the changes within the political arena and the forthcoming general elections in the latter part of the year is expected to weigh down growth prospects with lower level of economic activity. The year is set to grow at 7.0 percent, a moderation from 2014, yet stable. Economic momentum is expected to gather in the ensuing year, 2016, with greater focus on stability within the macroeconomic framework and better investor sentiments. The prospects for sustainable growth in the medium term are promising and anticipated to reach an average growth of 7.8 percent over 2016-2018, reaching out to the aspired upper middle income levels.

The global economy moving on to a firmer terrain, although subdued in terms of prospects especially for emerging and developing economies, is expected to set the backdrop for Sri Lanka to reach its medium term development goals.





BUSINESS ENVIRONMENT

A BLEND OF THE INTERNAL AND EXTERNAL ASPECTS THAT INFLUENCE THE COMPANY'S OPERATING SITUATIONS.



In an emerging political and socio-economic landscape in the post conflict Sri Lanka, businesses are presented with a range of opportunities to grow and prosper. Yet, businesses are also challenged with risks and uncertainties that could compromise the sustainability of operations. Recognising this, the management at PLC is proactive and has been successful thus far, in its response - availing the opportunities for growth and diversification; whilst exercising caution in its business decisions with checks and balances to minimise the material risks that could impact on its performance and even impede the progress towards being a sustainable organisation.

Discussed below are the opportunities and principal risks and uncertainties that stand as the backdrop to decision making process - strategy formulation, drawing up corporate's action plans and in its day- to- day operations.

Risks & Uncertainties	
<ul style="list-style-type: none"> Industry Competition overcrowded industry with both banking and non - banking institutions seeking to offer similar products and services - thus eroding the market share and margins. 	<ul style="list-style-type: none"> Volatility in Macroeconomic Environment susceptibility to volatilities in interest rates and exchange rates with implications on planned interest income, expenses and the capital base and the changes in duty structure on vehicle imports directly impacting the core leasing and hire purchase operations.
<ul style="list-style-type: none"> Funding - Cost & Maturity Mismatches high cost of funds within the non - bank finance sector impacting competitiveness whilst being susceptible to maturity mismatches in assets and liabilities arising due to the lack of long term funds to finance long term lending. 	<ul style="list-style-type: none"> Changes in Regulations constantly changing regulatory framework brings in uncertainties to operations - expansions, top- line and bottom- line results and future plans.
	<ul style="list-style-type: none"> Turnover in Trained Staff intense competition leading to high turnover of trained and expert staff within the industry.

Opportunities	
<ul style="list-style-type: none"> Statutory & Regulatory Framework current changes to rules and regulations advocating best practices in governance, risk management and business dealing - bringing in greater discipline. 	<ul style="list-style-type: none"> Emerging Economy moving towards an upper middle income status with higher growth prospects - leading to a higher demand for financing burgeoning businesses including the small and medium enterprises sector.
<ul style="list-style-type: none"> Social Responsibility an increasing trend and acceptability along with accolades and ratings that add great value to the brand for combining commercial viability with social responsibility. 	<ul style="list-style-type: none"> Technology setting a new pace in the business arena enabling simplified, seamless and speedy financial solutions - creating a distinct impact on operational and financial performance.
<ul style="list-style-type: none"> Potential for Islamic Finance with socio- cultural changes opening up the demand for Shari'ah compliant products as an alternative to conventional financing. 	<ul style="list-style-type: none"> Grass- root Communities with greater exposure to new age thinking and tendencies to adopt urban values and lifestyle, the grass root communities are now more open to be educated and embrace formal financing and engage in micro entrepreneurship.
	<ul style="list-style-type: none"> Potential in Asia growing demand for financial services to fund the emerging economies in Asia.



BUSINESS ENVIRONMENT COTND.

The table below sets out the strategy and related key actions focused in the financial year 2014/15 in response to risks and opportunities present within the operating business landscape.

Strategy & Key Actions in Response to Principal Risks - 2014/15	
Risks	In Response
Volatility in Macroeconomic Environment	<p>Strategy: Be responsive in strategy formulation and be consistent in implementation of action plans underscored by sound operational practices.</p> <p>Key Actions</p> <ul style="list-style-type: none"> Management brainstorming session was held to formulate the annual corporate financial budget. Responded with revisions to rates, plans and targets to ensure compatibility to the changing macroeconomic scenarios. Continued with stringent credit evaluation controls. Exercised diligence in recovery and consistently monitored the portfolio to minimise non-performing facilities. Upheld adequate risk management practices to maintain risks within prudent and prescribed levels.
Industry competition	<p>Strategy: Offer best in service to customers, strengthen group synergies, branding and carry out strategic marketing promotions.</p> <p>Key Actions</p> <ul style="list-style-type: none"> Leveraged on two international ratings from Fitch Ratings International and Standard & Poor's and local rating of Fitch Ratings Lanka affirming a stable outlook. Sustained market positioning at number one in the leasing sector and as the largest institution within the non- bank finance sector. Reinforced PLC's brand as a trusted and responsible corporate with best practices in governance and CSR. Braced on the parent company's support and group synergies. Customised products and speedy processes to suit diverse customer needs. Closely engaged customers at networking events and rewarded their loyalty. Undertake a stakeholder engagement survey to ascertain their expectations and address issues and concerns.
Changes to Regulations	<p>Strategy: Comply with changes in rules, regulations and statutory requirements and seek for opportunities within the changes.</p> <p>Key Actions</p> <ul style="list-style-type: none"> Strengthened the compliance function and role of the compliance officer for consistent tracking and monitoring compliance to statutory and regulatory requirements.
Turnover of Trained Staff	<p>Strategy: Initiate best HR practices to retain staff within the organisation.</p> <p>Key Actions</p> <ul style="list-style-type: none"> Extended due recognition and rewards based on performance merits. Extended tactical training opportunities. Reinforced employee wellbeing measures to ensure a work- life balance. Enhanced benefits provided for employees to further their professional studies.



Strategy & Key Actions in Response to Principal Risks - 2014/15

Risks	In Response
Funding - Cost & Maturity Mismatches	<p>Strategy: Be proactive in treasury management - diversify funding sources to reduce cost of funds and maturity mismatches between assets and liabilities.</p> <p>Key Actions</p> <ul style="list-style-type: none"> • Leveraged on the brand and the strength of the financials fortified by two international ratings to source funding and negotiate better rates. • Maintained a sound balance between short- term and long- term funds. • Diversified funding through retail market operations in deposits with emphasis on savings for long term and low cost funds.

Strategy & Key Actions in Response to Key Opportunities - 2014/15

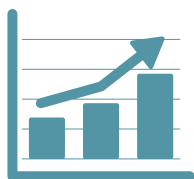
Opportunities	In Response
Emerging Economy	<p>Strategy: Position operations to best- fit and seek to maximise opportunities present within the emerging economy.</p> <p>Key Actions</p> <ul style="list-style-type: none"> • Focus on top- line growth with greater penetration to untapped regions and seek to avail opportunities in the growing SME sector. • Offer a versatile suite of products with progressive features and terms tailored to suit diverse risk - return profiled customers. • Consolidate margin trading operations to avail remunerative prospects within the burgeoning capital market. • Consolidated the portfolio exposure within the booming construction sector given the rapid level of infrastructure development.
Statutory & Regulatory Framework	<p>Strategy: Advocate corporate stewardship and respond positively to changes in the regulatory framework.</p> <p>Key Actions</p> <ul style="list-style-type: none"> • Adopted firm measures and stepped up compliance to be in line with the statutory and regulatory requirements. • Reinforced PLC brand values on corporate stewardship and commitment to best practices in business and governance.
Technology	<p>Strategy: Keep abreast and invest strategically in line with the rapid changes in technology to bring greater efficiency and productivity improvements to operations.</p> <p>Key Actions</p> <ul style="list-style-type: none"> • Adopted and invested well on appropriate systems- hardware and software to enhance daily operational processes. • Due training offered to employees across the organisation on systems and process applications. • Uphold best practices in information technology governance.



BUSINESS ENVIRONMENT COTND.

Strategy & Key Actions in Response to Key Opportunities - 2014/15	
Opportunities	In Response
Social Responsibility	<p>Strategy: Adopt an integrated business approach seeking to maximise commercial viability whilst upholding responsibility to all stakeholders.</p> <p>Key Actions</p> <ul style="list-style-type: none"> Carried out focused initiatives in environment management and social responsibility projects under campaign 'We Care'. Upheld highest ideals in governance and business ethics through the Code of Conduct and compliance to best practices, statutory and regulatory requirements.
Grass- root Communities	<p>Strategy: Consolidate and open new customer touch points in strategic and unexplored regions in the periphery and offer appropriate products to avail the emerging trends within the rural communities.</p> <p>Key Actions</p> <ul style="list-style-type: none"> Consolidated branches with strategic expansions in rural areas. Offered flexible products and solutions suitable for rural masses. Carried out awareness campaigns to appease the gaps in financial literacy, inculcate the habit of savings and educate masses on the benefits of resorting to formal financing solutions. Supported operations of the subsidiary, People's Microfinance Ltd to penetrate deeper to the grass root communities.
Potential for Islamic Finance	<p>Strategy: Consolidate the niche in Islamic finance to cover the growing demand especially in Muslim populated areas in the North and East.</p> <p>Key Actions</p> <ul style="list-style-type: none"> Consolidated Islamic finance operations within the 7 dedicated branches to firm the niche amidst the growing competition in the North and East. Established Islamic finance units and window representations within the island- wide distribution network. Extended necessary training on Islamic finance products in line with the Shari'ah principles and on the systems for operational staff and management.
Potential in Asia	<p>Strategy: Showcase the brand and financial stability underscored by international ratings to boost international image and venture into Asia for expansionary prospects.</p> <p>Key Actions</p> <p>Evaluating potential countries in Asia.</p>





FINANCIAL REVIEW

REVIEWING AND EVALUATING THE COMPANY'S FINANCIALS, TO UNDERSTAND THE FINANCIAL HEALTH OF THE COMPANY, ENABLING EFFECTIVE DECISION MAKING.

CHIEF FINANCIAL OFFICER'S NOTE

“AIMING AT IMPROVING CLARITY AND ACCOUNTABILITY, THE SCOPE OF DISCLOSURES HAVE BEEN ENHANCED AS APPLICABLE, TO BE MORE INCLUSIVE IN OUR REPORTING TO MEET DIVERSE STAKEHOLDER REQUIREMENTS”



It is my privilege to forward this note on the successful financial performance during the “365 Days That Were” to our valued stakeholders. Recognising the significance and the need for material information, we are earnest and seek to improve the quality and transparency in our financial reporting initiatives. This indeed was recognised at the CA Sri Lanka Annual Report Awards 2014 - with a ‘Silver award’ for the ‘Overall Excellence in Financial Reporting’ category and the sector ‘Gold award’ for the seventh consecutive year.

This year, PLC Group declared Rs. 4.1 billion profit after tax - the highest ever profit in its history. This is truly outstanding, especially considering the challenges that prevailed within the operating environment. Accordingly, all key performance indicators reflected an upward movement against the indicators achieved in the previous year. The financial review set out herein will present you a detailed

evaluation of financial results of the Company and at the consolidated level.

However, the following factors have to be taken into consideration in reading the financial review along with the financial statements given in this report. The financial statements are presented using an alternative technique, seeking to extend illustrative financial information to our stakeholders. This alternative method allowed in ‘LKAS 01 Presentation of Financial Statements’ enabled us to present respective accounting policies along with the relevant note, instead of applying the traditional format. However, we have included complete financial statements prepared as per the traditional format in our official web site - www.plc.lk for those stakeholders who prefer the previous structure.

Aiming at improving clarity and accountability, the scope of disclosures have been enhanced as applicable, to be

more inclusive in our reporting to meet diverse stakeholder requirements. In addition, the financial review herein will provide you an analysis on the Company’s performance against its preset targets for the year along with underlying causes for any deviation.

As we step into a new financial year, we remain focused on delivering good results with bolstered profitability and sound financial position. Sincerely hoping that this section will suffice financial information requirements of our stakeholders, we look forward to continue with our reporting initiatives, upholding transparency and responsibility.

Sanjeewa Bandaranayake
Chief Financial Officer

29th April 2015

FINANCIAL REVIEW CONTD.

GLANCE - ACTUAL PERFORMANCE VS. BUDGET

Indicator	Performance	Reasons and Remarks																																
<p>Net Interest Income</p> <p>Actual net interest income for the year 2014/15 is 7 percent in excess of the budgeted amount of Rs. 9,335 million for the year.</p>	<p>Net Interest Income</p> <table border="1"> <caption>Net Interest Income (Rs. Mn)</caption> <thead> <tr> <th>Quarter</th> <th>Budget</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Q1</td> <td>2,250</td> <td>2,300</td> </tr> <tr> <td>Q2</td> <td>2,300</td> <td>2,450</td> </tr> <tr> <td>Q3</td> <td>2,350</td> <td>2,550</td> </tr> <tr> <td>Q4</td> <td>2,400</td> <td>2,650</td> </tr> </tbody> </table>	Quarter	Budget	Actual	Q1	2,250	2,300	Q2	2,300	2,450	Q3	2,350	2,550	Q4	2,400	2,650	<p>The Company was competent to effectively manage interest margins, thus, the decline in interest expense outpaced the reduction in interest income due to the declining trend in market interest rates; enabling to achieve higher net interest income over the budgeted figure.</p>																	
Quarter	Budget	Actual																																
Q1	2,250	2,300																																
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<p>Profitability</p> <p>Exceeding the budgeted profit after tax by 8 percent, the Company achieved its highest ever profit since inception.</p>	<p>Profitability</p> <table border="1"> <caption>Profitability (Rs. Mn)</caption> <thead> <tr> <th>Quarter</th> <th>Category</th> <th>Budget</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Q1</td> <td>PBT</td> <td>1,000</td> <td>1,050</td> </tr> <tr> <td>PAT</td> <td>700</td> <td>750</td> </tr> <tr> <td rowspan="2">Q2</td> <td>PBT</td> <td>1,100</td> <td>1,400</td> </tr> <tr> <td>PAT</td> <td>800</td> <td>1,000</td> </tr> <tr> <td rowspan="2">Q3</td> <td>PBT</td> <td>1,200</td> <td>1,250</td> </tr> <tr> <td>PAT</td> <td>900</td> <td>950</td> </tr> <tr> <td rowspan="2">Q4</td> <td>PBT</td> <td>1,300</td> <td>1,500</td> </tr> <tr> <td>PAT</td> <td>900</td> <td>1,100</td> </tr> </tbody> </table>	Quarter	Category	Budget	Actual	Q1	PBT	1,000	1,050	PAT	700	750	Q2	PBT	1,100	1,400	PAT	800	1,000	Q3	PBT	1,200	1,250	PAT	900	950	Q4	PBT	1,300	1,500	PAT	900	1,100	<p>Effective interest rate management and increase in other income enabled the Company to surpass the budgeted profit for the year. In addition, increased business volumes during the financial year supported the Company to limit the impact of a lower interest rate regime. The Company was also competent to curtail the actual cost to income ratio to 34.63 percent against the budgeted ratio of 35.67 percent which buttressed the profitability of the Company.</p>
Quarter	Category	Budget	Actual																															
Q1	PBT	1,000	1,050																															
	PAT	700	750																															
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Q4	PBT	1,300	1,500																															
	PAT	900	1,100																															
<p>Loans & Advances</p> <p>Compared to the budgeted loans and advances, actual remained marginally low throughout the year.</p>	<p>Loans & Advances</p> <table border="1"> <caption>Loans & Advances (Rs. Mn)</caption> <thead> <tr> <th>Quarter</th> <th>Budget</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Jun-14</td> <td>95,000</td> <td>90,000</td> </tr> <tr> <td>Sep-14</td> <td>100,000</td> <td>95,000</td> </tr> <tr> <td>Dec-14</td> <td>105,000</td> <td>95,000</td> </tr> <tr> <td>Mar-15</td> <td>110,000</td> <td>95,000</td> </tr> </tbody> </table>	Quarter	Budget	Actual	Jun-14	95,000	90,000	Sep-14	100,000	95,000	Dec-14	105,000	95,000	Mar-15	110,000	95,000	<p>Loans & advances portfolio did not materialised as expected during the financial year mainly due to the low credit growth prevailed during the first half of the financial year. However, the Company still accounts as the highest portfolio within the non- bank financial institution sector.</p>																	
Quarter	Budget	Actual																																
Jun-14	95,000	90,000																																
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Indicator	Performance	Reasons and Remarks															
<p>Deposits</p> <p>Deposits comprising fixed deposits and savings balance remained low compared to the budgeted amount during the financial year.</p>	<p>Deposits</p> <table border="1"> <caption>Deposits (Rs. Mn)</caption> <thead> <tr> <th>Period</th> <th>Budget</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Jun-14</td> <td>39,000</td> <td>40,000</td> </tr> <tr> <td>Sep-14</td> <td>41,000</td> <td>39,000</td> </tr> <tr> <td>Dec-14</td> <td>42,000</td> <td>37,000</td> </tr> <tr> <td>Mar-15</td> <td>43,000</td> <td>33,000</td> </tr> </tbody> </table>	Period	Budget	Actual	Jun-14	39,000	40,000	Sep-14	41,000	39,000	Dec-14	42,000	37,000	Mar-15	43,000	33,000	<p>With the aim of minimising the mismatch in assets and liabilities, the Company did not promote fixed deposits during the financial year. However, the savings portfolio posted a significant growth to reach Rs. 5 billion at the year-end as against the budgeted amount of Rs. 2 billion.</p>
Period	Budget	Actual															
Jun-14	39,000	40,000															
Sep-14	41,000	39,000															
Dec-14	42,000	37,000															
Mar-15	43,000	33,000															
<p>Shareholders' Funds</p> <p>Total shareholders' funds indicated a marginal increase of 4 percent over the budgeted amount as at 31st March 2015.</p>	<p>Shareholders' Funds</p> <table border="1"> <caption>Shareholders' Funds (Rs. Mn)</caption> <thead> <tr> <th>Period</th> <th>Budget</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Jun-14</td> <td>19,500</td> <td>19,000</td> </tr> <tr> <td>Sep-14</td> <td>19,500</td> <td>20,000</td> </tr> <tr> <td>Dec-14</td> <td>20,000</td> <td>19,500</td> </tr> <tr> <td>Mar-15</td> <td>20,000</td> <td>21,000</td> </tr> </tbody> </table>	Period	Budget	Actual	Jun-14	19,500	19,000	Sep-14	19,500	20,000	Dec-14	20,000	19,500	Mar-15	20,000	21,000	<p>Increase in Shareholders' Funds compared to the budget was mainly due to the increase in actual profit against budget due to the reasons highlighted under profitability.</p>
Period	Budget	Actual															
Jun-14	19,500	19,000															
Sep-14	19,500	20,000															
Dec-14	20,000	19,500															
Mar-15	20,000	21,000															

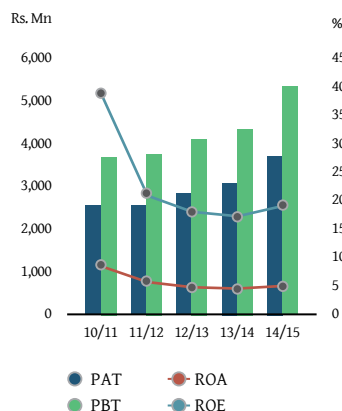
FINANCIAL PERFORMANCE - SYNOPSIS

Indicator	2014/15	2013/14	Change (%)
Profit Before Tax (Rs. Mn)	5,375.11	4,386.96	22.52
Profit After Tax (Rs. Mn)	3,752.96	3,123.75	20.14
Earnings per Share (Rs.)	2.38	1.98	20.14
Return on Assets (%)	4.75	4.15	0.60
Return on Equity (%)	18.61	16.79	1.82
As at 31st March	2015	2014	Change (%)
Net Assets per Share (Rs.)	13.38	12.15	10.12
Core Capital ratio (%)	20.22	19.12	1.10
Total Risk Weighted capital Ratio (%)	19.04	18.05	0.99

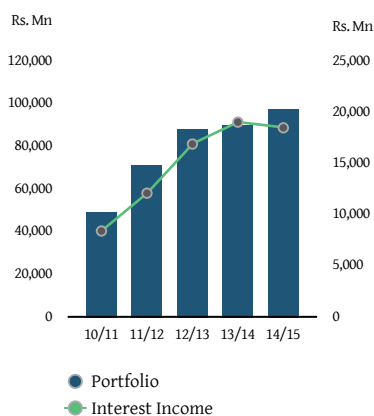


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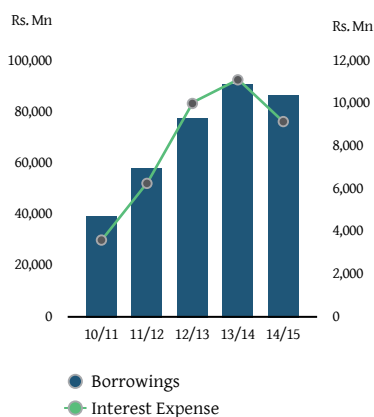
Profitability



Portfolio Vs Interest Income



Borrowings Vs Interest Expense



The Company posted an outstanding financial performance in 2014/15. The Company's overall progress as compared to the results posted in the preceding year was sound and encouraging. All of the key indicators in terms of profitability and financial position marked notable improvements. Profitability margins were upheld with solid returns whilst ensuring robust financial position as at the year-end. Detailed analysis of the financial performance along with key indicators is set out below:

Profitability

The Company had a strong year in terms of profits despite a challenging macroeconomic and regulatory environment, recording a pre-tax and post-tax profit of Rs. 5,375.11 million and Rs. 3,752.96 million respectively for the financial year ended 31st March 2015. This indicated an improvement of 22.52 percent and 20.14 percent respectively over the previous year. With the positive contributions extended by subsidiaries, consolidated results surpassed the Rs. 5 billion mark in profit before tax and Rs. 4 billion mark in profit after tax, thus recording the highest achieved in the Company as well as the Group's history. The main contributors for the growth were reduction in interest expense coupled with responsible operating expense management, proving the Company's prudent management policies in managing external vagaries.

NET INTEREST INCOME

Amidst a low interest rate regime, the Company's interest income levels in the year under review registered a marginal decline of 1.46 percent compared to the levels registered in the previous financial year. However, with effective management of borrowing sources, the Company succeeded to bring down the interest

expense by 17.92 percent, enabling a sound interest spread. The reduction in interest expense outpaced the reduction in interest income, boosting net interest income by 20.95 percent to reach Rs. 10,000.03 million from Rs. 8,267.65 million in 2013/14.

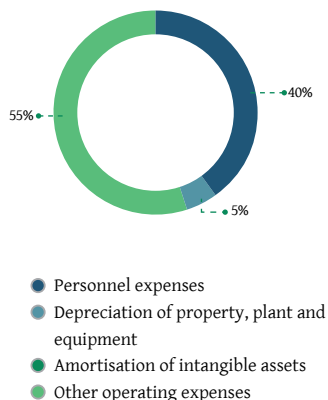
The net interest margin (NIM) grew to 9.37 percent from 8.34 percent, reflecting well on the returns with respect to interest earning assets of the Company.

OPERATING EXPENSES

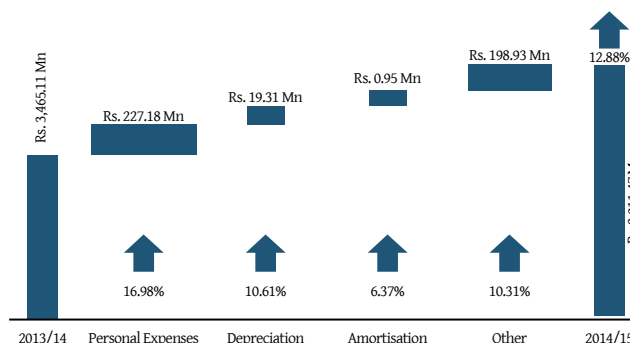
Operating expenses were well managed and supported to cap the increase to 12.88 percent and post Rs. 3,911.47 million compared to the level of Rs. 3,465.11 million posted in the previous financial year. The primary drivers for this growth were other operating expenses and personnel costs accounting for 54.43 percent and 40.02 percent respectively of the total operating expenses. Other operating expenses posted an increase of 10.31 percent compared to the preceding financial year led by increases in office administration and establishment expenses closely following the growth in business volumes. On account of increased headcount, personnel expenses inclusive of remuneration, EPF/ETF and gratuity expenses grew by 16.98 percent. Although the overall operating expenses reflected an increasing trend, it is noteworthy that the cost to income ratio was controlled at 34.63 percent from 37.01 percent in financial year 2013/14, demonstrating the Company's astute management of expenses.



Composition of Operating Expenses



Movement of Operating Expense



TAXATION

Reflecting 28.41 percent increase over the previous year corporate income tax expense for the year ended 31st March 2015 amounted to Rs. 1,622.15 million. Thus, this accounted for a 30.18 percent effective tax rate, a rate above the corporate tax rate of 28 percent. This mainly resulted from the disallowed expenses such as VAT on Financial Services (VAT on FS), NBT and preference share dividend. Owing to the change in law applicable on VAT on FS, total VAT on FS charge for the year amounted to Rs. 362.57 million revealing 24.16 percent increment over the previous year's charge. Following to the aforesaid change leases became liable for VAT on FS and exempted from normal VAT with the removal of the exemption applied on banking and finance business, NBT expenses for the year accounted to Rs. 62.12 million as against the Rs. 14.50 million recorded in the previous year.

Disallowed input VAT for the year declined to Rs. 72.26 million compared to Rs. 96.74 million in last year mainly due to the reduction in VAT rate to 11 percent from the 12 percent in January 2015.

FINANCIAL POSITION

Loans and Receivables

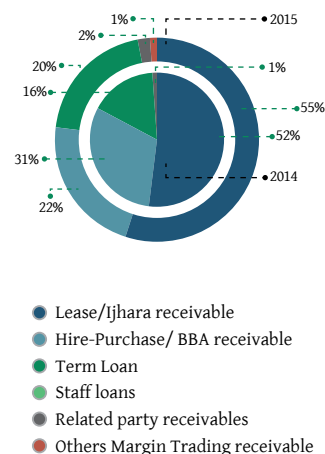
Receivables from lease and hire purchase facilities, term loans, and margin trading boosted the loans and receivables portfolio of Rs. 98,411.20 million which accounts for 87.61 percent of the total asset base. This reflected a growth of 9.08 percent compared to the total loans and receivables portfolio as at the financial year ended 31st March 2014.

The loan portfolio saw an impressive growth during the year, representing 40.96 percent compared Rs. 14,230.16 million in the previous year, whilst leases continued to be significant, recording Rs. 54,787.76 million. With the budgetary reforms presented in late 2014, demand for hire purchases shifted towards leases, thus, reflected a decline of 21.21 percent compared to the position as at 31st March 2014.

However, the highlight of the year was substantial growth recorded in the margin trading portfolio to Rs. 1,391.55 million as at 31st March 2015 as against the Rs. 57.31 million portfolio

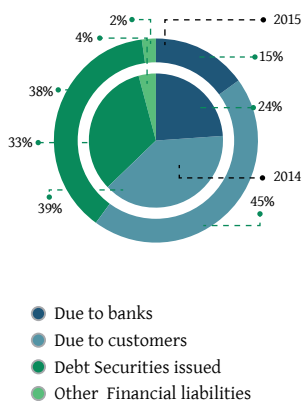
in the previous year. This growth was facilitated by the fast-tracked margin trading operations complemented by the expertise brought in from the industry.

Portfolio Mix



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Financial Liabilities



Non-Performing Ratio



Liabilities

During the year, the Company's total liabilities stood at Rs. 91,187.19 million, representing a reduction of 3.59 percent as against the position of Rs. 94,580.50 million as at 31st March 2014.

Short term bank borrowings stood at Rs. 4,903.08 million as at 31st March 2015 compared to Rs. 200.04 million in 31st March 2014 whilst long term loans increased to Rs. 15,858.45 million from Rs. 13,260.36 million mainly due to the measures taken to reduce maturity mismatch in assets and liabilities.

The Company did not promote fixed deposits during the financial year, thus, the portfolio witnessed a drop of 25.16 percent over the balance as at 31st March 2014. Savings portfolio, however, reflecting a significant increase reached Rs. 4,941.09 million as at 31st March 2015 as against Rs. 2,065.66 million as at 31st March 2014.

With fixed deposit operations taking-off upon receiving the finance company license, issuing of promissory notes was not actively pursued, thus, resulting in a falling portfolio trend. Liability of promissory notes declined by 82.52 percent to Rs. 161 million as at 31st March 2015 in contrast to Rs. 921.05 million in the previous year. Debenture outstanding balance increased by 22.39 percent to Rs. 9,465.68 million compared to the previous year due to Rs. 3 billion debenture issue effected in September 2014 whilst asset-backed securities/ securitisation recorded a decline of 11.71 percent to Rs. 18,597.36 million over the outstanding balance of Rs. 21,062.85 million as at 31st March 2014.

SHAREHOLDERS' FUNDS

Though there was no issue of shares, shareholder funds increased to Rs. 21,135.79 million as at 31st March 2015 indicating a growth of 10.11 percent. Increased profitability triggered a notable increase in retained earnings, even after paying dividends and transfers to reserves. During the year under review, in compliance to the Finance Companies (Capital funds) Direction No. 01 of 2003, the Company transferred Rs. 187.65 million to the statutory reserve fund. Other reserves collectively amounted to Rs. 506 million as at 31st March 2015.

CASH AND CASH EQUIVALENTS

Cash and cash equivalent balance reflecting a significant decline over the balance as at 31st March 2014 reached to Rs. 3,139.14 million as at 31st March 2015. This decline is mainly due to the utilisation of excess funds that prevailed as at 31st March 2014 to settle the short term loan obligations. Cash generated through operating activities declined whilst cash used for financing activities was limited to Rs. 667.07 million compared to Rs. 8,926.96 million in the preceding year.

CREDIT QUALITY

The Company's hands-on recovery management efforts supported the recovery ratio to post a growth, thus reaching 94.34 percent during the year in review. Prudent credit policies combined with continuous and consistent credit evaluation processes underscored the credit portfolio quality thus far achieved.

In line with the above, the Company maintained its non-performing ratio at 2.72 percent, below the budgeted



ceiling of 3 percent as well as the industry rate of 6.9 percent.

DISBURSEMENTS

The Company accomplished surpassing the benchmark set with a disbursement of Rs. 60.92 billion, the highest achieved in the Company and industry so far, indicating a growth of 27.88 percent in comparison to Rs. 47.64 billion in the corresponding financial period. Stringent management policies and the vast outreach collectively with the low interest rate regime contributed to the above growth.

DIVIDENDS

The Company paid an interim dividend of Rs. 0.75 per ordinary share for the financial year 2014/15 and Directors have recommended a final dividend of Rs. 0.50 per share to be paid upon the approval of shareholders at the Annual General Meeting.

In addition, on 31st October 2014 and 31st March 2015, the Company paid a gross dividend of Rs. 38.25 million each for preference shares issued to People's Bank.

GROUP RESULTS OVERVIEW

Refer: Subsidiary Review, Pages 94 - 104

PLC Group financial performance reflected a significant improvement over the previous year to recording a healthy financial position. All subsidiaries namely People's Insurance Limited (PIL), People's Leasing Property Development Limited (PLPDL), People's Leasing Fleet Management Limited (PLFML) and People's Microfinance Limited (PML), except People's Leasing Havelock Properties Limited (PLHPL), demonstrated growth in operations,

thus positively contributing to the Group's financial performance. Adding value to the Parent, these four subsidiaries paid dividends through its improved financials. PLHPL is yet to commence commercial operations; ongoing construction of the office complex is scheduled to be completed in mid of the year 2016.

Key Financial Indicators - PLC Group

Indicator	2014/15	2013/14	Change (%)
Return on Assets (%)	5.00	4.49	0.51
Return on Equity (%)	19.61	18.22	1.39
Earnings per Share (Rs.)	2.60	2.19	18.82
Dividends Paid (Gross) (Rs. Mn)			
PIL	210.00	195.00	7.69
PLPDL	11.00	-	100.00
PML	8.00	2.00	300.00
PLFML	0.75	-	100.00





CONTRIBUTION TO THE ECONOMY

THE COMMITMENT TOWARDS CONTRIBUTING TO THE SOCIAL, ECONOMIC AND INSTITUTIONAL DEVELOPMENT OF THE COMMUNITY, IN WHICH THE COMPANY OPERATES.

INCLUSIVE VALUE CREATION

Refer: Materiality Assessment Page 35-37

What to Expect				
Material Aspects	Level of Materiality			Section Content
	High	Moderate	Low	
Economic Performance	●			Extensively covers PLC's value creation, laying emphasis on direct economic benefits and sets out the value distribution amongst key stakeholders and retention within the Company.
Market Presence		●		Sets out PLC's market presence and discusses on the policy of extending employment in locations of operations including at the management level.
Indirect Economic Impacts	●			Elaborates on indirect benefits to the economy through PLC's value creation process including its subsidiaries and investments in community infrastructure as social responsibility projects.
Procurement Practices		●		Sets out PLC's supplier network and covers procurement policies and practices including supplier assessments on facets of sustainability and human rights.

OVERVIEW

PLC through its 18 year corporate journey has firmly positioned its operations at the forefront of the country's roadmap for development, targeting the upper- mid income status. The Company complemented by vast outreach, product diversity, employment generation capacity and financial success combined effectively with good governance and corporate social responsibility has significantly contributed to the nation's wealth creation process, with ripple- effect benefits on the entire society.



Economic Contribution - Snapshot 2014/15

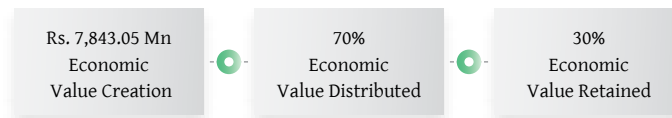
Economic Policy

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.

Highlights

- Ranked No. 1 in terms of market share within the leasing industry for the 13th consecutive year and sustained dominance within the non- bank finance sector.
- Value generation of Rs. 7,843.05 million, an increase of 20 percent over previous year through a versatile product across 89 distribution channels.
- 70 percent of the value generated distributed amongst key stakeholders.
- 30 percent of value generated retained within the Company.
- Shareholders' dividend reached Rs. 1,974.83 million.
- Employees were paid Rs. 1,565.23 million as salaries and other benefits.
- Sustainability assessment was initiated to prioritised suppliers.

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Customer, Product & Outreach			
Lease & Loan Portfolio (Rs. Mn)	98,411.20	90,218.36	9.08
Deposit Portfolio (Rs. Mn)	34,022.57	40,921.48	(16.86)
Customer Touch Points (Number)	198	194	2.06
Customer Base (Number)	260,054	217,113	19.78
Shareholders			
Dividend (Rs. Mn)	1,974.83	1,974.83	-
Dividend Pay Out Ratio (%)	52.62	63.22	(10.60)
Return on Equity (%)	18.61	16.79	1.82
Employer			
Employment Generation (Number)	258	187	37.97
Statutory Obligations (EPF & ETF) (Rs. Mn)	107.32	94.73	13.29
Suppliers			
Spending on Supplies (Rs. Mn)	44,323.35	31,401.14	41.15
Community & Environment			
Investment in Community Infrastructure (Rs. Mn)	36.25	55.90	(35.15)
Investment on Environment related Projects (Rs. Mn)	1.17	10.06	(88.37)
Government			
Corporate Taxes (Rs. Mn)	1,792.71	1,323.38	35.46



CONTRIBUTION TO THE ECONOMY CONTD.

MANAGEMENT APPROACH

Refer: Operational Performance Pages 74-93

PLC operating at the helm of the leasing industry for 13 successive years and now a front-runner entity within the non-bank financial institution sector, value creation is extensive and plays a significant role within the country's development process. The approach to value creation is multifaceted with strategies focusing on operational excellence underscored by a strong sense of responsibility and business ethics. The approach is not confined merely to short-term goals, but, seeks to look at the corporate's viability at more holistic level with a triple bottom-line perspective. The process focuses on striking a blend between economic, environment and social aspects- leading on to long term value creation. The well-being of stakeholders across the board,

be it the shareholder, customer, employee, neighbouring communities and the environment, among others, is taken into consideration in developing and executing the corporate strategy and action plans.

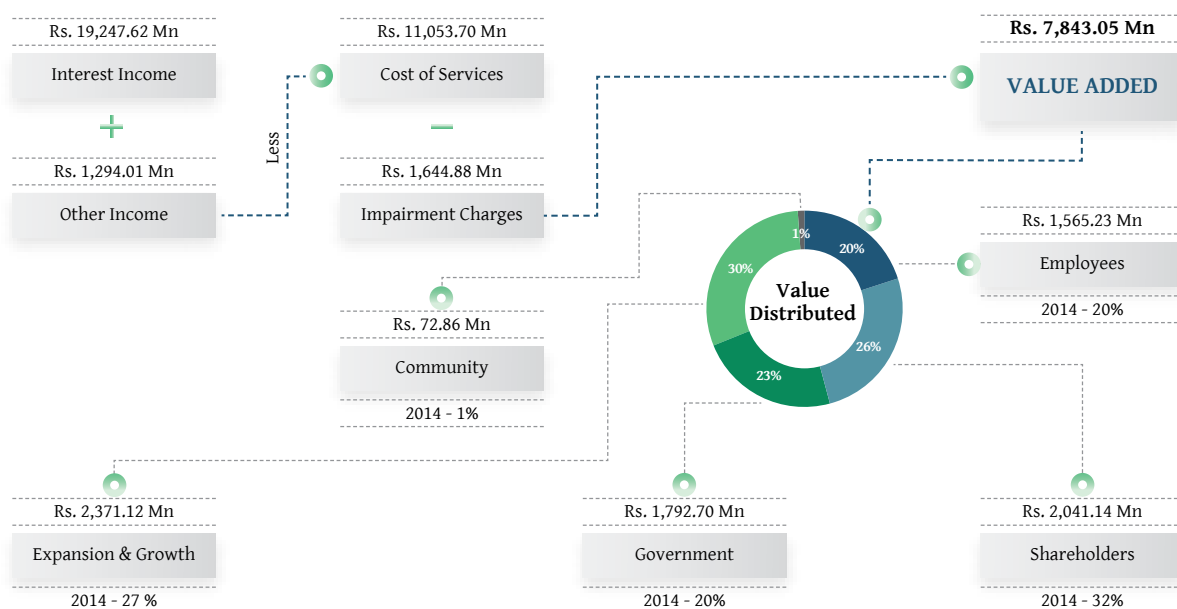
Underlined by this approach, PLC's multi-focused corporate strategy and plans therein which will be discussed in detail under the 'Operations Review' section, strives to create value for its stakeholders with significant direct and indirect impacts on the economy, enabling a 'multiplier' effect to support the country's overall development process.

PLC's Value Creation Facets	
<ul style="list-style-type: none"> • Subsidiary Operations complementing the core value creation with insurance, microfinance, fleet management and property development. 	<ul style="list-style-type: none"> • Products comprehensive suite - leases, hire purchase, loans, deposits, Islamic finance and new products meeting diverse customer requirements.
<ul style="list-style-type: none"> • Employment Generation capacity to provide employment for over 1,500 personnel and extend best in compensation and training. 	<ul style="list-style-type: none"> • Shareholder Returns strong and consistent profitability and stable returns on equity.
<ul style="list-style-type: none"> • Taxes conscientious in meeting statutory tax payments in support of public finance. 	<ul style="list-style-type: none"> • Supplier Base extensive supplier base with over 90 percent patronage for local suppliers and advocating best practices within their businesses.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

G4 - EC1 & EC8

Set out below is PLC's value added statements, reflecting the economic and market value generation, distribution and retention for the financial year 2014/15 along with comparatives for the preceding year.

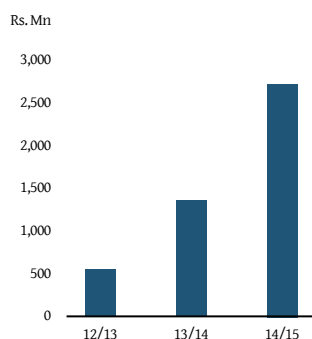


Statement of Economic Value Generated and Distributed						
For the year ended 31st March						
	2015		2014		2013	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Value Added						
Interest Income	19,247.62		19,533.60		17,244.93	
Cost of services	(11,053.70)		(12,869.76)		(11,541.96)	
Value added by financial service	8,193.92		6,663.84		5,702.97	
Other income	1,294.01		1,094.19		959.87	
Impairment charges	(1,644.88)		(1,217.75)		(697.64)	
Total	7,843.05		6,540.28		5,965.20	
Distribution of value added						
To employees						
Salaries and other benefits	1,565.23		1,338.05		1,026.16	
	1,565.23	19.96	1,338.05	20.46	1,026.16	17.20
To providers of capital						
Dividend to ordinary shareholders	1,974.83		1,974.83		1,950.00	
Dividends to preference shareholders	66.31		103.42		137.42	
	2,041.14	26.02	2,078.25	31.78	2,087.42	34.99
To the government						
Income tax	1,246.23		874.37		687.56	
VAT on financial service	362.57		292.01		285.07	
Other taxes	183.90		157.00		126.58	
	1,792.70	22.86	1,323.38	20.23	1,099.21	18.43
To community						
CSR & donations	72.86		66.02		65.01	
	72.86	0.93	66.02	1.01	65.01	1.09
To expansion and growth						
Retained profits	1,778.13		1,148.92		899.96	
Depreciation and amortisation	217.07		196.81		190.12	
Deferred taxation	375.92		388.85		597.32	
	2,371.12	30.23	1,734.58	26.52	1,687.40	28.29
	7,843.05	100.00	6,540.28	100.00	5,965.20	100.00



CONTRIBUTION TO THE ECONOMY CONTD.

Economic Value Added

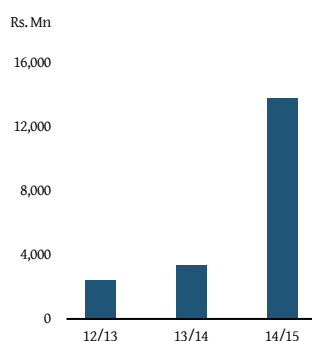


Economic value added indicates the surplus value created for the shareholders on their investment. The PLC's EVA shows the internal management performance of the company by creating higher value for the shareholders compare to the cost of capital of their investment. The rapid growth of the EVA consolidates the reliability to the shareholders for the investment with PLC.

Economic Value Added (EVA)

For the Year	2014/15	2013/14	2012/13
	Rs. Mn	Rs. Mn	Rs. Mn
Shareholders' funds	21,135.79	19,195.94	18,022.69
Accumulated provision for impairment charges	2,124.81	1,347.86	841.72
	23,260.60	20,543.80	18,864.41
Profit attributable to shareholders	3,752.96	3,123.75	2,849.96
Add : Impairment provision	1,644.88	1,217.75	697.64
Less - Disposal losses	855.20	685.61	415.00
	4,542.64	3,655.89	3,132.60
Economic cost % (Average Treasury Bill Rate + 2% Risk Premium)	8.23	11.63	14.31
Economic cost	1,802.55	2,291.59	2,585.56
Economic value addition	2,740.09	1,364.30	547.04

Market Value Added



The MVA shows the value created with the market value of shares between the capital contributed by the shareholders. The PLC higher MVA indicated that the company has created substantial wealth for the shareholders. Further it establishes the future potential for investment.

Market Value Added (MVA)

For the Year	2014/15	2013/14	2012/13
	Rs. Mn	Rs. Mn	Rs. Mn
Market capitalisation/Market value of equity	34,914.96	22,592.03	20,436.00
Less: Equity owners' funds			
Shareholders' funds	21,135.79	19,195.94	18,022.69
Total equity owners' funds	21,135.79	19,195.94	18,022.69
Market value added	13,779.17	3,396.09	2,413.31



“THE PRODUCT SUITE WHICH WAS FURTHER BRACED POST MERGER AND FINANCE COMPANY LICENSE, OFFERS A VERSATILE SET OF FINANCIAL SOLUTIONS TO DIVERSE CUSTOMER SEGMENTS, PARTICULARLY TARGETING THE SMALL AND MEDIUM ENTERPRISES SECTOR”

SUITE OF PRODUCTS

Refer: Operational Performance and Customer & Product Responsibility, Pages 74-93, 140-151

The comprehensive product range extended by PLC has a substantial value creation capacity. The product suite, which was further braced post merger and finance company license obtained in the year 2012, offers a versatile set of financial solutions to diverse customer segments, particularly targeting the small and medium enterprises sector. Leases, the core product, supports customers to acquire vehicles, machinery and equipment for commercial as well as for personal purposes; hire purchase and loans, to a lesser extent, also complements this process whilst a range of deposit products enables investment and saving solutions. Islamic finance supports customers who prefer and believe in non-conventional solutions based on Shari’ah principles. New products like margin trading are also making way for more financially savvy customers seeking investment options within the country’s emerging capital markets.

Value Creation - Suite of Products			
	2014/15	2013/14	% Change
Granting / Disbursements - Leases & Loans (Rs. Mn)			
Agriculture	708.80	921.91	(23.12)
Construction	1,375.44	1,289.68	6.65
Fisheries	44.75	20.85	114.63
Industry	415.04	377.99	9.80
Services	23,210.92	17,066.21	36.01
Tourism	202.91	99.43	104.07
Trading	8,615.78	9,030.01	(4.59)
Transport	7,043.36	7,053.34	(0.14)
Deposit Portfolio (Rs. Mn)	34,022.57	40,921.48	(16.86)
Islamic Finance Disbursements - Loan Products (Rs. Mn)	3,815.97	2,415.81	57.96
Islamic Finance - Deposits (Rs. Mn)	1,954.78	2,386.85	(18.10)
Margin Trading Portfolio (Rs. Mn)	1,391.55	57.31	2,328.11

PLC’s value creation is not limited to direct benefits- but, significant in its indirect impact on the economy. PLC’s products- leases and loans reaches out to many of the country’s key sectors- service sector, transport, agriculture, manufacturing, construction, tourism and etc. The facilities extended for commercial purpose vehicles including passenger vehicles, trucks, tippers and dual purpose vehicles have substantial capacity to spur further value in their respective sectors - with benefits flowing throughout society for better quality of life. Facilities are also targeted at the small and medium enterprises in turn, supporting this sector to be a catalyst in economic growth as envisaged within the country’s development agenda.

CONTRIBUTION TO THE ECONOMY CONTD.

“ACCESSIBILITY, EVEN WITHIN THE MOST RURAL AND UNTAPPED REGIONS HAS PAVED THE WAY FOR THE COMPANY TO ENGAGE CUSTOMERS, INCULCATING PRACTICES OF THRIFT AND EDUCATING THEM ON THE OPTIONS AVAILABLE WITHIN THE FORMAL FINANCE SECTOR TO EMPOWER THEIR LIVELIHOODS.”

SUBSIDIARY OPERATIONS

Refer: Subsidiary Review, Pages 94-104

The subsidiary network of 5 adds to PLC's overall value generation capacity. One of PLC's foremost subsidiaries, People's Insurance has a leading presence within the non-life insurance segment, particularly with a substantial exposure to small and medium businesses. People's Microfinance on the other hand, plays a catalytic role in the lives and livelihoods of the rural poor and the underprivileged communities - culminating in significant benefits both direct and indirect from a socio-economic standpoint. Fleet management arm inclusive of its vehicle valuation services and property development further complements this process.

Value Creation - Subsidiary Operations

	2014/15	2013/14	% Change
Insurance Premium Income (Rs. Mn)*	3,440.61	3,251.08	5.83
Underwriting Profits (Rs. Mn)*	151.84	106.52	42.55
Microfinance Portfolio (Rs. Mn)	1,035.47	1,028.89	0.64
Microfinance Disbursements (Rs. Mn)	1,186.52	1,202.89	(1.36)
Fleet Management Revenue (Rs. Mn)	188.10	159.15	18.19
Value addition for projects handled by PLPDL (Rs. Mn)	315.85	223.04	41.61

*Based on PIL's financial Calendar

CUSTOMER OUTREACH

Refer: Customer & Product Responsibility, Pages 140-151

The vast outreach especially in the post - merger scenario, gives a powerful backdrop for the Company to be an inclusive financial services provider, reaching out to stakeholder segments with diverse socio - cultural and economic backgrounds. Accessibility, even within the most rural and untapped regions have paved the way for the Company to engage customers, inculcating practices of thrift and educating them on the options available within the formal finance sector to empower their livelihoods. The Company's subsidiary, People's Microfinance has marked a strong presence amongst the underprivileged grass - root communities - enabling financial solutions tailored for their needs and means.

Customer Touch Points

	2014/15	2013/14
Branches	89	85
Window Offices	109	109
Insurance - Regional Branches	2	2
Insurance - Window Offices	98	69
Microfinance Touch Points - Window Offices	35	32

Economic Indicators, Customer Outreach & Portfolio - Provinces - 2014/15

Provinces	Economic Indicators*	PLC Operations		
	Share of GDP (%)	Branches (Number)	Window Operations (Number)	Portfolio Value (Rs. Mn)
Western (including head office)	42.0	32	16	57,364.23
Southern	11.0	12	20	15,001.44
Central	11.1	11	9	11,737.85
North Western	10.2	8	12	7,985.61
Eastern	6.3	8	12	5,613.20
Sabaragamuwa	6.1	4	15	6,510.43
North Central	5.1	4	9	5,311.38
Uva	4.7	6	6	7,043.13
Northern	3.6	5	10	2,261.62

*Source: 2014 Annual Report, Central Bank of Sri Lanka

SHAREHOLDER VALUE

Refer: Financial Review and Investor Relations: Pages 53-59, 301-315

Underscored by astute management policies including effective risk management to weather the challenges inherent in the present business context, PLC has stood firm - generating significant value for shareholders. The disbursements in the year sustained impressive levels whilst PLC was able to sustain its profitability and maintain a lower non - performing ratio compared to the industry. Net profits in the year under review reached Rs. 3,752.96 million whilst maintaining a strong financial position. The dividend proposed for the year is Rs. 1.25 per share totaling to Rs. 1,974.83 million.

RESPONSIBLE EMPLOYER

➔ G4-EC3, EC5 & EC6

Refer: Human Capital Management, Pages 118-137

As a significant employer of a workforce of over 1,500 personnel across the country including the periphery, further adds on to PLC's catalytic role, particularly supporting to reduce unemployment.

As directed by policy, PLC seeks to employ within the local communities in the areas in which the Company operates. In the reporting year, the Company sourced 399 employees representing 23.95 percent from local communities. Out of the management cadre of 112 employees, including senior and middle-level line managers 68 members reside in close proximity to their respective operations.

Management Cadre - In Close Proximity & Permanent Residency in Locations of Operations - 2014/15

Provinces	Branches (Number)	Senior & Line Managers (Number)	% of Total Cadre
Western*	34	86	5.16
Central	11	4	0.24
Northern	5	1	0.06
North-Central	4	1	0.06
North-Western	8	3	0.18
Sabaragamuwa	4	3	0.18
Uva	6	3	0.18
Eastern	8	5	0.30
Southern	12	6	0.30

*Include head office and two units

The Company continued to give highest precedence of being a responsible employer. Whilst ensuring a conducive environment for employees to work and nurture their careers, the Company meets its statutory obligations and complies with the laws governing labour.



CONTRIBUTION TO THE ECONOMY CONTD.

Well in line with the Company's remuneration policy, all employees across the board are extended with due compensation. The entry level salaries of new recruits irrespective of any social bias including gender are on par with industry standards. However, minimum wage for the finance and leasing sector at entry level is not specified by the Department of Labour.

The Company continued to be diligent in following through with its retirement plans for employees as specified by the relevant defined benefits and contribution acts under the labour laws of the country. In the reporting year, a total sum of Rs. 85.85 million was incurred as statutory obligations to employees including payments to the Employee Provident Fund and Trust Fund along with provision for gratuity payments of Rs.

155.11 million as at the year-end. These payments and provisions are met through the Company's annual earnings.

Defined Benefit & Contribution Obligations

	2014/2015	2013/2014	2012/2013
	Rs. Mn	Rs. Mn	Rs. Mn
Employee Provident Fund	85.85	75.84	51.10
Employee Trust Fund	21.46	18.89	12.70
Gratuity Payment	31.92	24.08	17.17

COMMUNITY DEVELOPMENT



Refer: Community Responsibility, Pages 154-165

As elaborated under Social Responsibility section of this Annual Report, in the reporting period, the Company continued to support local communities with a total investment of Rs. 71.70 million. Out of this investment, community infrastructure development with multiple socio - economic benefits accounted for Rs. 36.30 million, representing over 50 percent of the total community investments.

Key Community Infrastructure Development Projects

Project	Project Status	Beneficiaries/ Output	Investment as at 31st March 2015 (Rs. Mn)
Reconstruction - Railway Station, Kodikamam - a collaborative initiative with People's Bank to develop the Northern Province	Completed	Railway facilities for around 100 - 300 passengers taking 08-10 trips per day	38.98
Moratuwa beachfront beautification - collaboration with UDA developing the coastal area extending to 1.6 kilometers in 3 phases	Ongoing	Recreation facilities for the community and as a development project for the tourism industry	13.27
Renovation - Mortuary Kahatagasdigiya Base Hospital	Completed	Better hospital facilities for around 3,600 people of 18 villages in Kahatagasdigiya area in Anuradhapura District	2.56
Construction of children's parks -Ambalangoda, Matara and Mahiyanganaya	Completed in Ambalangoda and work in progress in Matara and Mahiyanganaya	Play area facilities for children in the respective vicinities extending physical and mental wellbeing	4.47
Community Infrastructure Investment: Rs. 36.30 Mn			
Total Community Investment: Rs. 71.70 Mn			



CLIMATE CHANGE - RISKS & OPPORTUNITIES

 G4 - EC2

Refer: Environment Review, Pages: 166-180

Taking forward its responsibility towards the environment, investments are made on significant measures, even the simplest, to reduce the Company's carbon footprint to battle against climate change. In the year under review, the Company incurred a sum of Rs. 1.17 million on environmental initiatives, including energy management, emissions and carbon footprint calculations and biodiversity protection.

PLC is well aware of the implications of climate change on a broader level as well as on the Company's operations. Although not direct and not substantial, climate change impacts the Company's financial results mainly through its portfolio in weather - centered agriculture sector. With an exposure of Rs. 2,476.57 million portfolio, the adverse impact of weather on agriculture in turn, has a bearing on the portfolio performance.

Widespread adverse weather that prevailed in the reporting year, in effect, hit the performance of the agriculture and agri - based industries sector portfolios, particularly within the branches located in North, North Central, Southern and Eastern provinces. Mirroring the sector issues, the Company's disbursements to this sector witnessed a drop of 23.12 percent to Rs. 708.79 million over the preceding year. Non performing portfolio value reached Rs. 135.81 million, the agriculture based non - performing ratio thus increased from 5.00 percent in the preceding year to 5.50 percent, having a


substantial impact on the overall non - performing ratio of 2.72 percent.

Apart from operational risks, the Company has also been proactive to take on the opportunities that have arisen due to climate change. Green financing which promotes eco - friendly products with less carbon emissions is a point in this direction. Some of the environmental initiatives, particularly, energy management supports the Company to be cost efficient. It is estimated that energy efficiency measures have enabled the management to reduce the overall energy bill by around 2 percent over the baseline costs.

Financial Implications Due to Climate Change - Key Indicators

Key Indicators	2014/15	2013/14	% Change
Risks from Exposure to Agriculture & Agri - Based Industries			
Portfolio (Rs. Mn)	2,467.57	2,864.00	(13.84)
Disbursements (Rs. Mn)	708.79	921.91	(23.12)
Non Performing Portfolio (Rs. Mn)	135.81	153.60	(11.58)
Non Performing Ratio (%)	5.50	5.00	0.50
Environmental Initiatives			
Investment (Rs. Mn)	1.17	10.06	(88.37)

GOVERNMENT PATRONAGE

 G4-EC4

The Company as a financial institution and as a subsidiary of a State - owned bank works closely with the Government of Sri Lanka. The Board of Directors including 7 members including chairman are appointed by the parent, People's Bank, on account of its ownership stake of 75 percent in PLC. Post January 8th Presidential Elections, PLC's Board ceased to hold office; a new Board was subsequently appointed with effect from the 8th of April 2015.

In the reporting year, the direct financial assistance was not extended to the Company by the Government.

TAX RESPONSIBILITY

PLC conscientiously meets its statutory commitments to the Department of Inland Revenue. In the year under review, a sum of Rs. 1,622.15 million was settled to the Department as taxes on income and profits contributing to the domain of public expenditure. This increased the Company tax liability by 28.41 percent compared to the tax which would have been registered under the regular rate. Apart from the corporate tax, the Company also met the obligations with regard to financial service taxes which amounted to Rs. 362.57 million.





“HAVING THE OPPORTUNITY TO SUPPORT THE DEVELOPMENT OF ONE WHO HELPS YOU GROW IS A GREAT HONOUR AND I TRULY BELIEVE THAT PLC HAS BEEN AN INTEGRAL PART OF MY SUCCESS. THE RELATIONSHIP I HAVE WITH THEM HAS ALWAYS BEEN ONE THAT IS BASED ON MUTUAL TRUST, RESPECT AND CONVENIENCE AND I AM HAPPY TO HAVE COMPLEMENTED THE FANTASTIC WORK THAT THEY DO IN THIS COUNTRY”

Mr. Roshana Waduge
Owner of Senaro Motors
Supplier

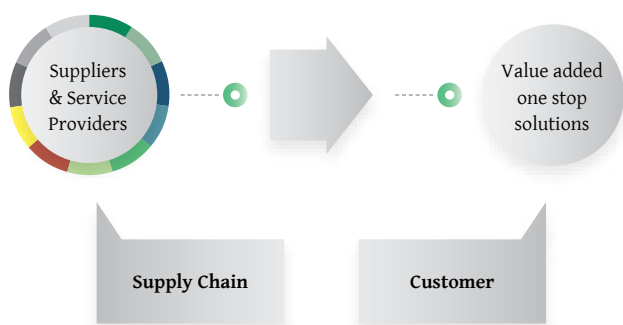


CONTRIBUTION TO THE ECONOMY CONTD.

SUPPLY CHAIN

G4-12, 26, 27, EC9

Engagement with Suppliers			
Engagement	Frequency	Key Topics and Concerns	Our Response
<ul style="list-style-type: none"> Self-assessment questionnaire On site visits Meetings Supplier networking events 	<p>Annually</p> <p>As and when required</p> <p>As and when required</p> <p>Annually</p>	<ul style="list-style-type: none"> Ethical and responsible procurement practices Quality of products/ services Delivery speed Timely payments Support for SME supplier development 	<ul style="list-style-type: none"> Prioritised suppliers were assessed for their responsible and ethical practices Ensure clear instructions given to suppliers Financial solutions to uplift SME suppliers



- Vehicle Suppliers
- Fund Providers
- Utility Service Providers - (electricity, postal, courier, telecommunication)
- Material Suppliers (paper, fuel, furniture)
- Support Service Providers - (legal professionals, auditors, valuers, seizers, contractors, subsidiaries)
- Advertising & Media Solutions - (Advertising Agencies, event planners, media)
- Premises Providers
- Maintenance Service Providers - (equipment, janitorial)
- Human Resource Providers - (consultants, trainers, security personnel, outsourced drivers)
- ICT services - (ICT equipment, software, maintenance)
- Food & Beverage Providers - (cafeteria, events)

The Company's supply chain includes funding business partners as well as general suppliers and service providers who support daily operational processes.

With respect to general suppliers, the Company transacts with a range from cottage industries, small and medium enterprises to multinational corporates. Key general

supplies include vehicles, equipment, IT hardware and software, office furniture, stationery, etc., whilst service providers include utilities, human resources, courier services, real estate etc.

With respect to sourcing funds for core operations within the supply chain, PLC relies on key banks and financial institutions, both locally and internationally. The products include short term and long term facilities including term loans and securitisations. Funding is also sourced through the public by way of deposits and debentures. Details of funding sources are presented in 'Treasury Operations' section.

PROCUREMENT PRACTICES

G4-EC9

Procurement at PLC falls under the purview of the logistics department at the head office. Significant procurement transactions involving IT hardware and software, vehicles and equipment among others are handled by this department. However, minor supplies for daily operations are carried out at the branch level.

Procurement transactions are carried out systematically following best practices. General procurement is carried out on three - quotation basis. Long - list of recommended suppliers for such procurement is in place. However, large scale and specialised procurement is carried out on a tender basis with proper procedures including calling for competitive proposals and due consideration on quality, cost or both, as the case applicable. A tender panel usually comprise of 5-6 members from the senior management Committee and chaired by DGM operations is in place to ensure that the best decisions are made in procurement.

The preference at all times as a policy is given to national suppliers as against foreign suppliers, with due diligence on quality, reliability, delivery, cost and compliance to environmental and social factors in its selection process. Foreign suppliers are sought only if the products and services are not available or wanting in the required specifications locally. Out of the cost incurred on supplies in the reporting year, totaling to Rs. 44,323.35 million, over 90 percent was absorbed by the local suppliers. Significant foreign suppliers were limited to purchases of software which accounted for less than 1 percent of the total procurement expenses incurred.

assess their sustainability practices which in turn will form the basis of due diligence undertaken periodically by the Company prior to confirming their procurement relationships. The Company also proposes to include covenants on sustainability and ethical facets within the procurement contracts as well as other investment contracts with business partners. This will include human rights clauses on child labour, forced labour and on discrimination based on social biases.

In the year under review, the Company did not record any transactions with business partners, suppliers and service providers who have undergone human rights screening, to best knowledge of the Company. Further, the Company is also not prejudiced and does not make any distinction on the supplier's freedom of association and collective bargaining and suppliers have not been identified on violating the same.

Spending on Suppliers - Local vs. Foreign				
	2014/15		2013/14	
	Rs. Mn	%	Rs. Mn	%
Local Suppliers				
Vehicle Suppliers	43,661.48	98.51	30,736.61	97.88
Electricity	37.24	0.08	37.95	0.12
Telephone	12.07	0.03	12.56	0.04
Maintenance of premises	12.24	0.03	12.98	0.04
Security charges	29.01	0.07	22.13	0.07
Water	3.08	0.01	2.79	0.01
Vehicle hirers	37.25	0.08	31.84	0.10
System developers	76.98	0.17	52.45	0.17
Stationary	16.71	0.04	20.64	0.07
Fuel	11.88	0.03	13.96	0.04
Insurance	57.83	0.13	48.03	0.15
Rent	253.45	0.57	253.39	0.81
Equipment maintenance	11.01	0.02	9.10	0.03
Advertising & promotions	59.34	0.13	83.24	0.27
Computer software & hardware	39.10	0.09	53.15	0.17
Total spending on local suppliers	44,318.67	99.99	31,390.82	99.97
Foreign Suppliers				
Software	4.68	0.01	10.32	0.03
Total spending on foreign suppliers	4.68	0.01	10.32	0.03
Total spending on suppliers	44,323.35	100.00	31,401.14	100.00

SUPPLIER ASSESSMENT

➔ G4-LA14, LA15, G4-HR1 & G4-HR11

Refer: Environment Review, Page 166-180

In its advocacy role, the Company recognises its potential to develop suppliers and to this end, works closely to bring in best practices and business ethics into their operations which in turn sets the pace for sustainability within the supply chain, with a positive impact on the business environment in the country. The Company has the business stature and repute to influence and command business partners to adhere with best practices.

In the reporting year, PLC developed a self - assessment questionnaire which was given to prioritise suppliers and other business partners of various divisions to





OPERATIONAL PERFORMANCE

AN IN-DEPTH VIEW ON THE OPERATIONAL PERFORMANCE AND PROCEDURES OF THE COMPANY, PERFORMANCE OF KEY PRODUCTS AND BRANCH NETWORK.

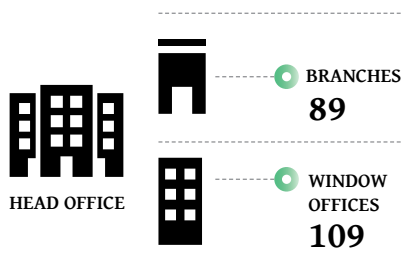
STRATEGIC FOCUS

Strategic Focus 2014/15	<p>Outreach limit future branch openings to untapped markets.</p>
<p>Group Synergies leverage on parent brand strength and expertise of subsidiaries and collaborate on mutually beneficial projects and reach cost efficiencies through economies of scale.</p>	<p>Product Diversification offer a total solution focusing on value-additions, new products and subsidiary operations.</p>
<p>Employee Relations ensure an enabling work culture with due remuneration, recognition and rewards and extend best opportunities in training for capacity building.</p>	<p>Customer Relations strengthen existing customer relationships and attract new customers with best-in-class service.</p>
<p>Branding & Marketing Communication showcase brand and seek cost effective below-the-line measures for promotions.</p>	<p>Financial Discipline closely monitor to ensure a quality portfolio and adopt cost effective measures and controls to lower overheads.</p>
<p>Risk Management hands on risk assessments and mitigatory action in all business transactions under a structured risk management framework.</p>	<p>Governance & Compliance follow best practices, accepted codes on corporate governance and comply with laws, rules and regulations.</p>
<p>CSR engage stakeholders and take on responsible initiatives to protect the environment and support local communities.</p>	



OVERVIEW & COMMENTARY

OUTREACH



PLC continued to rely on the strength of its distribution channel as a pivotal facet in delivering its corporate strategy. In the year, due resources were allocated to strengthen the network in depth and scale - reaching out to diverse socio- economic profiled customers across different geographic locations. As at the year- end, the distribution network stood at a total of 198, inclusive of four fully- fledged new branches established in the year.

The Company in the reporting year sought to bring in more structure to the vast network, enabling quality management, ease of operations and thereby, enhancing the level of productivity.

GROUP SYNERGIES

Synergies present within the PLC Group and also with the parent, People's Bank, continued to give a solid platform to reinforce PLC's positioning and drive value within the marketplace. The financial prowess of the parent entity was effectively availed to build brand value and support the efforts to steadily foray and break into new markets. The vast distribution channel of People's Bank remained a cost effective and a strategic option to set up window offices for a wider outreach.

Collaborative opportunities were advocated especially through cross-selling and product bundling to promote a comprehensive service solution through its network including the five subsidiary companies. Apart from this, the Company continued to look for options to centralise and share administrative functions whilst advocating best business practices across the Group.

CUSTOMER RELATIONS

Refer: Customer & Product Responsibility, Pages: 140-151



CUSTOMER BASE
260,054



NEW CUSTOMERS
58,824

Customer centricity advocating a relationship approach with service excellence was prioritised and pursued across the organisation. Well focused efforts took centre- stage to extend a structured product suite, tailored to address profiled customer needs with responsible delivery. An enabling workplace further complemented; employees were closely engaged and trained to be customer oriented with empathy and passion for best in service. Customer grievances were promptly handled, rewards offered for loyalty and satisfaction levels ascertained to make further improvements to the product and service.

EMPLOYEE RELATIONS

Refer: Human Capital Management, Pages: 118-137



WORKFORCE
1,666



RECRUITMENTS
15.94%



RETENTION
90%

The delivery of the corporate strategy is reliant on the competency and commitment of the workforce. Recognising this, due investments continued to be made towards a progressive workplace seeking to empower employees with right tools. Recruiting the best into the cadre on 'equal opportunity' together with remuneration, rewards, recognition on performance, tactical training and employee wellbeing underscored the Company's HR strategy, in turn supporting the overall corporate goals.



OPERATIONAL PERFORMANCE CONTD.

BRANDING & MARKETING COMMUNICATION

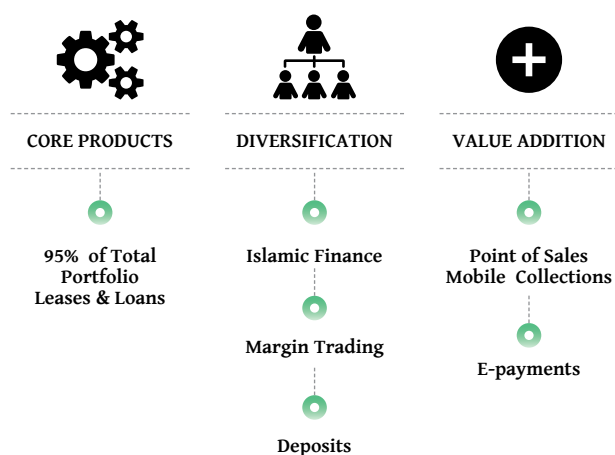
Customer & Product Responsibility, Pages: 140-151



PLC in the year continued to focus on building its brand responsibly, reinforcing the distinctive brand values of growth, prosperity, reliability, accountability and trust. Cost effective and below- the- line measures were predominantly used to showcase the brand and drive towards brand recall- effectively underscoring the point of differentiation and set the Company apart from the competition. Above- the- line measures were blended into this brand building process, but limited to selected initiatives within the print and electronic media. Events, road shows and sponsorships were also used to leverage on the brand.

PRODUCT

Refer: Customer & Product responsibility and Information Technology, Pages: 140-151, 113-115



Seeking to be a diversified financial service provider with greater propensity to create value remained central in the Company’s quest to be competitive within a dynamic business environment. Leasing, the core product, along with

loans continued to be significant as value drivers and were aggressively promoted to gain market share. However, given that hire purchase ceased to be an attractive product solution, the exposure was strategically curtailed.

Islamic finance, alternate to traditional products, was prioritised and further strengthened. Greater investments were made to brace the systems and processes and give due training for employees both within the dedicated branches of seven and to build capacity within the rest of the distribution channel.

In terms of deposit products, savings products were given prominence and were sought after throughout the network. Minor savings remained an attractive option paving the way for long term low cost funds. However, in the backdrop of lower interest rate trends and the availability of funds at low cost, fixed deposits especially one-year became an unattractive option. Therefore, growing the fixed deposit portfolio was not given strategic priority in the year under review.

New products such as margin trading seeking to diversify into a different customer segment within the burgeoning capital market was given greater focus, with more structure and resource allocation to build expertise and capacity.

Value addition was pursued to strengthen the suite of products. Automation along with smart mobile devices and apps was sought after to bring better features, flexibility and responsiveness in alignment to customer needs.

RISK MANAGEMENT

Refer: Risk Management Review,
Pages: 276-300

Risk management was given precedence and was further internalised within the Company's strategy development process and delivery, bringing greater strength and stability to the organisation. The functions of the risk department along with the Integrated Risk Management Committee were reinforced whilst the branch credit committees, initiated in the preceding year, sought to firmly establish its role in addressing credit risks in decision-making and actions. This assumed greater significance in the reporting year given the propensity for defaults in a challenging business backdrop. The structured approach with well-defined risk parameters including the precautionary approach from an environmental and social perspective supported operational staff and management to make best-fit decisions for better and ethical returns.

FINANCIAL DISCIPLINE

Refer: Financial Review, Pages: 53-59



NET PROFIT
GROWTH
20.14%



OPERATING PROFIT
MARGIN
27.93%



RATINGS

'AA- (LKA)'
FITCH RATING

'B+'
FITCH RATINGS
INTERNATIONAL

'B+/B'
STANDARD &
POOR'S

The Company continued to give careful thought and ensure proper checks and controls to keep a trim cost structure to support bottom-line growth. Firm measures were adopted with greater automation to streamline the processes and bring in waste management. Due emphasis was placed on collections and recoveries to curb the proliferation of non-performing facilities.

Thus supported, with sensible cost saving measures in place, the Company was able in the year under review to keep a check on its costs despite expansionary initiatives; in turn, cushioning the bottom-line and margins. Although, operating expenses increased by 13 percent in the year, the Company succeeded to curtail cost to income ratio to 34.63 percent compared to the previous year's ratio of 37.01 percent.

GOOD GOVERNANCE & COMPLIANCE

Refer: Corporate Governance,
Pages: 194-262

Corporate stewardship has always underscored PLC's success, thus far. Following the changes of directorate of the parent, the Board of Directors tendered resignation during the last quarter of the financial year 2014/15 thus the Company functioned without a formal Board for a short period. However, good governance which is deeply rooted within the organisation, supported the Company to weather these challenges and continue with effective decision making and compliance to all applicable statutory requirements, regulations and standards.

CORPORATE SOCIAL RESPONSIBILITY

Refer: Environment Review & Social
Review, Pages: 166-180, 140-165

Valuing an integrated route to value creation, the unwavering efforts continued towards adopting solid measures in environment management and being a partner in supporting social causes and upholding responsibility. This year, with an organised approach, a campaign titled 'We Care' was rolled out, moving on to streamlined and coherent initiatives in taking social and environmental responsibility forward.



OPERATIONAL PERFORMANCE CONTD.

BRANCHES & OPERATIONAL PERFORMANCE

Our focus this year was on consolidating the performance of existing branches instead of opening new branches. Yet, exploring untapped markets, we opened four new branches in strategic locations. Branches collectively enabled us to reach a new milestone by achieving Rs. 60 billion mark in cumulative disbursements.

Mr. Lionel Fernando
DGM - Operations



Branches & Operational Performance - Snapshot 2014/15

Strategic Priorities

- Re-organise and rationalise branch network for seamless operations and efficiency.
- Expand outreach to untapped markets.
- Infuse resources to strengthen systems and processes and extend pertinent training opportunities.
- Closely monitor targets at branch and officer level and tie up performance with the rewards and recognition.
- Build up healthy competition between branches to drive top line growth as well as maintain credit quality.

Highlights

- Established four new branches in Melsiripura, Giriulla, Digana and Bentota taking the total to 89 branches.
- Initiated decentralisation towards streamlined operations and efficiency through a zonal concept.
- Disbursements on leases, hire purchase and loans grew by 28 percent to Rs. 60.92 billion.
- Collections were sustained at 94.34 percent and non-performing ratio managed at 2.72 percent below the industry level.
- Organised the Annual Branch Competition and recognised branch performance, best CSR initiatives and employee performance.

Key Performance Indicators

Rs. 60,918.58 Mn
Disbursement

94.34%
Collection Ratio

2.72%
Non-Performing
Ratio

Rs. 5,375.11 Mn
Profit Before Tax

For the Financial Year	2014/15	2013/14	% Change
Distribution Network			
Branches (Number)	89	85	4.71
Window Offices (Number)	109	109	-
Operational Performance - Lease, Hire Purchase & loan			
Gross Portfolio (Rs. Mn)	118,828.95	112,727.10	5.41
Disbursements (Rs. Mn)	60,918.58	47,635.50	27.89
Rental Collections (Rs. Mn)	88,366.25	87,506.20	0.98
Non Performing Ratio(%)	2.72	2.18	0.54
Interest Income (Rs. Mn)	19,247.62	19,533.60	(1.46)
Branch Level Interest Income (% of Total Income)	92.01	93.10	(1.09)
Profit Before Tax (Rs. Mn)	5,375.11	4,386.96	22.52



BRANCH NETWORK - MAP  G4 - 8

North Province
 » Chunnakam » Mannar
 » Jaffna » Vavuniya
 » Kilinochchi

No. of Branches	5
No. of Window Offices	10
No. of New Branches	-
Employees	57
Population ('000)*	1,073

North Central Province
 » Anuradhapura » Polonnaruwa
 » Kekirawa » Thambuttegama

No. of Branches	4
No. of Window Offices	8
No. of New Branches	-
Employees	60
Population ('000)*	1,276

Eastern Province
 » Ampara » Kattankudy (Alsafa)
 » Batticaloa » Muttur (Kinniya)
 » Kaluwanchikudy » Trincomalee
 » Kalmunai (Alsafa) » Kanthale

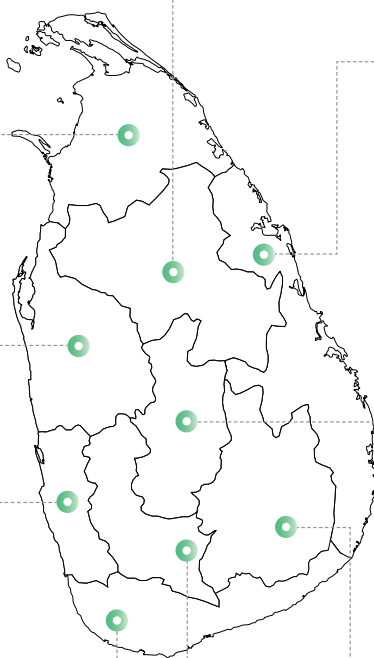
No. of Branches	8
No. of Window Offices	12
No. of New Branches	-
Employees	87
Population ('000)*	1,571

North Western Province
 » Chilaw » Melsiripura
 » Giriulla » Puttalam (Alsafa)
 » Kuliyaipitiya » Wariyapola
 » Kurunegala » Wennappuwa

No. of Branches	8
No. of Window Offices	11
No. of New Branches	2
Employees	103
Population ('000)*	2,393

Central Province
 » Dambulla » Mahaiyawa
 » Digana » Matale
 » Gampola » Nawalapitiya
 » Hatton » Nuwara Eliya
 » Kandy » Pilmathalawa
 » Kandy (Alsafa)

No. of Branches	11
No. of Window Offices	10
No. of New Branches	1
Employees	148
Population ('000)*	2,592



Western Province
 » Avissawella » Mathugama
 » Battaramulla » Metropolitan/Three Wheel Unit
 » Colpetty » Minuwangoda
 » Dehiwala » Dehiwala (Alsafa)
 » Gampaha » Moratuwa
 » Grandpass » Negombo
 » Havelock » Nittambuwa
 » Homagama » Nugegoda
 » Horana » Panadura
 » Ja-Ela » Pettah
 » Kadawatha » Piliyandala
 » Kaduwela » Union Place (Alsafa)
 » Kalutara » Ward Place
 » Kelaniya » Wattala
 » Kirindiwela » Wattala
 » Maharagama » Wellawatte

No. of Branches	32
No. of Window Offices	17
No. of New Branches	-
Employees	883
Population ('000)*	5,866

Uva Province
 » Badulla » Monaragala
 » Bandarawela » Welimada
 » Mahiyanganaya » Wellawaya

No. of Branches	6
No. of Window Offices	6
No. of New Branches	-
Employees	91
Population ('000)*	1,278

Southern Province
 » Akuressa » Galle
 » Ambalagoda » Hambantota
 » Ambalanthota » Matara
 » Bentota » Neluwa
 » Deniyaya » Tangalle
 » Elpitiya » Tissamaharama

No. of Branches	12
No. of Window Offices	20
No. of New Branches	1
Employees	161
Population ('000)*	2,493

Sabaragamuwa Province
 » Balangoda » Kegalle
 » Embilipitiya » Ratnapura

No. of Branches	4
No. of Window Offices	15
No. of New Branches	-
Employees	76
Population ('000)*	2,493

* Latest available figures as per CBSL Annual Report 2014

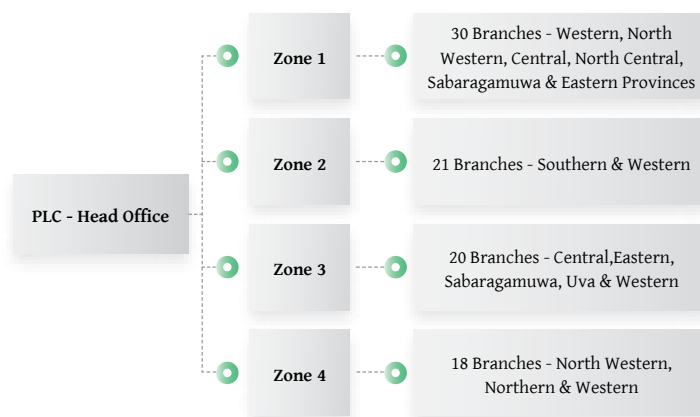
OPERATIONAL PERFORMANCE CONTD.

OVERVIEW

Reinforcing the strength of the branch network, PLC stayed focused on its consolidation plans on a zone basis. Under the direction of four zone heads, branch management was given greater autonomy in their decision making - to drive proficiency and performance; manage risk effectively; be disciplined as a cost centre; and uphold professionalism and integrity in discharging their duties. In this setting, the branches across the board performed exceptionally well, navigating through the challenges both from a macroeconomic standpoint and the industry. Actual performance was well in line with the targets given for the year.

STRUCTURAL CHANGES

Seeking to enable a more flexible and manageable platform to accommodate the growing operations, the Company sought the option of decentralisation with further delegation from the centre, the head office. As an initial step towards this, four zone heads were appointed with due authority to manage operations and oversee performance of branches on a cluster basis - selected on size and quality of the portfolio, workforce strength and accessibility. Each zone is proposed to have its own administrative units including finance and administration, risk management and legal. This is expected to ease the processing of facilities and enable branches to effectively handle more complex transactions with hands-on management and proper checks and balances, but, with less 'red-tape'. Decentralisation under this new structure is expected to be an ace and bring solid benefits to the Company's customer-centricity approach. The full effect of these plans is expected to take shape in the ensuing two years.



MONITORING & RISK MANAGEMENT

Branch performance in the year under review reflected well on the cohesive efforts taken in driving top-line growth, whilst exercising discipline and cautions to ensure a quality portfolio. The performance across the branches, well in line with the targets pre-agreed both at a collective level and at the officer's level during the planning process was closely followed through and monitored. The performance dashboards, also accessible on the intranet, along with regular performance monitoring meetings supported the Company to be ahead of issues and exercise necessary action to ensure that targets were in line and the health of the portfolio was not compromised.

The respective Branch Risk Credit Committees which were established in the previous year, in consultation with the Risk Management at the head office and the Integrated Risk Management Committee, supported operations to be diligent in managing portfolio quality amidst driving for top-line targets.

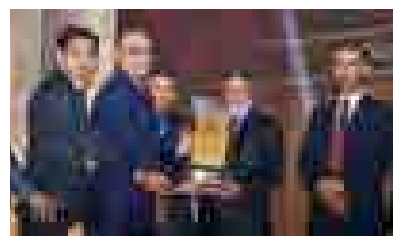
BEST BRANCH COMPETITION

The 'Best Branch' competition continued to take the limelight across the branch network. This year, the prestigious awards themed 'PLC Premier Awards 2013/14' celebrated and recognised 50 branch employees both individually and as teams for their

efforts to reach the bar of excellence. The awards were adjudged under three branch categories - A, B and C based primarily on the size of the portfolio, quality and staff strength. The evaluations were transparent with clear criteria - disbursements, interest income, profitability, non-performing portfolio, branding and marketing and CSR initiatives in line with the Company's triple-bottom-line approach to business. The best performing employees were extended with exciting gifts and three-day all inclusive holiday packages to Malaysia.



Balangoda Branch
Best Branch - Category C



Nuwara Eliya Branch
Best Branch - Category B





Kandy Branch
Best Branch - Category A



Kandy Branch
Best CSR Project



Kandy Branch
Overall Best Branch of the year

LEASE, HIRE PURCHASE & LOANS PORTFOLIO

The portfolio of leases, hire purchase and term loans inclusive of Islamic finance equivalent products primarily Ijara and Murabah reached Rs. 118.83 billion as at the year- end 31st March 2015 which reflects a growth of 5.4 percent over the position as at the preceding year- end. Out of the portfolio, leasing products - finance leases accounted for a share of 57.10 percent whilst hire purchase and term loan took up 23.22 percent and 19.68 percent respectively.

GRANTING/DISBURSEMENTS

Granting/Disbursements	
2013/14 Actual	Rs. 47,635.50 Mn
2014/15 Target	Rs. 68,241.00 Mn
2014/15 Actual	Rs. 60,918.58 Mn

The first three quarters of the year under review saw a relatively stable macroeconomic setting with lower interest rates, single digit inflation and relative stability in the exchange rate. Yet, the fourth quarter was marked by socio- political trails which impacted the overall business confidence. The industry also remained challenged by the higher tax regime for imported

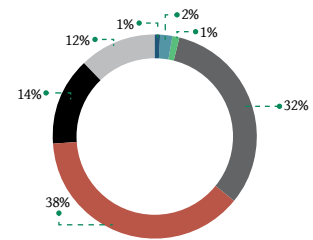
vehicles which was further intensified by the move in the Interim Budget, January 2015, to increase duty on hybrid vehicle imports.

However, the strength of the organisation backed by a solid mainstay and perceptive top- line strategies supported the Company to post excellent operational results and reinforce its positioning at the number one slot in terms of market share for the 13th consecutive year within the specialised leasing sector.

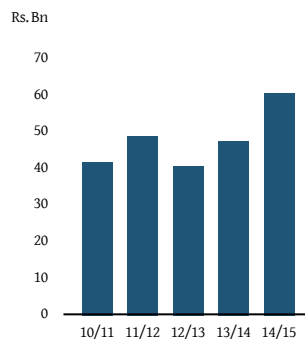
Cumulative disbursements surpassed the targeted Rs. 60 billion mark for the first time in the Corporate's history, reaching to Rs. 60.92 billion supported by sound results from all four quarters in the year under review. The disbursements exceeded the targeted level by a noteworthy 89 percent and posted a growth of 28 percent over Rs. 47.64 billion recorded in the preceding year.

In terms of sector analysis, service sector continued to take up the largest share of over 38.10 percent of the total disbursements. Within this sector, trading sub- sector accounted for the highest exposure of 14.14 percent followed by the transport of 11.56 percent. Disbursements to the construction sub sector remained low at 2.26 percent. The share of exposure to agriculture and manufacturing sectors remained low at 1.16 percent and 0.68 percent respectively.

Disbursement sector wise



Disbursements



OPERATIONAL PERFORMANCE CONTD.

As per the product mix, the core product, leasing inclusive of finance leases and Ijara under Islamic finance continued to dominate, accounting for over 55.65 percent of the total disbursements in the year. With a favourable demand intact in a low interest rate regime, disbursements for finance lease facilities grew by a remarkable 45 percent to reach Rs. 33,897.27 million over the preceding year. As was the case in the recent years, term loans continued to gain in momentum with disbursements posting an outstanding growth, highest within the portfolio, of 56 percent to Rs. 15,982 million over the previous year - resulting in a share of 26.24 percent of the total.

However, as discussed under 'Strategic Focus' above, hire purchase as a product was abandoned in the year under review. Disbursements on hire purchase facilities thus registered a decline of 19 percent, reaching Rs. 11,038.81 million in the year under review with the share noting a decline of 10.81 percentage points within the overall portfolio mix, representing just 18.12 percent of total disbursements.

With the highest concentration of branches and reflecting the propensity to generate economic value, the Western Province recorded the highest disbursements totaling to Rs. 28,705 million with a share of 47.12 percent and representing 30.84 percent growth vis-à-vis the previous year. The top performing branch within the province was Nugegoda followed by Metropolitan and Ward Place branches. Southern, Central and North-Western provinces also continued to be dominant with a 30.67 percent share of total disbursements.

Provincial Performance - Disbursements				
Province	2014/15		2013/14	
	Value Rs. Mn	Share %	Value Rs. Mn	Share %
Western	28,704.78	47.12	21,938.68	46.06
Southern	8,694.80	14.27	5,514.98	11.58
Eastern	3,136.07	5.15	2,513.75	5.28
Central	5,916.34	9.71	5,073.13	10.65
Northern	1,049.91	1.72	1,067.28	2.24
Sabaragamuwa	3,347.10	5.49	2,820.82	5.92
North Central	2,511.38	4.12	2,638.59	5.54
North Western	4,070.83	6.68	3,064.57	6.43
Uva	3,487.38	5.72	3,003.70	6.31
Total	60,918.58	100.00	47,635.50	100.00

INTEREST INCOME

Refer: Financial Review, Pages: 53-59

Interest Income	
2013/14 Actual	Rs. 19,533.60 Mn
2014/15 Target	Rs. 20,074.81 Mn
2014/15 Actual	Rs. 19,247.62 Mn

The extensive branch network spreading throughout the country leads the Company's value creation process. The branch activities generated over 92.01 percent of total interest income earned in the year under review. However, the capacity to generate interest income was stifled in the backdrop of a low interest rate regime and therefore, income generated from leases, hire purchase and loans was less than its potential and registered a marginal decline in the year, reaching to Rs. 19.25 billion

over the previous year. This was almost 96 percent of the targeted interest income. Yet, given the low cost of funds generated as discussed under financial review, the net interest income performed well with an increase of 21 percent over the preceding financial year.

Following disbursement trends, Western Province topped interest income generation with a share of 50.93 percent of the total interest income generated, followed by Southern and Central provinces accounting for 19.88 percent. The top three branches were Dehiwala, Metropolitan and Kandy, accounted for over 10 percent of the total interest income.



“NON- PERFORMING RATIO WAS MAINTAINED BELOW THE TARGETED RATIO. MORE SO, THE RATIO WAS REMARKABLY WELL BELOW THE INDUSTRY AVERAGE.”

Interest Income - Top Performing Provinces and Branches			
	2014/15	2013/14	% Change
	Rs. Mn	Rs. Mn	
Top Performing Provinces			
Western	9,802.29	10,089.41	(2.85)
Southern	2,063.79	1,950.10	5.83
Central	1,762.07	1,684.03	4.63
Top Performing Branches			
A Grade - Dehiwala	593.27	901.42	(34.18)
B Grade - Negombo	396.34	489.57	(19.04)
C Grade - Embilipitiya	250.35	267.68	(6.47)
Overall Interest Income	19,247.62	19,533.60	(1.46)

COLLECTIONS & NON PERFORMING RATIO

Collection Ratio		Non Performing Ratio	
2013/14 Actual	94.30%	2013/14 Actual	2.18%
2014/15 Target	93.00%	2014/15 Target	3.00%
2014/15 Actual	94.34 %	2014/15 Actual	2.72 %

The branches as discussed above was diligent in their concerted efforts to pursue on timely and consistent collections, recovery of non - performing facilities and arresting the possibilities of defaults; thereby, controlling the quality of the portfolio. The collections for the year reached Rs. 88,366 million with a ratio sustained closer to the preceding year at 94.34 percent. The non - performing ratio of 2.72 percent was maintained below the targeted ratio at less than 3 percent and was closer to the ratio of 2.18 percent posted in the previous year. More so, the ratio was remarkably well below the industry average of 6.9 percent.

On a provincial basis, the lowest non- performing ratios was recorded from Sabaragamwa province whilst top performing branches managed to keep their ratios intact, below their targeted levels and against the preceding year.

Collections & Non Performing Ratio - Best Performing Provinces and Branches				
	2014/15		2013/14	
	Collections	Non-Performing Ratio	Collections	Non-Performing Ratio
Top Performing Provinces				
Central	95.47	2.01	94.90	1.12
Uva	95.29	2.32	94.90	1.42
Southern	94.93	1.83	94.70	1.78
Top Performing Branches				
A Grade - Nugegoda	96.40	0.95	95.39	1.23
B Grade - Nuwara Eliya	97.61	0.41	97.07	0.14
C Grade - Balangoda	97.22	0.37	95.89	0.86
Overall - PLC	94.34	2.72	94.30	2.18
Industry	-	6.90	-	6.70

OPERATIONAL PERFORMANCE CONTD.

“PLC WILL FOCUS ON DECENTRALISING ITS OPERATIONS ON A FOUR- ZONE BASIS. THIS IS SCHEDULED TO BE FULLY OFF- GROUND AND FULLY FUNCTIONAL WITHIN THE NEXT TWO YEARS.”

Operational Plans 2014/15	
<ul style="list-style-type: none"> ● Rationalise the Network ● Re- organise or relocate branches to minimise overlapping areas and capitalise on high density locations. ● Upgrade window offices and mini branches, if feasible. 	<ul style="list-style-type: none"> ● Decentralisation ● Source within or recruit staff to organise regional administrative teams. ● Invest in technology to build processes to facilitate regional operations.
<ul style="list-style-type: none"> ● CSR Initiatives: ● Encourage staff to be more focused in stakeholder engagement. ● Recognise initiatives to spearhead and volunteer coherent and meaningful CSR initiatives and special projects. 	<ul style="list-style-type: none"> ● Planning & Performance ● Greater engagement with employees in planning and setting up targets to best-fit current macroeconomic and industry scenarios. ● Closely monitor performance and targets to ensure returns on investment.

IMPAIRMENT POLICY

Impairment policy was structured on the lines of best practice - following a cautious approach as guided by the revised Accounting Standards aligned to the principles of International Financial Reporting Standards. Overall impairment charges provided in the year including disposal losses amounted to Rs. 855.20 million reflecting an increase over Rs. 169.59 million provided in the preceding year. As a tactical move, the Company continued to dispose seized vehicles from default clients, even at a loss and the monies thus recovered were duly invested to compensate on the losses.

FUTURE OUTLOOK

Pursuing its top- line strategy, PLC will look to further consolidate the branch network and leverage on the expansiveness of its outreach. As planned in line with the foundation laid during the year under review, PLC will focus on decentralising its operations on a four - Zone basis as elaborated above. This is scheduled to be fully off-

ground and fully functional within the next two years. Necessary investments are proposed on recruitments to gather the right- profiled administrative teams and on appropriate technology to support systems and process under this framework.

PLC will also seek to expand its outreach to untapped markets whilst rationalising the network with due relocations and new branches in areas that have the highest concentration of potential customers. Training and development of staff, their wellbeing and nurturing a performance based culture with highest standards in business ethics will be prioritised.



AL-SAFA ISLAMIC FINANCIAL SERVICES UNIT

Following the footprint of PLC, the AIF unit achieved outstanding results during the year. We were able to surpass the set target for the year by recording a profit over Rs. 300 million with a portfolio of Rs. 5.8 billion.

Mr. Rohan Tennakoon

DGM- Business Development & Marketing
Head of AIF Unit



Islamic Finance - Snapshot 2014/15

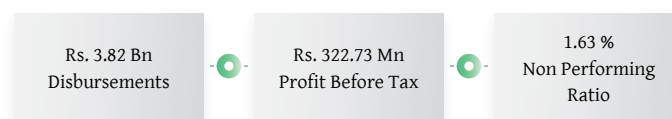
Strategic Priorities

- Establish window operations within the PLC network.
- Promote awareness on Islamic financial products among general public.
- Develop a specialised team with proficiency in extending Islamic finance services.
- Automate functions and work process to bring in greater efficiency.
- Ensure compliance to Shari'ah framework for good governance.

Highlights

- Strengthened operational processes and built team's capacity within the seven dedicated branches and 25 window operations.
- Disbursements increased by 59.87 percent to Rs. 3,815.97 million taking the portfolio to Rs. 5,837.61 million.
- Posted an increase of 54.83 percent in profit before tax to Rs. 322.73 million.
- Mudharabah deposits the main source of funds for AIF operations stood at Rs. 1,954.78 million as at 31st March 2015.
- AIF operations were duly audited and compliance certification in place under Shari'ah guidelines.

Key Performance Indicators - 2014/15



For the Financial Year	2014/15	2013/14	% Change
Customers (Number)	4,667	4,364	6.94
Muslim Customers (Number)	4,359	4,081	6.81
Non-Muslim Customers (Number)	308	283	8.83
Portfolio (Rs. Mn)	5,837.61	4,108.45	42.09
Disbursements (Rs. Mn)	3,815.97	2,386.92	59.87
Profit Before Tax (Rs. Mn)	322.73	208.44	54.83
Deposits (Rs. Mn)	1,954.78	2,386.85	(18.10)
Non Performing Portfolio (Rs. Mn)	95.10	106.50	(10.70)
Non Performing Ratio (%)	1.63	2.59	(0.96)

OPERATIONAL PERFORMANCE CONTD.

Islamic Finance Leasing & Lending Products	<ul style="list-style-type: none"> Ijarah goods/assets purchased on behalf of a customer and the ownership is transferred over a specific period of time by paying a pre-agreed rental; customer has the right to use the item prior to ownership transfer.
<ul style="list-style-type: none"> Diminishing Musharakah finances real estate investments as a joint acquisition between the customer and company and the ownership is transferred on a monthly rental & equity. 	<ul style="list-style-type: none"> Murabaha - Asset Finance/Trade Finance short to medium term financing scheme for vehicles and commodities - goods/assets purchased on behalf of customer and sells the same back to the customer at a pre-agreed sale price on deferred payment basis.

Islamic Finance Savings & Investment Products	<ul style="list-style-type: none"> Mudharabah Savings minimum deposit of Rs. 1,000 with no restrictions on withdrawals up to Rs. 100,000 per day, number of transactions and service charge for low balances. VISA Debit Card and SMS alert service included.
<ul style="list-style-type: none"> Usfoor Minor Savings minimum deposit is Rs. 500 and profit is calculated monthly; withdrawals are permitted by the parent/guardian for education and hospitalisation and the account will be converted to a normal Mudharabah Savings Account when the minor turns 18 years of age. 	<ul style="list-style-type: none"> Corporate Savings Plus profit is calculated on a daily average investment balance and credited to the account monthly; minimum investment is Rs. 100,000 and the minimum balance to be maintained is Rs. 5,000/= ; withdrawals are unrestricted with prior notice for large transactions.
<ul style="list-style-type: none"> 12 months Mudharabah Investment (Profit at Maturity) medium-term product with a minimum investment of Rs. 100,000 and pre-mature withdrawal with prior notice and re-investment as an option; profit is calculated at maturity on a ratio of 75% for regular investors and senior citizens at a higher ratio of 77%. 	<ul style="list-style-type: none"> 12 months Mudharabah Investment (Monthly Profits) medium-term product with a minimum investment of Rs. 100,000 for regular investors and profit share ratio is 65% while Rs. 50,000 for senior citizens and widows with profit share ratio of 67%. Profit is calculated monthly and pre-mature withdrawals allowed with prior notice.
<ul style="list-style-type: none"> Short Term Mudharabah Investments (3 to 6 months - Profit at Maturity) minimum investment is Rs. 50,000 with no restrictions on pre-mature withdrawals with prior notice. Profit share ratio is on the basis of the investment period. 	

OVERVIEW

Well aligned to the corporate strategy of being a diversified and an inclusive organisation, Al-Safa Islamic Financial Services (AIF) is PLC's specialised unit operating in line and in compliance with Shari'ah principles prescribed by the Accounting & Auditing Organisation for Islamic Financial Institutions. AIF which was initiated in 2005 is presently one of the front-runner Islamic financial services providers in the non-bank financial institutions sector.

AIF unit is based at the head office with dedicated branches in strategic locations and representation in other main branches throughout the island. The unit offers a comprehensive suite of products both leasing and lending as well as deposits and investment options to institutional clients in trading, transportation, agriculture and services and to the retail sector.

PERFORMANCE

Portfolio & Disbursements

Within a competitive operating environment, AIF unit progressively moved forward to establish a firm presence with the brand 'Al-Safa' growing in strength within the marketplace. Sound measures were in place to bring in greater automation, capacity building inclusive of internal training and foreign training in Malaysia and discipline in keeping with the stipulated guidelines under the Shari'ah Law.

The seven dedicated branches in Union Place, Dehiwala, Kandy, Puttalam and three in the Eastern Province - Kattankudy, Kalmunai and Muttur were able to strengthen its operations with a clear separation from conventional business. These branches together with window representation in selective main branches succeeded to gain



market share, sustaining its position as the market leader in Islamic financial services within the non-bank financial sector and posted sound results in operations.

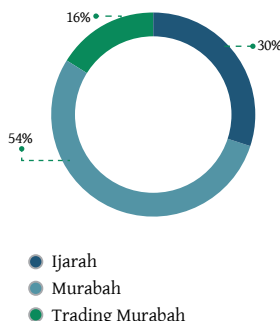
The lending portfolio dominated by Murabah with 52.11 percent share and the balance 47.89 percent by Ijarah & Trading Murabah, reached Rs. 5,837.61 million in the year under review, posting an increase of 42.09 percent over the previous year. The slump in agriculture sector due to adverse weather conditions that prevailed in the year limited the portfolio performance from reaching its potential. Disbursements of facilities for the year corresponded to an increase of 59.87 percent to reach Rs. 3,815.97 million over the preceding year. This was well in line with the targeted disbursements of the Company. The bulk of the disbursements representing 54.63 percent of the total were generated by the dedicated branch Union Place Alsafa followed by Kandy Alsafa branch.

Total income generated reached Rs. 745.72 million, corresponding to 3.07 percent decrease over the preceding year. AIF registered a profit before tax of Rs. 322.73 million, representing an increase of 54.83 percent in comparison to the preceding financial year. This profit accounted for 6 percent of PLC profit before tax.

FUNDING & FINANCIAL POSITION

Deposit base in the year under review decreased by 18.10 percent to Rs. 1,954.78 million. The in-house Mudharabah deposit base remained as the dominant source of funds generated whilst the Wakalah investment scheme where funds are raised through corporates and financial institutions accounted for the balance.

Composition of Islamic Granting



RECOVERIES & NON-PERFORMING PORTFOLIO

Refer: Social Review, Pages: 140-165

With the focused efforts in recovery management underscored by the relationship based business approach combined with benevolence as advocated by the Shari'ah principles, supported the AIF unit to restrain the non performing portfolio from growing the recovery rate reached 95.52 percent whilst the non-performing ratio stood at 1.63 percent, reflecting 39.09 percent decline over the previous year's ratio.

The penalties charged on customer for delays and defaults in meeting their financial obligations were duly transferred to the Charity fund allocated for community based social responsibility projects and initiatives.

GOVERNANCE

In the reporting year, AIF unit activities were duly audited by an independent non-executive, Shari'ah Council of Al'safa. Comprising four eminent scholars in Shari'ah principles and in Islamic finance, the Council audited the financials and processes and ensured Shari'ah compliance. AIF operations were also in line with the rules and regulations for finance companies stipulated by the Central Bank of Sri Lanka.

FUTURE FOCUS

With changes in demographic patterns along with new socio-cultural perceptions, the demand for Islamic finance products will continue in its upward trend. The AIF unit with an established brand 'AlSafa' and a head-start over most other players in the non-bank financial institutions sector, is positioned well to reach out to the growing and lucrative market opportunities.

Key Plans 2015/2016	
<ul style="list-style-type: none"> Targeted Promotions organise special promotional campaigns on the product offer and benefits in strategic locations predominantly inhabited by the Muslim community. 	<ul style="list-style-type: none"> Outreach strengthen the seven dedicated branches; launch the proposed new branch in Galle and increase the window representation within selected main branches in strategic locations.
<ul style="list-style-type: none"> Product Development develop new products especially targeting microfinance and special deposits targeting women and children and take-off new product 'Diminishing Musharakah' for working capital requirements. 	<ul style="list-style-type: none"> Awareness Building create awareness on Islamic finance targeting both Muslim and Non-Muslim communities.
<ul style="list-style-type: none"> Skills Training extend intensive training to AIF team on Islamic finance and create general awareness amongst staff working within the conventional divisions on Islamic principles and product knowledge. 	<ul style="list-style-type: none"> Value Addition add-value to core products with special benefits to retain the existing customer base as well as to attract new customers.





“IT HAS BEEN ALMOST 10 YEARS SINCE I FIRST PLACED MY TRUST IN PLC AND THEY HAVE VALIDATED MY CONFIDENCE IN THEM BY CONTINUING TO BE A STRONG AND STABLE INSTITUTION THAT INCULCATES A POSITIVE ENVIRONMENT IN WHICH PEOPLE OF ALL STRATA CAN SAVE AND GROW. NOT ONLY HAVE THEY BEEN FLEXIBLE TO MY REQUIREMENTS, THEY HAVE ALSO GONE THE EXTRA MILE TO ENSURE THAT I AM VALUED AND RESPECTED AS A CUSTOMER.”

S. M. Tanabe

Ms. Samantha Manoja Tanabe
Civil Engineer and Visiting Lecturer
(University of Moratuwa)
Savings Depositor

OPERATIONAL PERFORMANCE CONTD.

DEPOSIT OPERATIONS

Deposit Operations - Snapshot 2014/15

Strategic Priorities

- Inculcate the habit of savings among the grass- root masses.
- Aggressively promote savings products especially within the periphery and target school children aligned to PLC's CSR initiatives.
- Strategically discouraged high cost fixed deposits

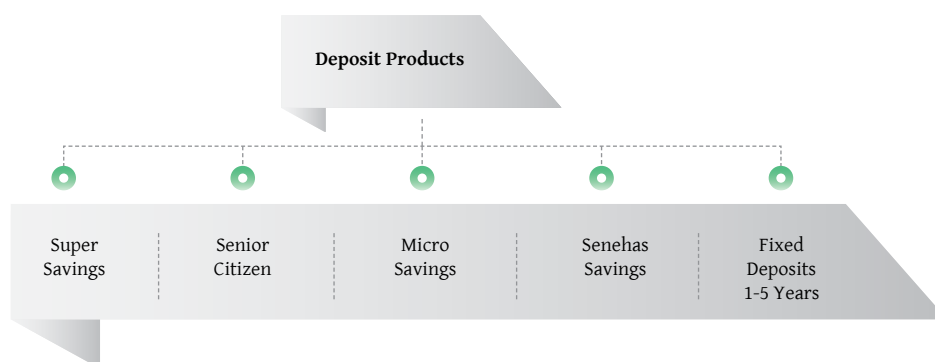
Highlights

- Deposit holder customer base reached over 160,000.
- Savings portfolio grew by a noteworthy 139.20 percent.
- Mobile savings through palmtops popularised with collections growing to Rs. 25.80 million.

Key Performance Indicators



As at 31st March	2015	2014	% Change
Overall			
Deposit Holders (Number)	160,665	129,339	24.22
Deposit Portfolio (Rs. Mn)	34,022.57	40,921.48	(16.86)
Savings			
Deposit Holders (Number)	138,146	109,180	26.53
Savings Portfolio (Rs. Mn)	4,941.09	2,065.66	139.20
Minor Savings Portfolio (Rs. Mn)	45.81	39.43	16.18
Fixed Deposits			
Deposit Holders (Number)	22,519	20,159	11.71
Fixed Deposit Portfolio (Rs. Mn)	29,081.48	38,855.82	(25.16)



OVERVIEW

Since obtaining the licence to operate as a finance company in December 2012 and amalgamating with its subsidiary, People's Finance in 2013, PLC's deposit taking operations have steadily progressed, establishing its presence within the non-bank financial arena. Supporting the Company's funding base and enabling to offer a total solution to customers combining leases and loans with deposit services, this operation has taken root within the corporate strategy and plans.

In the year under review, firm steps were taken to strengthen deposit taking operations across the organisation. As discussed under 'Overview - Strategic Focus', the approach followed was responsive to the country's monetary policy.

The emphasis accordingly was on savings products which gave long term and low cost fund base for the Company and thus were aggressively promoted especially in the periphery. However, fixed deposits played a modest role in deposit taking operations given the disadvantages of maturity mismatches within a low interest rate setting. Mobile saving operations through palmtop transactions at the doorstep of customers, enabling their convenience, were given precedence.

PERFORMANCE

The deposit products offered three saving options especially targeting minor saving and microfinance customer savings along with fixed term deposit products ranging from 1 year to 5 years, to a lesser extent. During the reporting year, deposit operations mobilised Rs. 31,522.75 million. Funds mobilised also represented a 19.98 percent increase over the preceding year of Rs. 26,272.97 million.

Out of the total funds mobilised, over 85.71 percent share was accounted by savings which saw a growth of 139.20 percent over the previous year. Fixed deposit base saw a slight decline of 25.16 percent compared to the deposit base as at 31st March 2014 which was well in line with the corporate strategy.

Out of the saving products, 'Super Savings' targeting age above 18 years customers accounted for the highest share within the savings portfolio whilst the balance was contributed by 'Senehas Savings' primarily catering to

age below 18 years and 'Micro Savings' targeting micro finance customers.

Mobile savings through palmtop collections took off ground in the reporting year. The Company invested Rs. 17 million on palmtop devices to mobilise savings and raised Rs. 25.80 million during the financial year. This represented Rs. 23.81 million increase over the previous year's palmtop collections of Rs. 1.99 million.

Deposit Product Performance

	2014/15	2013/14	Change
	Rs. Mn	Rs. Mn	%
Savings			
● Super Savings	4,584.39	1,781.38	157.35
● Senehas Savings	45.81	39.43	16.18
● Micro Savings	76.41	80.81	(5.44)
Fixed Deposits			
● 1 Year	14,305.19	19,792.09	(27.72)
● 2-5 years	5,869.84	5,604.99	4.73

FUTURE OUTLOOK

In the backdrop of PLC's diversified aspirations and expansionary plans, deposit taking is expected to continue in its strategic role within the Company. Plans are focused on growing market share reaching out to its customer base across the branch network including tapping into the microfinance customer base.

Deposit Operations Plans 2015/16

● Promotions

leverage on PLC brand and strength of the organisation to retain existing customers and reach new customers.

● Awareness Building

organise awareness programmes on the habit of savings among public especially targeting microfinance customers and school children.

● Responsiveness

extend flexible options in withdrawals, ATM facilities through parent network, online and mobile service, fringe benefits and competitive rates.

OPERATIONAL PERFORMANCE CONTD.

MARGIN TRADING

Margin Trading - Snapshot 2014/15

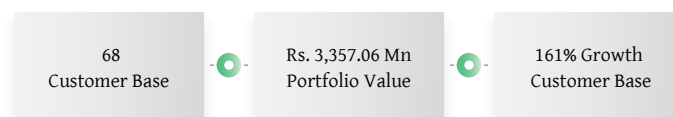
Strategic Priorities

- Reinforce margin trading operations to avail the capital market movement.
- 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.

Highlights

- Recruited specialised staff with necessary skills and experience in the industry including the head of operations.
- Extended internal training to staff on margin trading operations and on the system.
- Increased the customer base to 68, accounting for 70 percent retail sector customers and 30 percent institutional and high- net- worth clients.
- Margin trading disbursements increased by 2,328 percent amounting to Rs. 1.39 billion.
- Strengthened the risk management function in consultation with the risk department.
- Internal audit completed an audit on compliance with the guidelines issued on margin trading by the Securities and Exchange Commission of Sri Lanka.

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Customer Base	68	26	161.54
Facilities Processed (Number)	53	09	488.89
Margin Trading Disbursements (Rs. Mn)	1,391.55	57.31	2,328.11
Margin Trading Portfolio (Rs. Mn)	3,357.06	148.38	2,162.47

OVERVIEW

Reinforcing its diversification strategy and responding to opportunities present within the emerging capital markets, the Company sought to further consolidate its margin trading operations. Licensed under the Securities and Exchange Commissions of Sri Lanka, PLC's margin trading unit commenced full commercial operations in May 2014; targeting small and medium investors within the retail sector as well as high net-worth individuals and institutional

clients. Credit facilities were collateral based, ranging up to 50 percent of the investors' blue- chip equity portfolio held on the Colombo Stock Exchange.

PERFORMANCE

With the necessary structure in place as a fully- fledged unit as initiated in the preceding including a state- of- the art trading platform geared with system and processes, the operations sought to establish its presence and capitalise on the positive sentiments which prevailed broadly on the capital

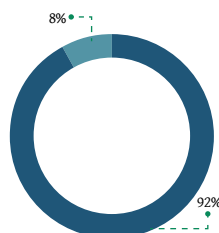
markets in the reporting year. Further investing, the Company strengthened the margin trading team, bringing in expertise from the industry and building capacity with due training opportunities. The unit managed by an experienced senior manager and has three operational level staff along with the support services, among others, from finance, IT and risk management departments.

The customers were closely engaged and relationship approach was firmly upheld in managing the margin trading portfolio. Equity research both fundamental and technical analysis published by the stockbroking firms were diligently monitored and when necessary, their professional advice was sought to enable risk- balanced decision making within the margin trading operations.

In this backdrop and mirroring the market activities, margin trading unit processed 53 facilities taking the total disbursements to Rs. 1,391.55 million for a customer base of 68. The portfolio value as at the year- end reached to Rs. 3,357 million, posting an increase of 2,162.42 percent as against the previous year of Rs. 148.38 million. Margin trading disbursements reached Rs. 1,391.55 million, corresponding to 2,327.76 percent increase. The collateral of diversified and blue- chip shares received against the facilities was valued at Rs. 428 million.

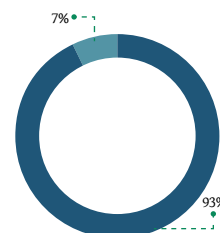
The margin trading operations in the year was duly audited for compliance with the guidelines stipulated by the Securities and Exchange Commission of Sri Lanka. The audit which was carried out by internal audit, did not record any non-compliance findings.

Margin Trading Portfolio as at 31/03/2015



● High Net worth & Institutional
● Retail

Margin Trading Disbursements as at 31/03/2015



● High Net worth & Institutional
● Retail

FUTURE FOCUS

In an evolving economy, capital markets are expected to play a pivotal role in supporting the country’s development goals. Ironing out the prevailing uncertainties in the short term, the market is expected to be buoyant with greater movement along with stability. In this scenario, PLC is firm in its efforts to position margin trading operations as a significant player within the industry, especially seeking to be inclusive in its approach opening up opportunities for a diverse customer base to gain higher returns on the market. PLC is optimistic in taking margin trading operations towards greater activity in the ensuing year with a significant contribution to the Company’s overall viability. Margin trading disbursements, targeted to grow at 43 percent.


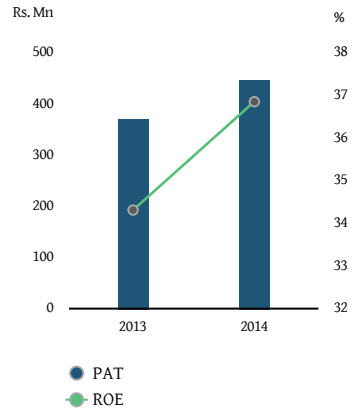

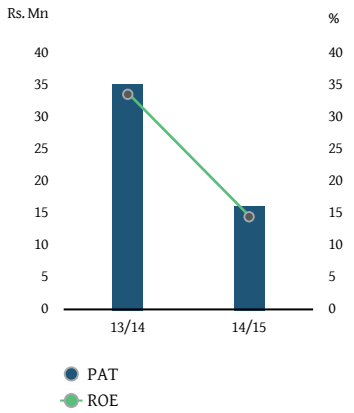
Key Plans 2015/16	
<ul style="list-style-type: none"> ● Outreach Seek feasibility of establishing trading desks within the branch network commencing from the South. 	<ul style="list-style-type: none"> ● Market Share grow the customer base leveraging on the vast distribution channel, financial prowess of the organisation and on relationship based marketing.
<ul style="list-style-type: none"> ● Awareness Building organise and collaborate with other industry players to create awareness on investing on the capital market, benefits and options available through margin trading to maximise returns. 	<ul style="list-style-type: none"> ● Risk Management & Compliance establish a more structured risk management framework to ensure that proper controls are in place to mitigate risks and comply with the applicable rules and regulations.
	<ul style="list-style-type: none"> ● Build Capacity extend focused training opportunities to the margin trading team both internally and externally.



SUBSIDIARY REVIEW

THE SYNERGY ENTWINED TO FORM A
DOMINANT GROUP.

Subsidiary Synopsis

Subsidiary Name	Corporate Information	Key Indicators - 2014/15									
People's Insurance Ltd 	Date of Incorporation: 22nd July 2009 Directorate: Mr. J. P. Amaraturunaga (Chairman) Mr. D. P. Kumarage (Managing Director) Mr. N. Vasantha Kumar (Director) Business: Non-life insurance - motor, lifestyle and business for institutional clients and for the retail market.	Profit & ROE  <table border="1"> <caption>Profit & ROE - People's Insurance Ltd</caption> <thead> <tr> <th>Year</th> <th>PAT (Rs. Mn)</th> <th>ROE (%)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>~370</td> <td>~34.5</td> </tr> <tr> <td>2014</td> <td>~450</td> <td>~37.5</td> </tr> </tbody> </table>	Year	PAT (Rs. Mn)	ROE (%)	2013	~370	~34.5	2014	~450	~37.5
Year	PAT (Rs. Mn)	ROE (%)									
2013	~370	~34.5									
2014	~450	~37.5									
Peoples' Microfinance Ltd 	Date of Incorporation: 3rd September 2010 Directorate (as at 31st March 2015) Mr. Gamini S. Senarath (Chairman) Mr. D. P. Kumarage (Managing Director) Mr. P. Kudabalage (Director) Business: Financial services including funding, technical and marketing support to the underprivileged and low income communities.	Profit & ROE  <table border="1"> <caption>Profit & ROE - Peoples' Microfinance Ltd</caption> <thead> <tr> <th>Year</th> <th>PAT (Rs. Mn)</th> <th>ROE (%)</th> </tr> </thead> <tbody> <tr> <td>13/14</td> <td>~35</td> <td>~35</td> </tr> <tr> <td>14/15</td> <td>~15</td> <td>~15</td> </tr> </tbody> </table>	Year	PAT (Rs. Mn)	ROE (%)	13/14	~35	~35	14/15	~15	~15
Year	PAT (Rs. Mn)	ROE (%)									
13/14	~35	~35									
14/15	~15	~15									



Subsidiary Synopsis

Subsidiary Name

Corporate Information

Key Indicators - 2014/15

People's Leasing Fleet Management Ltd



Date of Incorporation: 6th August 2008

Directorate (as at 31st March 2015)

Mr. Gamini. S. Senarath (Chairman)
Mr. D. P. Kumarage (Managing Director)
Mrs. L. K. P. Sangakkara (Director)
Mr. P. Dassanayake (Director)

Business: Fleet management, vehicle hires for domestic tourism and rent-a-car service, vehicle repairs & services and valuations.

Profit & ROE



People's Leasing Property Development Ltd



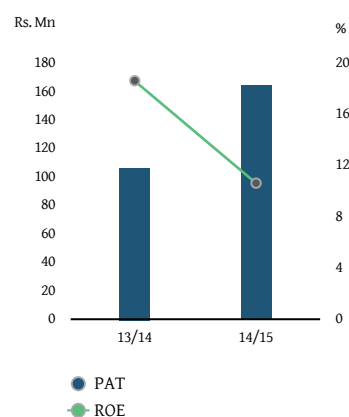
Date of Incorporation: 15th August 2008

Directorate (as at 31st March 2015)

Mr. Gamini S. Senarath (Chairman)
Mr. D. P. Kumarage (Managing Director)
Mr. P. Kudabalage (Director)
Mr. N. Vasantha Kumar (Director)

Business: Property development projects for the People's Bank and the PLC Group.

Profit & ROE



People's Leasing Havelock Properties Ltd



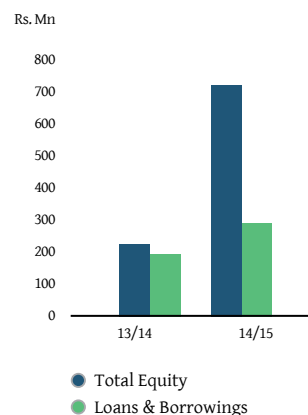
Date of Incorporation: 12th August 2010

Directorate (as at 31st March 2015)

Mr. Gamini S. Senarath
Mr. D. P. Kumarage (Managing Director)
Mr. N. Vasantha Kumar (Director)
Mr. D. N. W. N. Gammampila (Director)

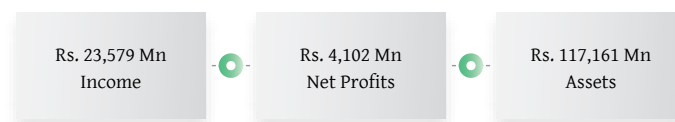
Business: Construct and operate office complex in Havelock Road, Colombo 5.

Equity & Borrowings



SUBSIDIARY REVIEW CONTD.

Consolidated Performance



For the Financial Year	2014/15	2013/14	% Change
Profitability			
Net Interest Income (Rs. Mn)	10,244.82	8,657.55	18.33
Operating Income (Rs. Mn)	14,228.60	12,781.33	11.32
Profit Before Tax (Rs. Mn)	5,887.42	4,931.06	19.39
Profit After Tax (Rs. Mn)	4,101.54	3,463.22	18.43
Financial Position			
Assets (Rs. Mn)	117,160.98	118,416.78	(1.06)
Liabilities (Rs. Mn)	95,108.12	98,648.97	(3.59)
Shareholders' Funds (Rs. Mn)	22,052.86	19,767.81	11.56
Key Ratios			
Earnings per Share (Rs.)	2.60	2.19	18.72
Return on Equity (%)	19.61	18.22	1.39
Return on Assets (%)	5.00	4.49	0.51

As at the balance sheet date, PLC had 100 percent stake in five subsidiaries engaged in non- life insurance, microfinance, fleet management and property development. PLC also has a 28.51 percent associate stake in City Finance Corporation Ltd.

PLC on a consolidated basis marked a noteworthy financial year 2014/15, posting strong results with solid contributions from its subsidiary network. The Group's income reached to Rs. 23.58 billion; whilst net profits registered Rs. 4.1 billion with a 18.43 percent growth. PLC as the parent company accounted for a share of 86.24 percent of the consolidated income and 86.42 percent of net profits.

Closely following PLC's asset position, the Group's assets stood at Rs. 117.16 billion as at 31st March 2015, reflecting a marginal decline of 1.1 percent as against the position in the previous year- end. The financial position as at the year-end was healthy with assets combined with shareholders' funds well above the liability position.



PEOPLE'S INSURANCE LTD (PIL)

Insurance - Snapshot 2014/15

Strategic Priorities

- Exercise discipline in underwriting and claims management and drive cost efficiencies.
- Diversify and promote non-motor products to reduce the dependency on motor class.
- Strengthen the distribution channel through regional branches, window operations and the bancassurance channel with People's Bank.
- Strengthen governance, risk management and reinsurance scheme.
- Effectively transition to the risk based capital model.
- List on the Colombo Stock Exchange prior to the due date in December 2016.

Highlights

- Sustained positioning amongst the top-five insurers in the non-life insurance sector.
- Exceeded Rs. 150 million mark in underwriting profits conversely to the average industry trends.
- Consolidated the operations within the two regional branches in Negombo and Galle.
- 12 new window offices were opened within PLC's branch network, taking the total to 74
- Strengthened the bancassurance ties with People's Bank with representation in 24 branches.

Key Performance Indicators



For the Financial Year*	2014	2013	% Change
Customers			
Policy Holders (Number)	111,426	109,456	1.80
Outreach			
Number of Regional Branches (Number)	2	2	-
Window Offices at PLC (Number)	74	61	21.31
Representatives at People's Bank (Bancassurance)	24	24	-
Cadre			
Total Employees (Number)	245	210	16.67
Training Programmes (Number)	21	23	(8.70)
Training Expenditure (Rs. Mn)	1	1.1	(9.09)
Operational & Financial Results			
Premium Income (Rs. Mn)	3,440.61	3,251.08	5.83
Underwriting Profits (Rs. Mn)	151.84	106.52	42.55
Profit After Tax (Rs. Mn)	450.13	370.82	21.39
Asset Base (Rs. Mn)	4,758	4,201	13.26
Key Ratios			
Claims Ratio (%)	72	76	(4.00)
Combined Ratio (%)	94.92	96.20	(1.28)
Return on Equity (%)	36.87	34.28	2.59
Return on Average Assets (%)	9.5	9.2	0.30

* Based on PIL's financial year



Overview | [Management Discussion & Analysis](#) | Corporate Stewardship | Financial Information | Supplementary Information

SUBSIDIARY REVIEW CONTD.

Overview

The flagship subsidiary, PIL, has made its mark within the non-life insurance sector amongst the top five insurers. Backed by the brand strength and Group's synergistic support along with bancassurance ties with People's Bank, PIL has established a solid market presence in a period spanning just half a decade; extending a versatile product offer - motor, lifestyle to business insurance products. Based in Colombo, operations in the year encompassed two regional offices in Negombo and Galle, 74 window offices within the PLC branch network and 24 representatives placed at People's Bank branches in key locations.

Performance

Sustaining its ranking at number five slot amongst the non-life insurers for the third consecutive year, People's Insurance registered a sound performance amidst a competitive

industry. Although modest compared to the previous year, premium income grew by 6 percent to Rs. 3,411 million. This growth is expected to be ahead of the industry average. Motor insurance continued to be pressured by industry dynamics and posted a 5 percent growth whereas non-motor portfolio including fire, marine and accident classes recorded 8 percent growth. Yet, the astute management policies underscored by disciplined underwriting and claims management supported PIL to post an outstanding underwriting profit with an increase of 42 percent to Rs. 152 million. This together with investment income especially supported by the gains on the share market underpinned the bottom-line profits to record Rs. 450 million. The dividend declared for the year was Rs. 3.50 per share amounting to Rs. 210 million.

People's Insurance maintained a strong financial position as at 31st December 2014. The asset position marked an increase of 18 percent to Rs. 4,758 million, balancing out the increase in the liability position of 14 percent to Rs. 3,348 million. The solvency ratio of 1.6 was sound and well in excess of the stipulated ratio of 1.2 percent

Future Focus

In line with the changes taking place within the industry and within the regulatory environment, PIL is committed to uphold a focused-strategy in growing its topline and maintaining its margins. PIL will seek to further strengthen its structure and step up governance and risk management to be well prepared for the proposed listing on the Colombo Stock Exchange and the transition to the risk based capital model.



560.71 Tonnes

<p>Key Plans 2015/16</p>	<ul style="list-style-type: none"> ● Risk Based Capital Model be fully geared to effectively transition by the stipulated date 1st January 2016. 	<ul style="list-style-type: none"> ● Listing prepare to list on the Colombo Stock Exchange prior to 31 December 2016.
<ul style="list-style-type: none"> ● Financial Discipline Reinforce effective underwriting, claims management and drive cost efficiencies to bolster the bottom-line. 	<ul style="list-style-type: none"> ● Digital Insurance develop the official website with enhanced service features including an online payment mechanism. 	<ul style="list-style-type: none"> ● Diversify & Value Addition promote alternate products on lifestyle and business to reduce dependency on motor and add-value to the existing product to increase market share.
<ul style="list-style-type: none"> ● Strategic Partner tie-up with an internationally acclaimed business partner to strengthen expertise and bring in current and best practices to operations. 		



PEOPLE'S MICROFINANCE LTD (PML)

Microfinance - Snapshot 2014/15

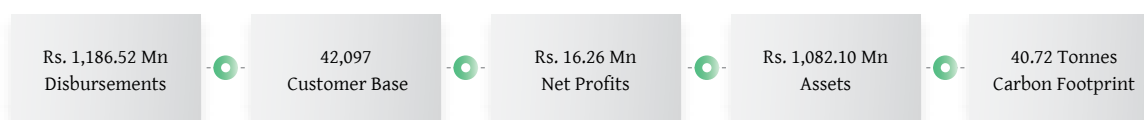
Strategic Priorities

- Leverage on the PLC branch network to set up window operations in selected locations to grow in outreach and to bring in cost efficiencies in distribution.
- Engage the rural masses to develop strong bonds through regular site- visits, cluster meetings and awareness building campaigns.
- Extend training opportunities, technical and marketing support to build effective linkages in the supply chain.
- Bring in greater discipline to funding and recoveries to improve the quality of the portfolio.

Highlights

- Established 35 window offices.
- Advocated client protection principles within operations.
- Customer base stood at 42,097.
- Microfinance portfolio increased to Rs. 1,035.47 million with disbursements of Rs. 1,186.52 million.
- Net profits recorded Rs. 16.26 million.

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Customers			
Customers (Number)	42,097	43,625	(3.50)
Outreach			
Window Offices- PLC (Number)	35	33	6.06
Cadre			
Total Employees (Number)	185	181	2.21
Training Expenditure (Rs. Mn)	5.45	1.40	289.29
Operational & Financial Results			
Portfolio (Rs. Mn)	1,035.47	1,028.63	0.66
Disbursements (Rs. Mn)	1,186.52	1,202.89	(1.36)
Income (Rs. Mn)	356.30	317.30	12.29
Profit After Tax (Rs. Mn)	16.26	35.43	(54.11)
Key Ratios			
Asset Base (Rs. Mn)	1,082.10	1,069.60	1.17
Return on Equity (%)	14.35	33.92	(19.57)
Return on Average Assets (%)	3.92	1.50	2.42

SUBSIDIARY REVIEW CONTD.

Overview

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. Ideally backed by PLC's vast distribution channel, PML has established a significant outreach as one of the key microfinancing institutions in the country within just 4 years into commercial operations.

Microfinance facilities ranging from Rs. 25,000 to Rs. 100,000 as general loans and higher for advanced customers up to Rs. 500,000 were targeted on a cluster basis at micro entrepreneurs and self-employed in agriculture, animal husbandry and small industries. The portfolio was typically skewed to

women customers - directly, impacting not just their livelihoods but the quality of life within the household.

Performance

Operating in 35 window offices within PLC's branch network and with a team of 185 employees, PML in the reporting year, sought to grow its market share, whilst exercising a cautious approach to sustain the quality of the portfolio.

The customer base reached 42,097 in the reporting year, with clusters reaching up to 2,500. Microfinance disbursements touched Rs. 1,186.52 million and the portfolio grew by 0.66 percent to Rs. 1,035.47 million.

Savings canvassed in the year through the microfinance customer base

increased to Rs. 76.41 million. The adversities faced by the agriculture sector portfolio combined with the very nature of the informal sector continued to pressure the non-performing portfolio. Yet, upholding client protection principles, the 'hands-on' approach in relationship management, close monitoring on a cluster-basis with collective responsibility coupled with modern techniques in collections particularly through palm-tops, buttressed the recovery process and managed the non-performing portfolio from growing excessively. Interest income in the year registered 12.29 percent increase vis-à-vis the preceding year to Rs. 356.30 million. Net profits further recorded to Rs. 16.26 million. The asset base as at the year-end stood at Rs. 1,082.10 million.

Client Protection Measures

- Detailed evaluations prior to extending credit facilities to prevent over-indebtedness.
- Hands-on relationship approach to support customers with tailored products to meet their specific needs, for effective recoveries and to address client issues.
- Cluster monitoring system in place with collective responsibility.
- Insurance Fund to support 'distressed' customers.
- Simple information booklet accessible in Sinhala and Tamil to disseminate information on microfinance options, terms and management of facilities.
- Advice extended to customers on financial management, marketing and linkages within the supply chain
- Develop financial literacy levels through structured awareness programmes.

Future Outlook

In keeping with the country's development goals at a broader level, PML is well set to move ahead and avail budding opportunities within the grass-rooting communities. PML complemented by a strong parent, is expected to grow in its outreach and support its customers within the unbankable sector to step up on the economic ladder and transition into the next level.

Key Plans 2015/16

	<ul style="list-style-type: none"> • Strengthen Outreach & Build Capacity expand the outreach through window operations in PLC's distribution channel and build team capacity with focused training.
<ul style="list-style-type: none"> • Relationship Building encourage marketing officers to build and enhance customer relationships and strengthen cluster monitoring scheme and focus on upholding client protection principles. 	<ul style="list-style-type: none"> • Graduate Customers nurture customer base to graduate to the next tier of funding as small and medium enterprises sector through PLC.
<ul style="list-style-type: none"> • Awareness Campaigns collaborate with government and non-government institutions and the Microfinance Association to spread financial literacy among grass-roots. 	<ul style="list-style-type: none"> • Diversify Customer Base move away from ad-hoc funding to individual entrepreneurs and focus on more organised groups and societies mainly in sectors of tea, vegetable cultivation and animal husbandry.



40.72 Tonnes



PEOPLE'S LEASING FLEET MANAGEMENT LTD (PLFML)

Fleet Management - Snapshot 2014/15

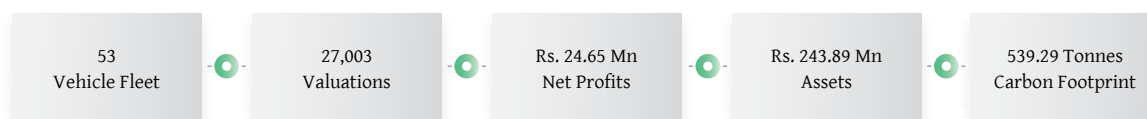
Strategic Priorities

- Strengthen the fleet strategically to match with the business opportunities present.
- Offer comprehensive solutions in fleet management within the PLC group and within People's Bank
- Promote and expand the vehicle hire business for domestic tours and rent-a-car business.
- Strengthen the valuations department with a strong team of certified valuers and extend due training.
- Firm synergies with People's Insurance for valuations and other related services,
- Drive cost efficiencies with group synergies and leverage on IT solutions.

Highlights

- Serviced transport requirements of PLC Group and People's Bank through a fleet of 53 vehicles.
- Domestic hires and rent-a-car venture took off successfully accounting for 7 percent of the fleet management income.
- Completed 63 percent of the vehicle valuations for leasing and motor insurance operations.
- Posted income of Rs. 188.05 million and profit before tax of Rs. 34.25 million.
- Declared a dividend for the first time of Rs. 0.10 per share.
- Obtained necessary approvals to build a vehicle yard and service centre in Malabe.

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Customers			
Customers (Number)	27,010	14,435	87.11
Fleet			
Vehicle Fleet – fully owned (Number)	53	56	(5.36)
Branch Network			
Number of Window Offices (Number)	39	21	85.71
Cadre			
Total Employees (Number)	118	103	14.56
Certified Valuers (Number)	39	29	34.48
Operational & Financial			
Income (Rs. Mn)	188.05	159.12	18.18
Profit After Tax (Rs. Mn)	24.51	19.60	25.05
Asset Base (Rs. Mn)	243.89	240.25	1.52
Return on Equity (%)	14.56	14.06	0.50



SUBSIDIARY REVIEW CONTD.

Overview

PLFML primarily provides fleet management services to the PLC Group and to People's Bank. PLFML also extends external services as vehicle hires - self-drive rent-a-car and chauffeur driven hires for domestic travel covering three routes to Adams Peak, Anuradhapura and Bandarawela.

Apart from fleet management, PLFML engages in vehicle valuations through a team of technically skilled valuers under the purview of a chartered certified chief valuer. The services are extended to PLC's leasing operations as well as for motor insurance in terms of assessments for underwriting and claims management. PLFML also extends vehicle break-down services, which are in effect promoted as a value added offer for motor insurance operations through PIL.

Performance

Keeping up its momentum post restructure carried out in the financial year 2012/13, PLFML in the year under review firmly positioned its services and sought to offer fleet management services across the Group. Backed by 53 vehicles in the fleet this year, over 30.19 percent of the fleet management portfolio was accounted for by the PLC Group; whilst People's Bank accounted for 37.74 percent; the balance of 32.08 percent was accounted for by general hires.

This year, PLFML expanded the valuation unit extending its services to 40 PLC branches. Nearly 70 percent of the valuations relating to leasing operations at PLC were carried out by the valuations unit of PLFML whilst accommodating over 60 percent of insurance assessment of PIL.

In the reporting year, PLFML succeeded to increase its income by 18 percent to Rs. 28.93 million vis-à-vis the preceding year. Nearly 66.43 percent corresponding to Rs. 124.93 million came from fleet management services

whilst Rs. 60.59 million, representing 32.22 percent was contributed by valuations. Supported by top-line growth, profit after tax reached Rs. 24.51 million, corresponding to an increase of 25.05 percent. For the first time, PLFML extended a dividend to PLC of Rs. 0.10 per share totaling to Rs. 750,000. The asset base stood at Rs. 243.89 million as at 31st March 2015.

The service station, 'People's Auto Care Unit' in Rathnapitiya did not take off in its commercial operations with viability as anticipated and reported in the previous year's Annual Report. PLFML in the year exited from this venture although the service centre remained active as part of the fleet management unit.

Future Focus

Reinforced by the growing operations, PLFML will have a strong demand for its services within the PLC Group as well from People's Bank. Even the demand from external customers, especially from the growing diaspora coming into the country is also expected to boost fleet management operations.



539.29 Tonnes



Key Plans 2015/16

<ul style="list-style-type: none"> Repossessed Vehicles venture into buy and sell repossessed vehicles with repairs and value additions. 	<ul style="list-style-type: none"> Valuations strengthen the panel of valuers with required and due training.
<ul style="list-style-type: none"> Tour Packages expand operations in vehicle hires as tour packages targeting popular destinations. 	<ul style="list-style-type: none"> Vehicle Yard & Service Centre develop the Malabe property to accommodate growing operations and relocate the service centre.
<ul style="list-style-type: none"> Expanding Operations recruit new valuation officers to expand valuations through the PLC branch network. 	<ul style="list-style-type: none"> Cost Efficiencies drive cost effective measures and seek IT solutions to make operations more streamlined and productive.



PEOPLE'S LEASING PROPERTY DEVELOPMENT LTD (PLPDL)

Property Development - Snapshot 2014/15

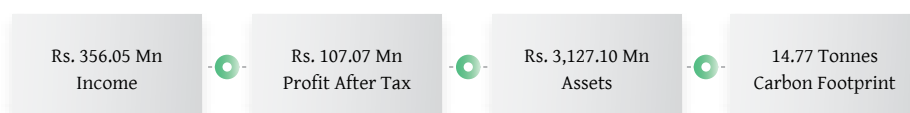
Strategic Priorities

- Complete projects in hand as per the timeline and budgets without resorting to cost over-runs.
- Enhance expertise into property development and management consultancy for internal as well as external projects.
- Seek external clients to expand operations.

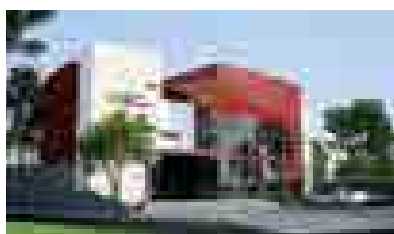
Highlights

- Completed construction work of the Vavuniya branch phase and handed over to People's Bank.
- Six construction projects are ongoing.
- Registered an income of Rs. 356.05 million profit after tax of Rs. 107.07 million.
- Declared a dividend of Rs. 11 million

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Projects			
Projects in Hand (Number)	23	21	9.52
Cadre			
Employees (Number)	08	08	-
Operational & Financials			
Income (Rs. Mn)	356.05	390.41	(8.80)
Profit After Tax (Rs. Mn)	107.07	164.70	(34.99)
Asset Base (Rs. Mn)	3,127.10	2,621.31	19.30
Key Ratios			
Return on Equity (%)	10.52	18.57	(8.05)
Return on Average Assets (%)	3.64	6.56	(2.92)



Hakmana People's Bank Branch
Proposed building structure

Overview

PLPDL undertakes real estate projects for PLC Group and for People's Bank. As at date, PLPDL has successfully completed the PLC head office building in Colombo 08, together with property projects totaling to 11 as branches for People's Bank and the PLC Group.

Performance

In the reporting year, PLPDL completed the construction of the Vavuniya branch phase II and handed over the premises to People's Bank. PLPDL already has 6 projects in hand as branch constructions in Naula, Mathugama, Hatharaliyadda, Hakmana,

Beruwala and Kodikamam while 2 at Baduraliya and Wanduramba are at the tender evaluation stage.

The year under review, PLPDL posted a decrease of 9 percent in income, amounting to Rs. 356.05 million. Profit after tax was Rs. 107.07 million. A dividend of Rs. 0.20 per share totaling to Rs. 11 million was declared for the reporting financial year. The assets as at 31st March 2015 stood at Rs. 3,127.10 million reflecting an increase of Rs. 505.80 million. PLPDL in the year purchased a block of land adjoining PLC's head office in Colombo 08.

SUBSIDIARY REVIEW CONTD.



14.77 Tonnes

Future Focus

With expansionary plans underway at a group level, PLPDL will have new opportunities in property development. The projects in hand are expected to be completed and handed over in the financial 2015/16 whilst seeking to secure the projects which are at the evaluation stage. The expansion of the head office on the new plot of land purchased is also amongst the future plans. In the medium term, PLPDL will look for potential opportunities outside the group, seeking to move on to the next phase of operations.

PEOPLE'S LEASING HAVELOCK PROPERTIES LTD (PLHPL)

Overview

PLHPL was established to construct an office complex for the PLC Group at Havelock Road, Colombo 5. Construction at present is ongoing.

Performance

In the reporting year, construction work of the office complex made progress. The project scope which entailed an office complex of 9 levels was changed to include another 3 more levels taking the total estimated cost to Rs. 1.2 billion, an increase of Rs. 300 million. Complementing this project, PLHPL invested in the year to purchase an adjoining plot of land - 72 perch block. As at 31st March 2015, the asset base of the Company stood at Rs. 1,074.40 million including the land value of Rs. 554.38 million.

Future Focus

The construction of the office complex is due to be completed in May 2016 and plans are underway to re-locate all subsidiary operations along with a new PLC branch. Options are also open to consider renting or leasing office space to external parties.





SUPPORT SERVICES REVIEW

ALL SERVICES IN-HOUSE THAT ASSIST IN THE SMOOTH OPERATIONS OF THE BUSINESS.

TREASURY OPERATIONS

Treasury - Snapshot 2014/15

Strategic Priorities

- Leverage on the financial standing and prowess to negotiate on best rates to source low cost funds to support the top-line growth strategy and targets.
- Ensure the availability of adequate funds within the Company
- Diversify funding sources including foreign channels to optimise on cost of funds and address maturity mismatches.
- Balance between long term and short term funding to keep a check and manage asset-liability mismatch for a stronger financial position.
- Closely follow and be responsive to the dynamics of financial markets in sourcing funds with due evaluations on rates.
- Address and respond to regulatory requirements and developments.
- Provide required information to the Asset and Liability Management Committee to decide on appropriate deposit and lending rates.
- Manage risks arising from fluctuations in the exchange rates, interest rates and liquidity.

Highlights

- Sustained a sound balance between long term and short term funding sources.
- Deleveraged short-term exposures through long-term funding sources.
- Raised Rs. 10,750 million on long term loans
- Issued debentures for Rs. 3 billion taking the debenture balance to Rs. 9,465.68 million

Key Performance Indicators

Rs. 49,918.79 Mn
Total Borrowings



2.36 Times
Debt to Equity
Ratio



20.22%
Capital Adequacy
Ratio

For the Financial Year	2014/15	2013/14	% Change
Funding			
Short Term Borrowings (Rs. Mn)	5,689.78	6,030.07	(5.64)
Long Term Borrowings (Rs. Mn)	44,229.01	42,575.12	3.88
Debt Equity Ratio (Times)	2.36	2.68	(11.94)
Deposits			
Total Deposit Portfolio (Rs. Mn)	34,022.57	40,921.48	(16.86)
Investments			
Investments (Rs. Mn)	8,331.73	19,626.76	(57.55)
Investment Income (Rs. Mn)	658.31	391.44	68.18



SUPPORT SERVICES REVIEW CONTD.

Company Ratings	<ul style="list-style-type: none"> • 'AA-(lka)' Fitch Rating Lanka National Long Term Rating
<ul style="list-style-type: none"> • 'B+' Stable Outlook Fitch Ratings International Long-Term Issuer Default Rate (Notch Lower than the Sovereign) 	<ul style="list-style-type: none"> • 'B+/B' Stable Outlook Standard & Poor's (Equal to the Sovereign)

OVERVIEW

The treasury continued to play a strategic role, facilitating and managing the Company's growth aspirations with 'best-fit' funding solutions and investments. This role assumed greater significance in the midst of a challenging business environment, especially in the latter part of the year with political uncertainties underscoring the confidence levels within the economy.

Leveraging on its financial dexterity backed by local and international ratings, treasury in the year, managed to capitalise on the high liquidity levels which prevailed and maintain a strong financial position throughout the year. Strong controls were in place to ensure effective risk management.

Treasury Instruments	<ul style="list-style-type: none"> • Funding • Fixed Deposits • Asset Backed Securities • Short & Long Term Loans • Debentures • Refinance Loans • Foreign Currency Loans • Commercial Paper • Promissory Notes
<ul style="list-style-type: none"> • Investments • Government Securities • Equity in Blue Chip Companies • Debentures 	

Following the trends in the preceding year, treasury operations were complemented by high liquidity levels within the financial markets along with a low interest rate regime. The treasury in the reporting year focused on showcasing the brand, financial strength and standing of the organisation with "AA-(lka)" rating from Fitch Ratings Lanka and validated by two international ratings, to negotiate some of the best rates on a fixed basis within the financial markets. These low cost funds in effect buoyed PLC's competitiveness and supported to off-set the sluggish levels of interest income due to lower interest rate trends within the economy. In this backdrop, the Company was able to post an increase in net-interest income and reach impressive profit and sustain sound margins.

Apart from margins, the treasury also sought to strike a good balance between maturity tenures of assets and liabilities. The focus was on long term funding - upholding a proper balance between long-term and short-term facilities. In the reporting year, the Company succeeded to raise sufficient long term funds, feeding growth plans and also supporting to deleverage short term exposures, thus enabling a sound financial position.

PERFORMANCE

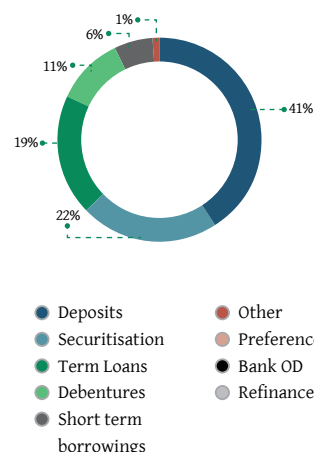
Glance - Macroeconomic Indicators

Indicators	2014	2013
GDP Growth (%)	7.4	7.2
Inflation (Y-o-Y) (%)	2.1	4.7
Exchange Rate Rs/US\$ - Year End	131.05	130.75
Average Weighted Lending Rate (%)	11.91	15.18
Average Weighted Prime Lending Rate (%)	6.26	10.13

Source: Annual Report 2014, Central Bank of Sri Lanka

Refer: Economic Review, Pages: 41-48

Funding Mix



Domestic Instruments

In the reporting year, long-term domestic inter-bank sources dominated the funding mix - accounting for nearly 15 percent share of the total funding requirements. Term loans, the most sought after option, posted an increase of 20.29 percent as against the position as at 31st March 2014, taking a share of 18.73 percent; whilst securitisations accounted for 22.16 percent.

Short term instruments - commercial papers and promissory notes were not sought after as strategic options and thus underscored the 17 percent decline in debt securities position as against the position as at 31st March 2014. However, the Company issued debentures in September 2014 which was oversubscribed; the funds generated by this issue amounted to Rs. 3 billion, resulting in an outstanding debenture balance of Rs. 9,465.68 million, reflecting an increase of 22.39 percent as compared to the preceding year-end.

The retail sector continued to complement the funding requirements of the Company, backed by PLC's standing and repute and its vast outreach. The emphasis as discussed under 'Deposit Operations', was on savings - the most cost effective long-term funding solution; whereas fixed deposits mostly ranging for one year were strategically discouraged. The deposit base stood at Rs. 34,022.57 million as at financial year-end representing a decrease of 16.86 percent over the position recorded as at the previous year-end.

For Islamic finance operations, funds were generated through Wakalah facilities as per the guidelines stipulated by the Shari'ah principles. The Mudharabah deposit base also

remained a sound source of funding for Islamic finance activities.

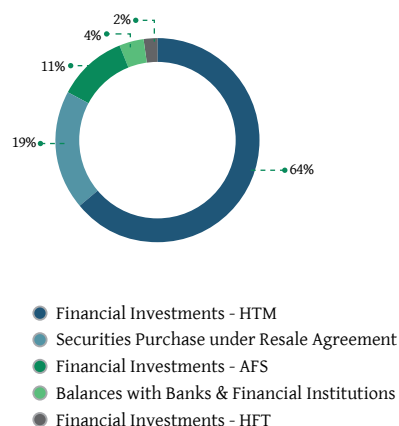
Foreign Debt

This year, in the backdrop of high liquidity, domestic sources were sufficient to manage the funding requirements of the Company. Hence, the Company did not reach out to international markets for foreign currency funds. The existing exposure as initiated in the previous year was well managed and stood at US\$ 23.75 million (Rs. 3,166.35 million) as at the year-end.

INVESTMENT INCOME

With due checks on risk facets and also upholding its compliance to the Direction issued by the Central Bank of Sri Lanka on liquidity, the treasury invested over 60 percent of its investments in government securities. The exposure to blue chip equity increased by 85.85 percent to take up a share of 5.03 percent. The Company also maintained investments in fixed and saving deposits which accounted for 3.94 percent of the total investments.

Investment



FUTURE FOCUS

With socio-political undercurrents bearing on the economic outlook especially with the pending general elections, the treasury operations will be called upon to be more focused and responsive in its decision making process. Amidst a challenging business scenario, the focused funding strategy will continue to seek for diversification and cost effectiveness.

Key Plans 2015/16	
<ul style="list-style-type: none"> Low cost funds Negotiate for best rates leveraging on PLC's brand and financial strength. 	<ul style="list-style-type: none"> Funding Strategy Adopt the most responsive funding strategy to balance maturity mismatches and enhance margins in line with business goals and as per the macros developments within the financial markets.
<ul style="list-style-type: none"> Diversify Funding Seek funding options both within domestic and global financial markets. 	<ul style="list-style-type: none"> Short & Long Term Funds Maintain the balance at a ratio of 60:40 between long term and short term funds.
<ul style="list-style-type: none"> Asset & Liability Management Committee Continue to disseminate timely information and feedback to effectively manage risk and ensure best decision making on rates and tenures of funding. 	<ul style="list-style-type: none"> Deposits Build on savings and minor savings portfolio and increase exposure to time-deposits if interest rate regime advocates high rates.

SUPPORT SERVICES REVIEW CONTD.

RECOVERIES & LEGAL

Recoveries & Legal - Snapshot 2014/15

Strategic Priorities

- Maintain the non-performing ratio below the targeted ratio as well as the industry average.
- Follow-up on recoveries on bad debts and negotiate settlements and waivers to improve the non-performing ratio.
- Build in-house legal expertise to handle all legal matters of the Company and establish regional panel of lawyers.
- Improve the legal department contribution to add- value to governance and operations.

Highlights

- Maintained the non-performing ratio of 2.72 percent - below the targeted 3 percent and industry average of 6.9 percent.
- Non performing contracts under litigation as civil cases increased by 24.59 percent to 1,981
- 'Consent motion' settlements through courts reached 14.39 percent of the total civil cases.

Key Performance Indicators



For the Financial Year

	2014/15	2013/14	% Change
Legal Recoveries (Rs. Mn)	313.62	242.43	29.37
Legal Recoveries (% of Non-Performing Portfolio)	9.45	8.50	0.95
Civil Cases in Hand (Number)	1,981	1,590	24.59
Consent Motions (Number)	285	149	91.28
Notary Fees (Rs. Mn)	5.25	8.46	(37.94)
Write-offs Recovered (Rs. Mn)	16.90	17.10	(1.17)

OVERVIEW

Recovery Operations

Special Recovery Unit - Key Functions

- Negotiations for Settlement
- Issue letters of demand
- Reschedule default facilities
- Re-possess leased assets
- Take up litigation
- Write-offs or consent settlements

Concerted measures are in place to pursue on recoveries throughout the organisation. It is a collective responsibility and clearly prioritised within day-to-day operations. System with access to real-time information and well organised processes support operational staff to be diligent in their recovery efforts and management of non-performing facilities.

The special recovery unit under the purview of the legal division takes on the recoveries at the next level for facilities in default over three months. In the reporting year, the recoveries unit worked closely with operations, especially working towards decentralisation of functions as envisaged within the corporate strategy for the ensuing years.



LEGAL

Legal Department - Key Functions

• Litigation

- Sending letters of demand,
- Initiating legal action against defaulted customers,
- Appearing in courts,
- Defending the company in courts when litigation issues arise against the company.

• Notarial work

- Providing guidance on security aspects of loan procedure,
- Inspection of loan related documents,
- Execution of mortgage bonds and other related loan documents,
- Preparation of legal agreements, branch lease agreements, loan documents of staff vehicle loans,
- Advising the management when acquiring immovable properties,
- Executing Transfer deeds,
- Recoveries,
- Visiting customers,
- Discussing settlements and terms,
- Executing writs,
- Advisory,
- Providing legal advice and assistance to the management and branches on operational issues.

Legal Department is centralised across the PLC Group and is responsible to ensure that the organisation abides by the laws of the country and thereby, supporting to uphold professionalism and integrity in operations. The department, headed by the Senior Manager, Legal with a team of qualified lawyers supports the management with advice, opinions, briefings and executions of documentation on all legal matters relating to operations and other material transactions.

PERFORMANCE

With cohesive efforts in place to control the rise in the non performing portfolio based on a comprehensive recovery plan, the non-performing

portfolio was capped at Rs. 3,237.24 million with the ratio corresponding to 2.72 percent - closer to the ratio achieved in the preceding year, but below the targeted ratio of 3 percent and distinctly below the industry average of 6.9 percent.

The total collections by the legal division during the year touched Rs. 813.62 million compared to collection of Rs. 242.43 million in the preceding year.

In the reporting year, the non performing contracts that were under litigation increased by 391 contracts totaling to 1,981 cases in hand. This corresponded to 44 percent share in terms of the value of the total non-performing portfolio. Out of the total civil cases in hand, 285 were settled in the year with a 'consent motion'. There were no write-offs for the year.

In terms of notary fees mainly on account of legal services rendered on contracts, mortgage bonds, opinions etc., totaled to Rs. 5.25 million.

FUTURE FOCUS

The legal department will seek to step up its operations in line and in support of the Company's growth aspirations. Decentralisation of functions as envisaged will be duly prioritised with necessary training and resource allocation. The recent developments that are taking place within the regulatory framework will also demand greater focus and therefore, the department intends to invest well on building its expertise.

Key Plans 2015/16

• Recoveries

seek greater engagement with the operational teams to be more involved in recoveries from the very onset of the non-performing process.

• Training

extend focused training including corporate law and best practices, latest regulatory developments, IT applications and soft skills.

• Decentralisation

support the decentralisation plans by appointing regional panel of lawyers including new recruitments to cater to the growing branch operations.

• Automation

identify and eliminate bottlenecks by further improving the work-process through greater automation of legal procedures.



SUPPORT SERVICES REVIEW CONTD.

INTERNAL AUDIT

Internal Audit - Snapshot 2014/15

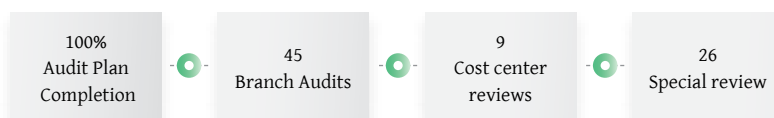
Strategic Priorities

- Internal controls to be aligned to the corporate strategy and goals.
- Maintain sound internal auditing principles and best practices and guidelines issued by the Institute of Internal Auditors.
- Auditing to evolve and address internal changes and regulatory developments.
- Implement the annual audit plan formulated through a systematic and structured process in line with the Internal Audit Charter.
- Maintain a sound auditing team and extend staff training to address skills gap and to be current with the best practices in internal auditing.

Highlights

- Completed 130 audits as per the Annual Audit Plan in consultation with the senior management and endorsed by the Board Audit Committee.
- Set out key audit findings and recommendations for the corporate management.
- Extended training to internal audit staff on current auditing practices and techniques and soft skills.

Key Performance Indicators



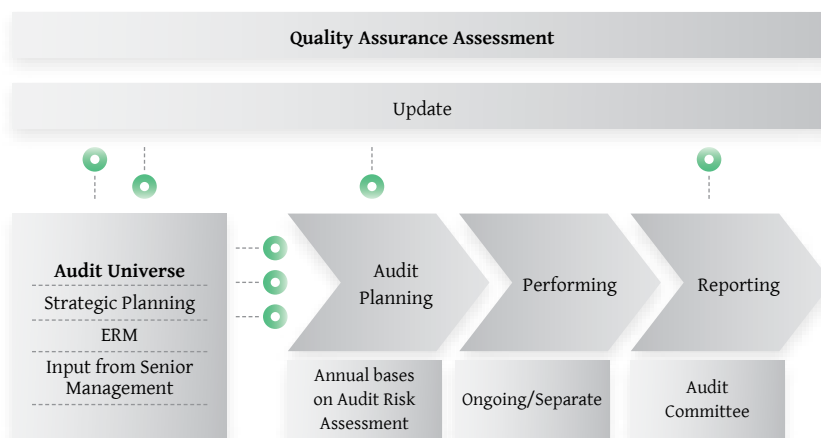
For the Financial Year

	2014/15	2013/14	% Change
Branch reviews	45	41	9.76
Online audits	12	12	-
Cost center reviews	9	4	125.00
SBUs	38	7	442.86
Special reviews	26	12	116.67

OVERVIEW

Internal Audit Charter - Scope

- Monitoring the adequacy of Internal Controls with recommendations for improvement.
- Examination of financial and operating information and detailed testing of transactions, balances and procedures.
- Review of the economy, efficiency and effectiveness of operations including non-financial controls.
- Review of compliance with laws, rules and regulations and with the management policies and directives and other internal requirements.



A centralised and an independent function across the PLC Group, internal audit is responsible to extend an independent opinion and reassurance on the adequacy and effectiveness of risk management, internal controls and good governance practices across the organisation. Internal audit reports to the Board Audit Committee chaired by a non executive director and guided by a comprehensive terms of reference.

The internal audit is governed by the Internal Audit Charter and carries out its functions broadly on a three tier basis - planning of engagements; performing; and reporting. The planning process entails a comprehensive risk-based approach with a preliminary risk assessment in collaboration with the risk department to determine on the scope of the audit. In terms of implementation, a pre-approved audit work programme is drawn up and accordingly, appropriate audits are extended inclusive of ongoing monitoring and separate evaluations. Reporting in this process is consistent and seeks to keep the management informed for due deliberations on the best course of action for material issues and concerns that may impact the operations as going-concern.

Internal Audit Policies & Guidelines

- **Internal Audit Charter** sets out the mandate and the manner in which to carrying out the internal audit services within the organisation.
- **Policy on Whistleblower Protection** sets out the procedure for reporting alleged improper/illegal activities and unethical practices with confidentiality and protection for whistleblowers from harassment or victimisation.

PERFORMANCE

The internal audit in the year under review remained focused and systematic in its audits - effectively assessing the adequacy of internal controls and guiding operations to ensure best practices are in place in daily operations. The online audits enabling 'real-time' reports initiated in the preceding year took off successfully establishing its role in internal audit. This together with conventional audits including spot-checks and detailed reviews supported to exercise due checks and balances in operations, firming up risk management, governance and in turn, the sustainability of the organisation.

In the reporting year, internal audit carried a total of 130 audits including the operations at branches and subsidiaries along with processes corresponding to 100 percent of

targeted audits as per the Annual Audit Plan. Out of the audits, 118 accounted for conventional audits whilst 12 accounted for online audits. The year's audits broadly covered Operational and financial transactions, treasury operations, related party transactions, disclosures and social responsibility initiatives and projects.

Special training initiatives continued in the year for the internal audit team extending learning and required skills development for effective auditing. The training covered the areas of developing work related knowledge such as IFRS, advance MS excel training, Compliances and IT related trainings. Other than those technical training Internal Audit staff underwent soft skills development programmes such as communications, interpersonal, social and management skills.

Audits & Areas Covered 2014/15

Finance	<ul style="list-style-type: none"> ● Statutory payments ● Reconciliation ● Review material GL accounts ● Impairment review ● Collection and banking ● Internal controls over financial reporting
Operations	<ul style="list-style-type: none"> ● Enterprise risk management ● Special recoveries ● Legal procedures ● Compliance to regulations ● Tender process ● ICT controls ● Card center process ● HR Process ● Logistic process ● Credit granting
Corporate Social Responsibility	<ul style="list-style-type: none"> ● Policy & Strategy ● Reporting on CSR initiatives ● Selection & approval of projects ● Payments ● Sponsorships



SUPPORT SERVICES REVIEW CONTD.

FUTURE FOCUS

In the backdrop of a dynamic organisation structure and future plans to grow into a more powerful conglomerate alongside the changes within the regulatory framework set the case for a more pronounced internal audit function. Recognising this, the internal audit intends to further strengthen its structure, planning and techniques to be current and in line with best practices in auditing.

<p>Key Plans 2015/16</p>	<ul style="list-style-type: none"> Advanced Analytical Tools invest in computer aided analytical tools to expand the scope of audit reviews.
<ul style="list-style-type: none"> Professional Education encourage team members to take up further studies to obtain professional qualifications from recognised institutions. 	<ul style="list-style-type: none"> On-going Monitoring expand the scope of on-going monitoring assignments to be further developed to provide up-to-date and responsive information consistently and frequently.
<ul style="list-style-type: none"> Information System Audits extend the scope and identify a dedicated information system auditor to improve the quality of system audits. 	<ul style="list-style-type: none"> On-site Reviews expand audit reviews of branches, departments and profit centres.



INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology - Snapshot 2014/15

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.

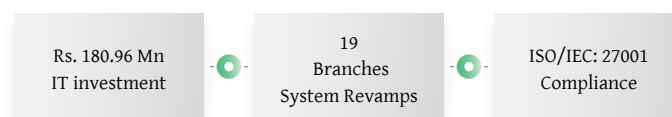
Strategic Priorities

- 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.

Highlights

- Implemented the mobile application - 'Intapp', enabling transactions and data access for marketing and recovery teams.
- Launched 'Fast-Track' loan module under the core business system.
- Revamped intranet with new and interactive features.
- Completed placing digital signage with corporate information covering the branch network.
- Branches were equipped with CCTV cameras for effective surveillance.
- Certification in place for ISO/IEC 27001 standard for IT security management.

Key Performance Indicators - 2014/15



For the Financial Year

	2014/15	2013/14	% Change
Automation & System Revamps (Number of Branches)	19	30	(36.67)
IT investments (Rs. Mn)	180.96	192.97	(6.22)
IT Training Programmes Conducted (Number)	14	48	(70.83)
ISMS Reviews/ Certification Audits (Number)	1	2	(50.00)

OVERVIEW

Playing an integral role, information and communication technology (ICT) provides an effective platform and supports operations in implementing the corporate strategy and plans. ICT, a centralised function at PLC, facilitates operational and administrative functions across the organisation including subsidiaries with streamlined structures, processes and necessary training. ICT department is well-equipped with the latest IT infrastructure and software and gives due precedence to ensure good IT governance - upholding security and confidentiality of information.

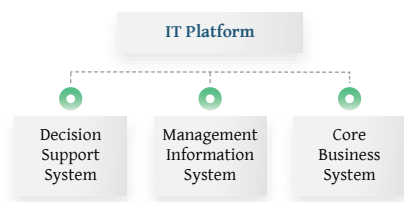
IT PLATFORM

The Company has in place a comprehensive three-tier IT Platform - enabling effective planning with 'best-fit' decision making for successful operations and management. The Decision Support System within the platform enables analytical facilities for strategic planning whilst the Management Information System (MIS) generates critical reports on resource utilisation, costs, returns, productivity, inter-alia, for the management to make informed decisions for sustainable operations.

The core business system has enabled automation of most of the key products within the Group including leasing, hire purchase, loans, Islamic finance, deposits, investments, subsidiary operations and non-core functions in administration, finance, legal and risk management. The system facilitating real-time information and transactions entails several modules including cashier module, mobile services, SMS gateway and document management system.



SUPPORT SERVICES REVIEW CONTD.



PERFORMANCE

In the reporting year, the ICT department continued to be focused in their efforts and supported the dynamic needs of core business operations; tailored IT solutions with due training; whilst ensuring best practices were followed in maintaining IT security and governance. The total IT related investment reached Rs. 180.96 million inclusive of IT infrastructure and software. Due training was also extended to employees; seeking to enhance their skills in IT applications. In the reporting year, ICT department staff members were trained for 1,621 hours on IT related aspects.

Branch Automation

Focused efforts continued to support the growing branch network with modern IT infrastructure - strengthening the automation of processes. Due investments were made to fully equip the four new branches - Bentota, Digana, Melsiripura and Giriulla, which were established in the year with necessary IT infrastructure with links to the centralised system. Investments were also made to restructure and refurbish 15 branches which were identified with gaps in term of modern hardware and networking facilities. All printers, UPS and personal computers along with other IT infrastructure purchased in the year sought for energy efficient options, keeping in line with the commitment toward less carbon operations.

Mobile App

As initiated and designed in-house in the preceding year, the ICT team implemented the customised mobile application - 'Intapp', to give seamless and current information on customers and speedy processing solutions especially to support marketing and recovery teams when they are on field visits.

'Intapp' Mobile App

Submit Business Proposals	enables to submit proposals for leasing, hire purchase, loans, Islamic products and investments.
Business Intelligence	provides information on portfolio status, non-performing indicators, provisioning and deposit rates.
Client Follow-up	with options to manage field visits and to access client, facility and payment details including cheque movement.
On-site Data Collection	captures documents and images for inspection and collecting information for savings and fixed deposit applications.

Fast-Track Loan Module

In the reporting year, the Company launched a new product - 'Fast Track', a short term facility tailored to meet urgent funding needs of customers, including working capital requirements. In support of this initiative, a new loan module was designed and implemented linking on to the core business system to accommodate and process 'Fast Track' with efficiency and speed.

Legal Module

In the reporting year, the ICT team focused on implementing the legal module initiated in the previous year as a move towards automation. Legal documentation including default facilities transferred are now easily accessible to prepare, update and manage and thus, enabling efficiency and minimising the documentation bottle-necks within the department.

Integration with Insurance

In the year, the systems of PLC and People's Insurance were integrated under one platform, enabling synergistic operations between the two companies to take effect with ease and efficiency. The new integrated

system also supports to minimise data duplication and facilitates client information sharing, insurance quotations and payment collections.

Islamic Finance System

Reinforcing the commitment to Islamic finance, necessary investments were made this year as well to further develop the dedicated system in line with Shari'ah principles - well segregated from the conventional system. The new system developments enabled to capture online branch wise profitability and financial position. The system accommodates users to check on daily collection balances on Islamic facilities over conventional facilities and an option provided to net off the balances.

Digital Signage

Extending the initiative of the preceding year, the ICT department made arrangements to place and operate signage screens in main branches, taking the coverage to the entire distribution channel. The signage screens disseminate information for customers on products, interest rates and exchange rates, vehicle tenders and latest developments and offers.



Surveillance

Stepping up general surveillance and security, the Company continued to install closed circuit televisions (CCTVs) throughout the branch network. All branches as at the reporting year-end were fully equipped with CCTVs and were made operational under the central system.

Internal Web Revamping

'People's Hub' - New Features

- Online Chat - an improved ICT help-desk
- Updated company and industry news
- Access to financial newspapers
- 'People Finder' - an employee directory
- Digital library

Advocating greater engagement with employees, 'People's Hub' - the intranet of the PLC Group was revamped in the reporting year. The portal with new features attractively designed in a user-friendly manner, facilitated interactivity amongst employees and supported to create awareness on PLC's policies and advocate best practices across the organisation.

Information Security

Information Security & Disaster Recovery- Key Facets

- Both on-site and off-site disaster recovery mechanism to secure and back-up data and information.
- Effective monitoring system to identify and rectify network issues.
- Communication plan including an SMS option to prompt action and recovery of information and data during a power failure.
- Controls to block unwarranted social media activities and building up traffic on the network.

IT Governance- Audits & Certification

Audit	Independent Institution	Validity
Disaster Recovery and Patch Management: penetration and vulnerability assessment on systems and data from malicious attacks.	M/s. KPMG Sri Lanka	2014- 2015
Network and Firewall Security: due diligence study on measures adopted as firewall security	M/s. PricewaterhouseCoopers Sri Lanka	2014- 2015
Certification on ISO Standards - ISO/IEC 27001: detailed audit on ICT function including policies, systems, processes, applications and security management	M/s. Det Norske Veritas, Sri Lanka (DNV)	2014- 2016.

Under a comprehensive Business Continuity Plan, a contingency system for disaster recovery is in place to safeguard systems, applications, business processes, data and information. This system covers all functions across the organisation along with the subsidiary network. Independent audits are carried out periodically to validate the effectiveness and currency of checks and balances as safeguards and soundness of practices in IT security management.


FUTURE FOCUS

The role of ICT within a dynamic business backdrop will continue to be pivotal in supporting the Company in its path to sustainable progress. The ICT department in line with the Corporate Plan 2015-2017 will seek to bring in further automation to the workplace and intends to make significant improvements to processes, adopting best-fit technology.

Key Plans 2015/16	
<ul style="list-style-type: none"> ● Treasury Module automate treasury operations including borrowings, investments and cashflows with MIS reports. 	<ul style="list-style-type: none"> ● Slip Transfer implement a slip transferring process through LankaClear for direct transfers from PLC to bank / bank to PLC.
<ul style="list-style-type: none"> ● Promote AppServer Technology transform the core system to AppServer technology to reduce the load on the terminal servers. 	<ul style="list-style-type: none"> ● Utility Bill Payments enable utility bill payments mechanism for customers through any PLC branch or mobile collection devices.
<ul style="list-style-type: none"> ● HR Module automate HR functions to minimise the limitations in manual processes whilst including facilities such as online performance management system. 	<ul style="list-style-type: none"> ● Official Website add interactive features to address queries and facilitate online requests for communication and registration; develop an HTML5 version of the website to be accessed through smart phones.







**“BEGINNING MY PROFESSIONAL CAREER AT
PLC, I AM PROUD TO HAVE WORKED MY WAY
UP TO WHERE I AM NOW, A SENIOR EXECUTIVE.
THE COMPANY HAS GIVEN ME DIVERSE
OPPORTUNITIES TO GROW AND BECOME
BETTER AND I AM PROUD TO BE PART OF A
TEAM AND A FAMILY THAT IS FOCUSED ON
DEVELOPING TOGETHER”**



Mr. W. Wanigarathna
Joined PLC on 17th December 1996
1st Employee

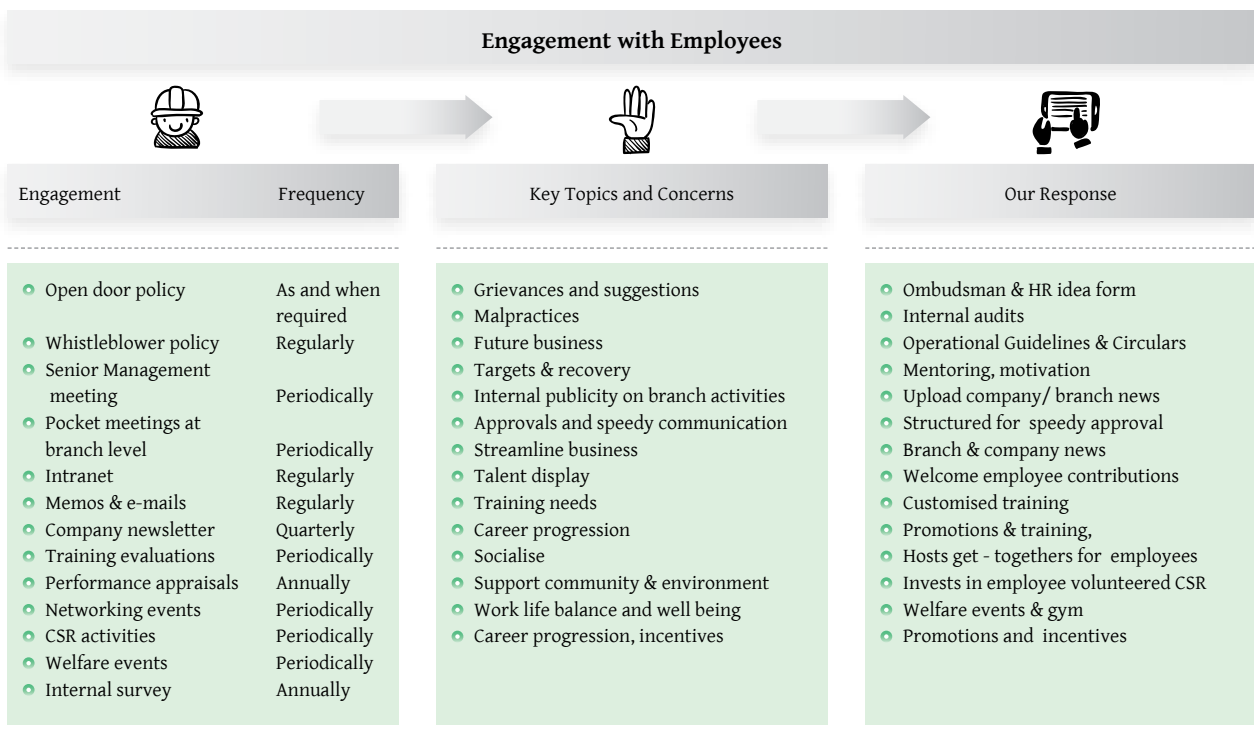


HUMAN CAPITAL MANAGEMENT REVIEW

ACQUIRING, MANAGING AND RETAINING THE RIGHT
COMPETENCIES

➔ G4 - 26, 27

EMPOWERING EMPLOYEES TO REACH HEIGHTS



MATERIAL ASPECTS IN SUMMARY

Refer: Materiality Assessment, Pages: 35-37

What to Expect				
Material Aspects	Level of Materiality			Section Content
	High	Moderate	Low	
Labour Practices & Decent Work				
Employment	●			Extensively covers aspects of employment, including numbers recruited and turnover.
Labour Management Relations		●		In the absence of trade unions, this section covers how PLC maintains good employee relations.



What to Expect				
Material Aspects	Level of Materiality			Section Content
	High	Moderate	Low	
Occupational Health & Safety		●		Moderately covers measures adopted to ensure employee health and safety aspects at the workplace.
Training & Education	●			Extensively covers PLC's commitment to building employee capacity on a well-planned annual training calendar.
Diversity and Equal Opportunity	●			Elaborates on PLC's commitment to nurture a diverse employee base on equal opportunity principle and gives a representation of the cadre composition in terms of gender, age and ethnicity.
Equal Remuneration for Men & Women	●			Reiterating 'equal opportunity' policy, remuneration is presented on a gender basis.
Supplier Assessment for Labour Practices		●		Covered under 'Supply Chain' under Economic Contribution section.
Labour Practices Grievances Mechanism	●			Elaborates on PLC's open- door policy to redress grievances including violations of human rights at the departmental and branch level and the formal process involved for unreconciled grievances.
Human Rights				
Investment		●		Covers human rights training aspects whilst inclusion of clauses within investment agreements are covered under 'Economic Contribution' section.
Non- Discrimination	●			Sets out PLC's commitment to ensure that the workplace upholds non- discriminative HR strategies.
Freedom of Association & Collective Bargaining			●	Sets out the absence of trade unions and the reliance on the Welfare and Sports Society to bring harmony across the organisation.
Child Labour	●			Sets out PLC's policy and commitment to prevent child labour.
Forced & Compulsory Labour	●			Covers measures adopted to ensure that PLC is conscientious in meeting fair compensation and statutory obligations to all employees.
Security Practices		●		Covers training extended to security personnel to uphold best practices in terms of human rights relevant to PLC.
Indigenous Rights			●	Limited coverage given since PLC's operations does not have a significant impact on indigenous communities.
Assessments			●	Sets out that PLC has not been subjected to human rights assessments.
Human Rights Grievance Mechanism		●		This is covered under the employee grievance process.

OVERVIEW

The dynamic work culture, with dedicated and smart employees upholding the ideals in business ethics, has always been the cornerstone of the feats achieved by PLC within the 18- year corporate journey. This is what underlies PLC's quest to extend a firm platform for employees to grow and be empowered in their careers; whilst being the link to the organisation's drive towards sustainability.



HUMAN CAPITAL MANAGEMENT REVIEW CONTD.

Human Capital Management - Snapshot 2014/15

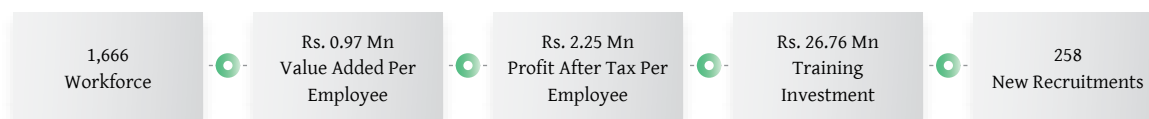
Human Resources Policy

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.

Highlights

- Silver award clinched at the 'People Development Award 2014' for best practices in HR, organised by Sri Lanka Institute of Training & Development.
- Carried out an employee satisfaction survey at the head office.
- Launched an online 'Suggestion Portal' to obtain employee feedback.
- Extended an employee wellbeing programme, '360° Success' for 110 employees at the head office and 7 branches.
- Launched 'Employee Induction Handbook' setting out corporate information, policies, practices and codes for new recruits.
- Induction training extended to 258 new recruits.
- Extended external training to 1,193 employees with 21,785 training hours at an investment of Rs. 23.82 million.
- Widened the scope of the professional development programme, covering more study courses and institutions.

Key Performance Indicators



Human Capital Management - Snapshot 2014/15

For the Financial Year	2014/15	2013/14	% Change
Workforce			
Employees (Number)	1,666	1,575	5.78
Recruitment & Promotions			
New Recruitments (Number)	258	399	(35.34)
Employee Promotions (Number)	521	598	(12.88)
Attrition			
Average Employee Turnover (%)	10.24	13.90	(3.66)
Retention Rate (%)	89.76	86.10	3.66
Training & Development			
Training Hours (Number)	37,085	34,075	8.83
Training Investment (Rs. Mn)	26.76	20.33	31.63
Employee Remuneration & Welfare			
Permanent Staff Benefits (Rs. Mn)			
Welfare Expenditure (Rs. Mn)	63.20	52.76	19.79
Occupational Health & Safety			
Work Related Injuries (Number)	5	2	150
Employee Productivity			
Value Added per Employee (Rs. Mn)	0.97	0.92	5.43
Profit After Tax per Employee (Rs. Mn)	2.25	2.11	6.64



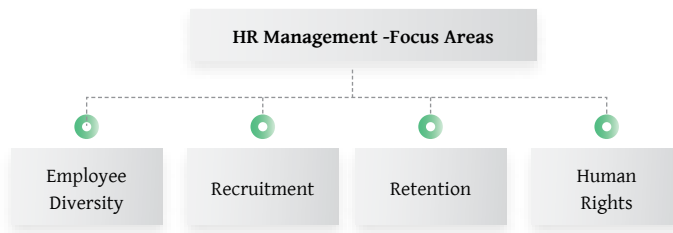
MANAGEMENT APPROACH

Set as a centralised function underscoring group synergies and cost rationalisation across the PLC Group, HR management is in line with Sri Lanka's labour laws, rules & regulations. PLC's approach is strategic, seeking to emulate best practices in HR management.

Accommodating an operation that spans a vast distribution channel, PLC looks at HR management from a multi-dimensional standpoint. Upholding the most valued tenet, 'equal opportunity', the Company seeks to nurture a diverse workplace without regard to any social prejudices.

Recruitment in keeping with the spirit of 'equal opportunity' is steadfast to attract the most resourceful employees to the organisation whilst giving precedence to internal recruitment and promotions- based purely on duly evaluated performance.

Retaining employees within the organisation which assumes greater significance in an intensely competitive marketplace is also approached proactively. Advocating greater engagement, the retention strategies look at driving performance with strategic investments in skills training in line with corporate goals. The Company also ensures the wellbeing of employees with right compensation- benchmarking industry norms, recognising performance, extending rewards, ensuring welfare and work- life balance. Human rights aspects are also considered within the purview of HR management- ensuring that all dealings and practices within the organisation does not infringe upon employee rights; among others, discrimination, child and forced labour.



HR STRUCTURE

HR department comes under the purview of Deputy General Manager Finance and Administration and is headed by Chief Manager- HR. Guided by the HR department, the heads/managers at branch level and subsidiaries carry out day to day HR and administration functions in their respective business units. Necessary support is extended to managers in terms of training, systems backing and other resources to empower them to make suitable decisions including on new recruitments, training, performance appraisals and addressing employee grievances.

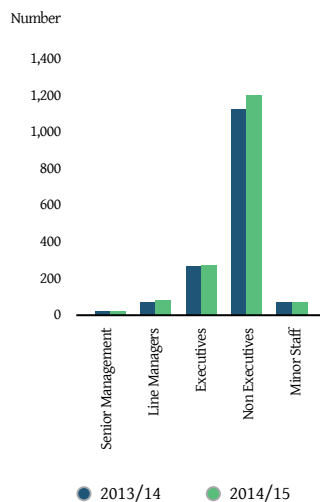
EMPLOYEE COMPOSITION



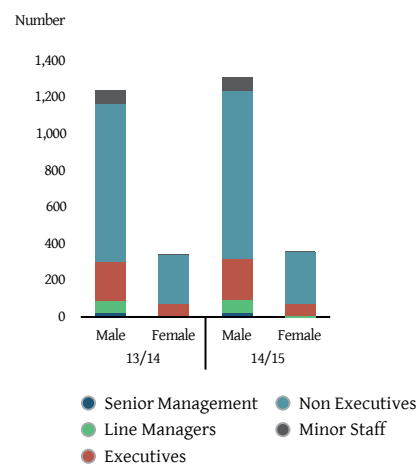
Accommodating the rapidly growing operations with 89 branches across the country, PLC's total workforce reached a total strength of 1,666 as at the reporting date. This corresponded to a nearly 6 percent growth as compared to the position as at the preceding year- end.

EMPLOYEE STATUS & CATEGORY

Employee Category



Employment Category by Gender



Out of the total workforce, 88 percent as at reporting year- end came under the permanent cadre category; whilst the balance 12 percent comprised trainees and staff on probation. Within the structure, the operational staff comprising executives and non- executives led with 89 percent of the total cadre, complemented by 7 percent management level cadre - reflecting a good blend to effectively deliver on the corporate strategy.



HUMAN CAPITAL MANAGEMENT REVIEW CONTD.

PROVINCIAL REPRESENTATION

Mirroring the expansionary trends at PLC, 1,310 employees worked within branches, corresponding to 79 percent of the total workforce and a growth of 5 percent over the previous year. The head office staff in Colombo accounted for the balance 21 percent.

Western Province with 31 branches, 2 units and the head office with 30 departments employed the highest of 883 employees, representing 53 percent of the total, followed by Southern and Central Provinces of 10 percent and 9 percent respectively.

Regional Representation- Branches & Gender								
Provinces	Branch/ Unit	2014/15			2013/14			
		Male	Female	Total	Branch/ Unit	Male	Female	Total
Central	11	125	23	148	10	112	22	134
Northern	5	51	6	57	5	49	3	52
North- Central	4	50	10	60	4	52	11	63
North- Western	8	82	21	103	6	70	18	88
Sabaragamuwa	4	64	12	76	4	60	9	69
Uva	6	81	10	91	6	83	8	91
Western (Branches)	33	399	128	527	33	392	125	517
Western (Head Office)	30	242	114	356	29	222	109	331
Eastern	8	80	7	87	8	79	8	87
Southern	12	138	23	161	11	120	23	143
Total	121	1,312	354	1,666	116	1,239	336	1,575

EMPLOYEE DIVERSITY

 G4- LA12

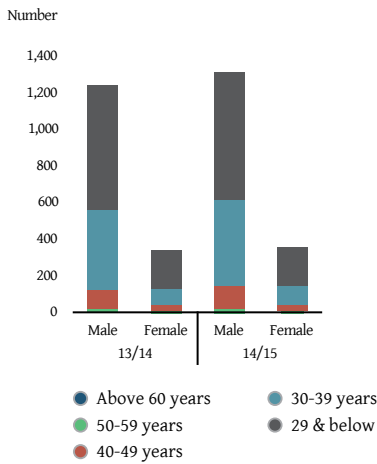
In keeping with its HR policy, PLC remained committed towards being an 'equal opportunity' employer- enabling an inclusive workplace with no distinction made on ethnicity, gender, age and other socio- economic prejudices.

From a practical standpoint, building a diverse cadre essentially underscores successful operations; engaging a range of stakeholder segments with different value systems and from different geographical areas spanning the entire island. In this backdrop, the Company continued to maintain its efforts to nurture workplace diversity and proactively advocate employees to work as a team, irrespective of their differences. To this end, the Company braced its recruitment policy to move towards a balanced cadre composition whilst seeking to build team spirit especially relying on the Welfare and Sports Society initiatives.

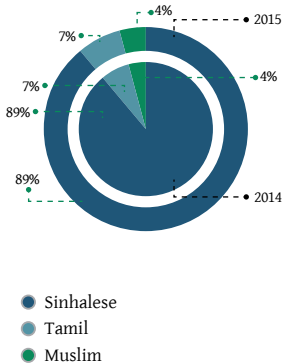
Employee Category by Gender & Age- 2014/15											
Age Category	Senior Managers		Line Managers		Executives		Non Executives		Minor Staff		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Above 60	4	-	1	-	-	1	1	-	-	-	7
50-59 years	6	1	4	-	-	-	1	-	4	1	17
40-49 years	14	2	39	4	40	20	19	9	9	1	157
30-39 years	1	-	34	2	149	33	257	68	28	-	572
29 & below	-	-	-	-	30	9	639	203	32	-	913
Total	25	3	78	6	219	63	917	280	73	2	1666
% Value	89.29	10.71	92.86	7.14	77.66	22.34	76.61	23.39	97.33	2.67	



Employee Age Analysis



Employee Composition by Ethnicity



Gender Balance

In the reporting year, the workforce dominated by marketing and field offices, mainly serving at the branch level, remained lop-sided towards male employees. The balance between males to female employees was maintained at 79:21 as was the case in the preceding year.

However, moving consciously towards a better gender balance, this year, the management concentrated on recruiting female personnel to the cadre, as appropriate to vacancies. This year, 44 female employees joined the cadre. Currently, 3 senior managers and 6 line managers are given leadership roles, bearing significant responsibilities as heads of branches and departments.

Age Representation

Striking for a good balance between generations, PLC seeks to blend in the expertise, stability and maturity of the more senior staff with the dynamism of the 'Gen Y' employees. As at the financial year end, out of the total workforce, 89 percent accounted within the age category below 40 years whilst 9 percent was between 40 to 49 years. The management category including senior managers fell mostly between 40-49 years.

Ethnic Representation

In terms of ethnicity, as at the reporting year- end, nearly 89 percent of the workforce was represented by the Sinhala community. Minority communities inclusive of Tamil and Muslim represented 11 percent of the cadre. This year, PLC recruited 28 employees belonging to minority groups especially to support operations in the Northern and Eastern Provinces.

RECRUITMENT



External Recruitment

Standing firm on the principle of 'equal opportunity', PLC maintained its stance on recruiting versatile employees, adding value to a multi-disciplinary workforce. Following best practises, recruitment process remained competitive and structured; encouraging applications from the best talent from national universities and professional bodies and shortlisting and selecting on clear criteria and guidelines as set within the job descriptions- qualifications, aptitude, experience as the case maybe and positive personality traits.

In the year under review, following the growing scale of operations, 258 personnel were added on to the permanent workforce, Out of the new recruitments, 17 percent accounted as female recruitments, seeking to improve the gender balance. Recruitments remained skewed towards the age group below 30 years of age representing 95 percent whilst 94 percent were taken in as non executives.



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Recruitment by Employee Category, Gender & Age		
Category	2014/15	2013/14
Employee Category		
Senior Managers	2	-
Line Managers	2	-
Executives	6	7
Non Executives	243	376
Minor Staff	5	16
Total	258	399
Gender		
Male	214	325
Female	44	74
Total	258	399
Age		
Above 60 years	-	-
50-59 years	2	-
40-49 years	1	3
30-39 years	10	52
29 year's below	245	344
Total	258	399

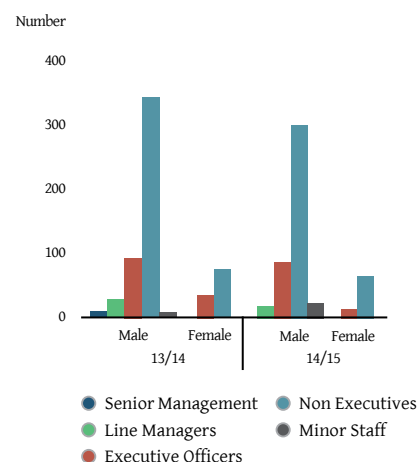
Internal Recruitments & Promotions

The Company upheld its policy to give priority to internal recruitments, as deemed suitable. This process is also well structured and transparent. All internal vacancies including job descriptions and selection criteria are duly communicated via the intranet and internal correspondence, encouraging eligible employees across the PLC Group to apply. Due training and guidance are extended towards such employees, enabling them to fit into their new job roles and take up new responsibilities and duties therein.

In the reporting year, 12 were internally recruited through cross placements across the Group and transfers within PLC. With respect to promotions- accordingly assessed through the performance management system as will be discussed later, 521 employees were promoted across all employee categories. Out of the total promotions, 86 were female employees, representing 17 percent.

Internal Recruitments- Transfers, Cross- Placements & Promotions - 2014/15			
For the Year Ended	Transfers within PLC	Cross- Placements -Subsidiaries	Promotions
Senior Managers	4	-	4
Managers	25	-	20
Executives	84	-	103
Non Executives	89	12	368
Minor Staff	1	-	26
Total	203	12	521

Promotions - employee category and gender



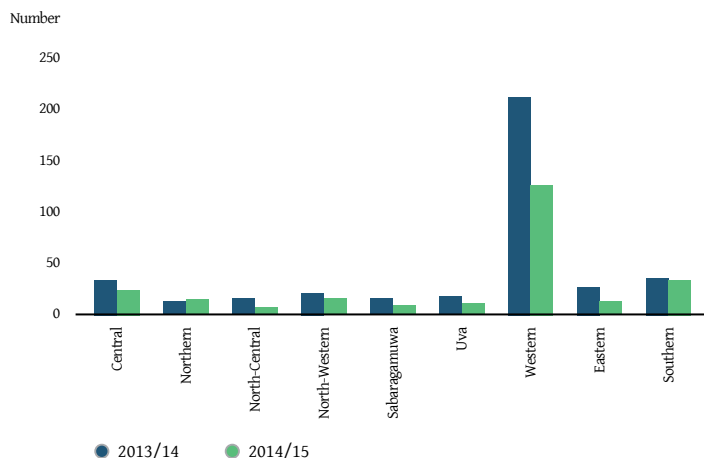
Community Recruitments

The recruitment strategy advocates community recruitments in areas where branches operate. This strategy is well in line with the Company's aspirations of being an inclusive employer; whilst in effect such employees with ties, sense of responsibility and local knowledge truly support branch operations to reach out to their respective communities, blending well with the local culture and offer a responsive service. But, the challenge of finding suitable recruits to meet the job description in some of the local areas limits the full potential of this strategy on community recruitments.

In the year under review, 127 personnel were recruited from the Western province, representing 49 percent of the new recruits. The Western Province has the highest density of branches of 35 percent out of the total network of 89 along with the head office recruitments from other 8 provinces totaling 131 personnel representing the balance 51 percent.



Recruitment by region



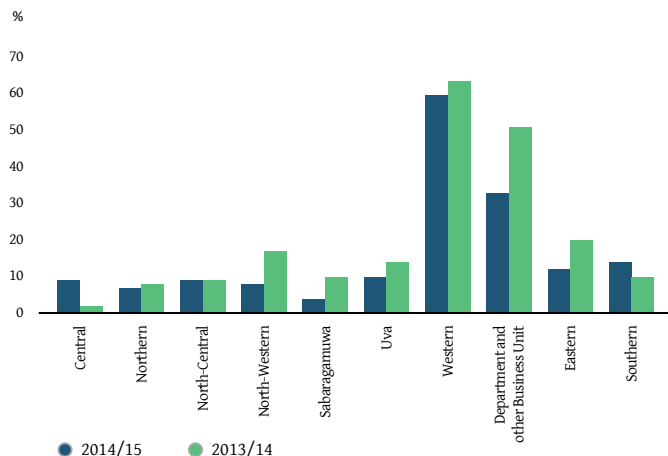
Retention

People Development Award 2014

After a two-day independent audit on the HR policy, practices and processes along with on-site, random and confidential employee interviews, Sri Lanka Institute of Training & Development recognised PLC's progressive initiatives and practices in human resources development amongst 23 short-listed contenders out of 50 applicants. PLC was adjudged runners-up with a 'Silver' award.

Retaining a quality and productive employee base remained pivotal in the Company's drive to sustain its positioning at the helm within an over-crowded industry. Therefore, consistent and continuous improvements were pursued to extend an empowering and a satisfying workplace for employees to nurture skills and build on their careers with a quality work-life; whilst seeking to reach out to collective goals envisaged for the organisation. In this backdrop, the Company remained steadfast in its retention strategy encompassing fair remuneration, benefits and recognition based on performance, strategic training and ensuring employee wellbeing through balancing work-life, welfare, health and safety measures and redressing their grievances.

Attrition by Region



ATTRITION ANALYSIS



With best in retention strategies in place, in the reporting year, the Company was able to improve on staff turnover from the levels achieved in the previous year. Retention rate reached 89.76 percent from 86.10 percent in the previous year.

Resignations of permanent employees reached 166 represented mainly by the non-executive employee category of nearly 82 percent. In terms of age analysis, 71 percent of staff turnover corresponded to 'Gen Y' employees of below 30 years of age whilst the turnover was relatively lower at 30 percent in age groups between 30 to 55 years. Turnover of female employees was lower at 18 percent whilst male employee turnover was 82 percent. The Western Province recorded the highest turnover and the lowest was in Sabaragamuwa.

The average staff turnover ratio was 10.24 percent which reflected an improvement as compared to the turnover ratio of 13.90 percent recorded in the preceding year. The average turnover ratio of executive and above categories was 7.30 percent whilst the ratio of the non-executive category was high at 11.16 percent.



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Staff Turnover Ratio 10.24 Decreased by 3.90
Percent

Retention Ratio 89.76

Attrition- Employee Category, Age, Gender		
	2014/15	2013/14
Employee Category		
Senior Managers	1	4
Line Managers	4	3
Executives	23	22
Non Executives	136	169
Minor Staff	2	8
Gender		
Male	136	174
Female	30	32
Age		
Above 60 years	-	-
50-59 years	1	1
40-49 years	3	6
30-39 years	44	52
29 below	118	147
Total Staff Turnover	166	206
Average Staff Turnover Ratio (%)	10.24	13.90
Retention Ratio (%)	89.76	86.10

RETENTION AFTER MATERNITY



PLC follows the Shop and Office Employees Act in determining the terms of maternity leave and related benefits to female employees. In compliance to the Act, 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.

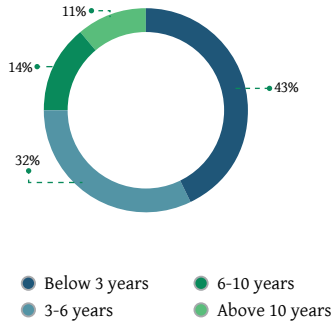
During the year under review, 33 employees went on maternity leave, corresponding to 9 percent of the total female employees. Out of those employees 26 employees returned to work while 7 employees are currently on maternity leave. The retention rate corresponded to 78.79 percent whilst 28 employees were employed for the last 12 months after the return from maternity leave.

Description	2014/15	2013/14
Entitled for maternity leave	354	336
On maternity leave	33	29
Returned to work after maternity leave	26	28

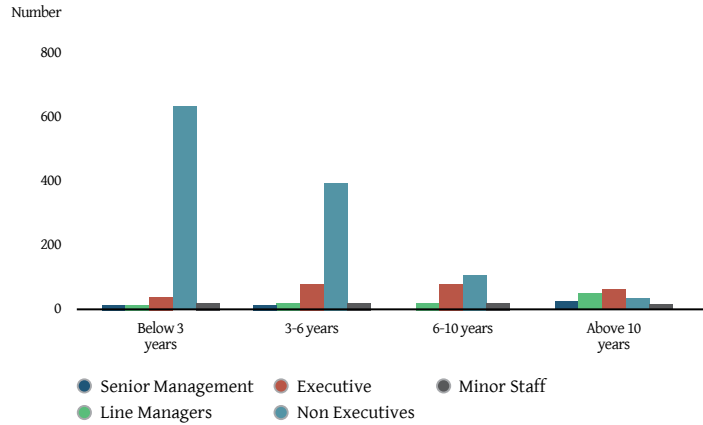
Service Analysis

Further reflecting well on the Company's retention efforts, the service analysis demonstrate that 43 percent of employees were between 3-10 years of service while 11 percent was above 10 years of service.

Service Analysis



Service Analysis- Employee Category



PERFORMANCE MANAGEMENT



Fundamental to PLC's workplace culture, performance management is a critical aspect that is given precedence and much thought in terms of adopting current practices. The appraisal system which is '180° degree's, transparent and hands- on encourages interactivity - to be open on the evaluation process based on pre- agreed key performance indicators, employee rating and recommendations.

Performance appraisals which are carried out bi- annually, primarily aims at providing a systematic review of employee performance which in effect forms the basis for assessing skills gap and training needs at an individual level and collectively as team in line with corporate goals. This also supports the management decision making process to determine the level of rewards and recognition to be extended to employees impartially - purely based on merit. Succession planning and mapping careers of high performers are very much a part of this process.

In the reporting year performance of 1,451 employees was evaluated bi- annually in the months of April and October 2014. This corresponded to 87.04 percent of the total workforce across employee categories. In terms of gender, 354 female employees were evaluated for their performance.



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Succession Planning

Continuous and consistent succession planning targets high achievers with leadership and management skills. The performance management system is effectively used in this endeavour where high achievers and potential employees are identified and mentored by the management, especially focusing on areas that need improvement.

The management trainee programme which attracts top graduates in the country with part or full professional qualifications is the first stage of the succession planning process. The high-achievers amongst the management trainees are earmarked and extended with strategic management and leadership exposure and training, guiding them to take up their future leadership roles. This programme is well aligned with the policy of internal recruitments to senior positions.

At the management level, succession planning comes under the purview of the Board where conscious efforts are taken to mentor and empower them further to take up future challenges.

REMUNERATION & REWARDS

 G4- LA2 & LA13

Upholding impartiality on gender and other social biases and aligned to industry norms and cost of living considerations, remuneration at PLC is based on employee's level of capability, responsibility and potentiality. All incentives and rewards including bonuses are determined on performance merits ascertained during performance evaluations carried out bi- annually.

The Company ensures a good balance in remuneration in terms of gender. In the reporting year, female employees across categories recorded an average

basic salary of 50 percent of the basic salary recorded for male employees.

Basic Salary Ratio- Gender- 2014/15		
Employee Category	Male	Female
Senior Manager	1.0	0.9
Line Manager	1.0	0.9
Executive	1.0	1.1
Non Executive	1.0	1.1
Minor Staff	1.0	1.0
Average Salary Ratio	1.0	1.0

The remuneration package of permanent staff consisted, inter alia, basic salary, allowances, bonuses, reimbursements of transport, fuel, interest support on housing loans, funding for further studies and reimbursements for memberships in professional bodies. In the reporting year, the Company incurred a total sum of Rs. 870.67 million on salaries and benefits to permanent employees representing a 12.14 percent increase compared to the previous year.

Permanent Employee Benefits		
Key Benefits	2014/15	2013/14
	Rs. Mn	Rs. Mn
Salaries & incentives	870.67	776.40
Bonus	311.73	247.64
Overtime (non executive and below)	30.69	18.18
Leave encashment	24.15	20.75
Allowances	120.67	77.65
Reimbursement of staff travelling (non executive)	88.39	115.16
Reimbursement of fuel and vehicle maintenance (executive)	175.13	143.43
Interest support on housing loans	5.83	5.96
Professional development	0.79	1.17
Memberships in professional bodies	0.85	0.74
Health Insurance	79.34	48.43

Defined Benefits and Contributions

Compliant to the laws governing labour in Sri Lanka, defined benefit obligations are consistently met including 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. As per the two Acts and amendments, PLC contributes 12 percent to EPF and 3 percent to ETF whilst employees' contribution to EPF was 8 percent. As at the reporting year, the Company's defined benefit obligations for EPF and ETF totaled to Rs. 107.32 million.



In terms of the Payment of Gratuity Act No. 12 of 1983, PLC recognises its obligations of half a month's basic salary for each completed year of service for those employees who have completed 5 years or more in service. As at the reporting date, gratuity liability recorded was Rs. 155.11 million.

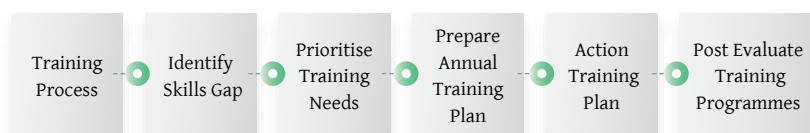
TRAINING AND DEVELOPMENT

 G4- LA9 & LA10

Within a workplace culture where learning is much valued, employee competency and skills development take a central part of the Company's HR strategy and plans. Aiming to develop rounded skills in employees consistently, training is well planned and strategically invested in to meet skills gap within the organisation. The annual training plan clearly seeks to empower the team to be perceptive and enhance their performance standards in meeting present day challenges within a dynamic industry.

Training Process

Training at PLC stems from the performance management scheme with cadre skills gap identified and assessed annually at an individual level as well as on collective level with the engagement of employee's immediate supervisors and senior managers. Based on the gaps thus identified, training plan is structured by the HR Department with a scope encompassing a combination of internal and external training opportunities including foreign exposure to best-fit corporate goals and employees' career aspirations. This process also entails a post evaluation of the effectiveness of training programmes- resource persons, scope and outcomes.



Internal Training

PLC as a group is able to offer extensive learning opportunities for employees to gain multidisciplinary expertise and exposure. Thus, internal training at PLC is attractive, pragmatic and a cost-effective option which is given much prominence within the Company's training strategy. On-the-job training, job rotation and cross placements are effectively used to give employees well-rounded skills. In the reporting year, 12 employees were given the opportunity to be cross-placed in subsidiaries whilst 203 were given transfers inter-departments and branches.

Internal training also entails well-structured programmes conducted by in-house resources persons, targeting to brace technical skills in credit appraisals, portfolio management and customer relationships as well soft skills in IT applications, presentations and negotiations. Apart from functional skills, internal programmes also aim at strengthening employee work ethics in line with the Company's Code of Conduct and the overall ethos.

In the year under review, 17 internal training programmes were successfully structured and carried out which accounted for 24 percent of the total programmes. These covered 258 employees for 16,512 training hours. Out of the total employees trained 96.51 percent were within the executive and non-executive grades.

Induction Programme

Employee Induction Hand Book - Salient Aspects

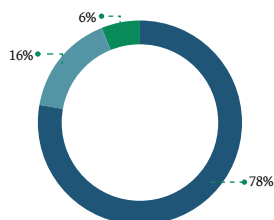
- Corporate Vision, Mission, Values & Philosophy
- PLC Group Profile
- General Information on Employment
- Employee Conduct & Discipline
- Dealings with Customers
- Company Procedures
- Employee Benefits
- Green Pledge - Sustainability Facets

A comprehensive and well-structured induction programme is in place to enable new recruits to transition and settle into their new job roles effectively. The induction programme aims to give new recruits an insight into the corporate culture along with familiarisation training on operations, systems and processes. The new recruits are given on-the-job training and opportunities to work in all departments at the head office and if required, to work at the branches and at the subsidiaries through temporary cross-placements.

In the year under review, PLC published and launched an 'Employee Induction Handbook' setting out vital information for new recruits. The Company also carried out 17 induction training programmes extending orientation training to 258 new recruits for 16,152 hours.

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Skills type - training hours



- Technical
- Soft skills
- Overseas

External Training

Approached from a tactical perspective, external training at PLC is carefully selected to give employees the exposure to current and best practices through some of the most resourceful training programmes in the country as well as abroad. In the year 2014/15, the Company organised 71 external training programmes facilitated by well renowned resource persons and institutions for 1,193 employees whilst 35 employees were sent on foreign training to countries viz. Malaysia and Hong Kong etc. The external training programmes covered 21,785 training- hours at an investment of Rs. 23.82 million which represented an increase of 31.82 percent as compared to the investment in the previous year.

Training- Employee Category & Gender- 2014/15

Employee Category	Training Programmes	Employees Trained			Average Training Hours		
		Male	Female	Overall Cadre	Male	Female	Overall Cadre
Senior Managers	14	18	2	20	16	34	18
Line Managers	44	48	2	50	28	12	27
Executives	138	105	36	141	25	35	27
Non-Executives	65	538	123	661	21	18	20
Minor Staff	12	81	2	83	31	20	30
Total	273	790	165	955	23	21	22

Internal & External Training- Programmes Organised & Investment 2014/15 vs. 2013/14

Description	2014/15	2013/14
Programmes (Number)		
Internal Training	27	30
External Training	71	90
Total Training	98	120
Investment (Rs. Mn)		
Internal Training	2.94	2.26
External Training	23.82	18.07



Advocating Professional Studies

Professional Development Programme - Recommended Study Fields

- Accounting & Finance
- Information Technology
- Marketing
- Banking & Finance
- Insurance
- Automobile
- Human Resources
- Legal
- General Management
- Real Estate & Construction
- Capital Market
- Microfinance
- Business Administration

The Company has established a higher education reimbursement scheme for employees to further their professional studies. The management encourages employees to avail benefits of this scheme, especially if skills gaps are ascertained during performance evaluations held annually. In the reporting year, the Company broadened the scope of this scheme covering wider areas of studies at the certificate, diploma, graduate and post graduate levels and recognising more universities and institutions both nationally and internationally.

Responding with enthusiasm 20 employees obtained the higher education fee reimbursement facility. The Company incurred Rs. 0.79 million during the year on professional development.

Employees are also eligible to reimburse their subscription to obtain and maintain their memberships in professional bodies. The cost of memberships reached Rs. 0.85 million in the reporting year, reflecting a 14.86 percent increase over the previous year.

Employee Wellbeing

Case Summary: '360° Success'

A series of two-day skills development and employee wellbeing programmes were organised for staff across the organisation. Mrs. Subodhani Dissanayake, Assistant Deputy Country Director, Programmes, Plan Sri Lanka was brought in as a resource person to conduct the sessions which highlighted the importance of upholding a 'Triple Bottom Line' approach to business, integrating profits, people and planet and the necessity to adopt a healthy lifestyle moving towards work-life balance. The programme was organised at the Lakshman Kadrigamar Training Centre for the Colombo based staff whilst regional programmes were held in Anuradhapura, Kandy, Welimada, Kalutara, Matara, Mahiyanganaya and Kurunegala.

Programme Key Indicators

- Participation: 984 employees including 150 from the head office and 834 from 8 branches
- Output: Tips for healthy and balanced work-life
- Investment: Rs. 1.2 million

Work- life & Welfare

The Company is fully aware of the significance of nurturing a positive workplace vital to ensure employee wellbeing. Proactive steps have been taken to support employees to cultivate a balanced outlook towards work responsibilities and adopt a healthy lifestyle both physically and mentally. This in effect, underscores the Company's efforts towards curtailing job absenteeism and sustaining high productivity levels within the workplace and even supporting to control staff turnover.

In the reporting year, the Company invested a sum of Rs. 63.20 million for welfare measures for permanent staff which have been carefully structured towards enhancing their wellbeing and in some instances extended to immediate family members as well. This investment corresponded to an increase of 19.79 percent over the previous year, amounting to Rs. 52.76 million.

Welfare Measures	
<ul style="list-style-type: none"> • Death Donation Extends Rs. 100,000 covering the death of employee, immediate family & parents and 50% entitlement for spouse's parents. 	<ul style="list-style-type: none"> • Insurance Facilities Covering medical, accident and life cover with OPD limit for a quarter and spectacle cover for employee & immediate family.
<ul style="list-style-type: none"> • Vehicle Facilities Loans with preferential interest rates and repayments; maintenance allowance; fuel allowance for Management and Executives, and transport allowance for Non - Executives. 	<ul style="list-style-type: none"> • Housing Interest support on housing loans.
<ul style="list-style-type: none"> • Gym Facilities Fully equipped gym with trainers at the head office and rebate on gym membership for outstation employees. 	<ul style="list-style-type: none"> • Telephone Facilities Telephone bill reimbursement and 50% reimbursement of the cost of mobile phones.
	<ul style="list-style-type: none"> • Holiday Concessionary rates for holiday bungalow in Bandarawela and for vehicle hires.



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HEALTH & SAFETY

 G4- LA5, LA6, LA7 & LA8

Further reinforcing the commitment towards employee wellbeing, the Company has adopted firm measures to ensure health and safety of employees at the workplace. The Company is not bound by any formal agreements with employees in this regard in the absence of trade unions.

With respect to employee health, comprehensive insurance policy which is in place covers employees' work related illnesses and accidents. This year, insurance cover was extended to reimburse the cost of spectacles for both employees and their immediate family. The Critical Illness Fund which is in place as an additional safeguard covers employee health issues that do not fall under the purview of the general insurance policy.

The fully- equipped gymnasium with training support and memberships to health clubs for management level staff further complement the efforts towards building a healthy workforce. The awareness programmes periodically held amongst staff advocating health, nutrition and preventive care for serious diseases viz. HIV, cancer, heart disease, hypertension and diabetes are also intended towards improving health standards and quality of life of the workforce. In the year under review, as given special coverage herein, '360° Success' sought to give employees an insight into healthy living.

Health & Safety- Employees Trained & Training Hours				
Employee category	2014/15		2013/14	
	Employees	Hours	Employees	Hours
Senior Managers	-	-	2	5
Line Managers	-	-	3	7.5
Executives	6	18	12	30
Non - Executives	18	54	29	72.5
Total	24	72	46	115

The Company continued to give due precedence to maintain quality and safety within the workplace with measures to uphold best practices and standards in building maintenance and logistics. The head office is equipped with necessary safety equipment including fire extinguishers, water sprinklers, water hydrants, emergency escapes and first aid kits. The Building Management System (BMS) established at the head office supports with safety measures from fire, system failures and other work hazards. It is also mandatory for all branches to have safety features in their premises viz. fire extinguishers and first aid kits.

Employees are given due training on safety features and equipment within the workplace; fire drills are periodically held to keep designated fire- wardens and other employees current with fire safety measures. As at the reporting year, 23 employees have been appointed to be responsible as fire-wardens at the head office premises.

The vehicle fleet used by the staff for work related activities are well maintained. All vehicles are periodically checked for the safety features, serviced on time and full insurance cover along with emission and other certification in place.

Employee Health & Safety Measures	<ul style="list-style-type: none"> Insurance Scheme Comprehensive medical, accident and life insurance 	<ul style="list-style-type: none"> The Critical illness Fund For employee illness not covered by general Insurance
<ul style="list-style-type: none"> Gymnasium Fully equipped and training facilities for employee physical fitness 	<ul style="list-style-type: none"> Awareness building Programmes Nutrition, health and diseases 	<ul style="list-style-type: none"> Fire Safety Equipment Fire extinguishers, water hydrants, sprinklers at the head office
<ul style="list-style-type: none"> Emergency Exits Stairways and signage placed for directions 	<ul style="list-style-type: none"> First Aid Well maintained first-aid kits and periodic training for volunteer employees 	<ul style="list-style-type: none"> Fire Drills Organise fire drills for employees and train designated fire wardens
<ul style="list-style-type: none"> Early Warning System BMS equipped to detect system breakdowns 	<ul style="list-style-type: none"> Automated Passenger Lifts Reaches the nearest floor during a power failure 	
<ul style="list-style-type: none"> High Pressure Air Flow System Preventing fire spreading to emergency exits 	<ul style="list-style-type: none"> Air Purification System Maintains air quality standards for partially enclosed areas 	<ul style="list-style-type: none"> Fleet of Vehicles Well maintained with timely services and fully insured



Occupational Injuries & Health Issues

With operations mainly based in an office environment, occupational health and safety issues for many of the employees are not substantial. Operational level staff who engages in field marketing, site visits and recoveries, representing around 37 percent of the workforce are likely to injury through road accidents.

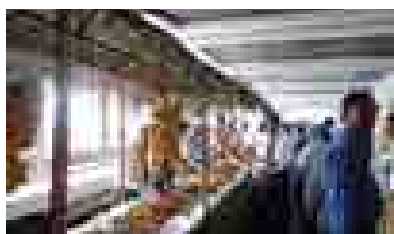
During the year under review, only 5 male employees which is not significant were injured in road accidents during work related travelling and thus recorded 287 lost days. All medical expenses were covered through the insurance scheme and due leave granted without any material change to their remuneration. There were no other work related health issues and fatalities reported in the year.

Welfare and Sports Society

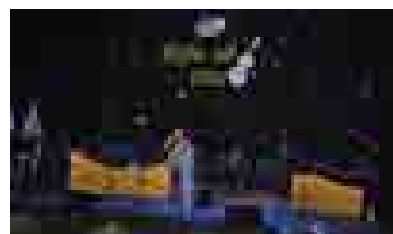
The Welfare and Sports Society continued to be proactive, playing a vital role in mustering the team spirit of employees across the organisation and motivating them towards meeting collective goals. The Society is funded by the members together with a contribution from the Company's budget allocated for welfare expenditure.

In the reporting year, Welfare and Sports Society organised some exciting events and programmes which in effect reached out towards better working ties amongst employees, encouraging camaraderie along with their families.

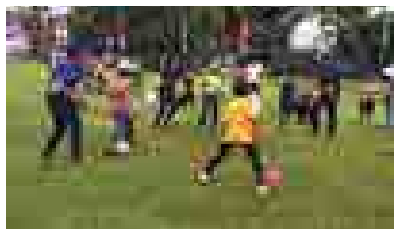
Welfare & Sports Society Initiatives



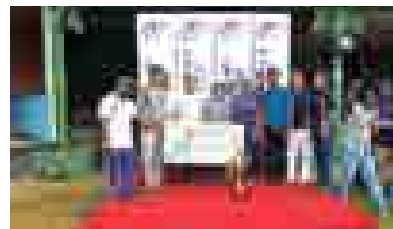
Sinhala & Tamil New Year simple ceremony at the head office followed by traditional breakfast and webcasted across the branch network



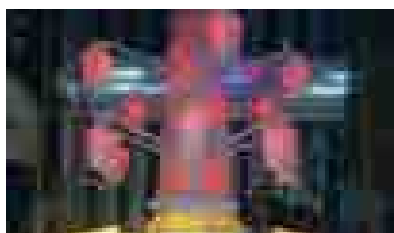
'Miyurusara 2014' musical show, a fund raiser for employee welfare activities with performances from well renowned artistes at Ananda College



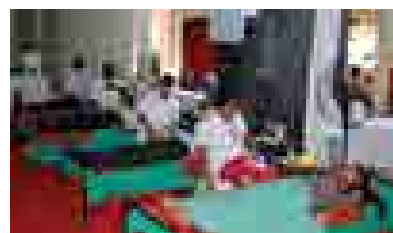
Year-end Carnival annual family get-together at Wesley College Grounds, with fun games, family rides and entertainment



CEO's Challenge Trophy - 'Six-a-Side' Cricket 88 branches along with the head office competed at the tournament - accounts department clinched the trophy at the finals against Kantale branch.



Wesak Lantern Competition celebrating Wesak Festival, head office and branches participated - Moneragala branch was adjudged the winner



Blood Donation Campaign marking the 18th Anniversary of PLC and Poson, head office and branch employees volunteered as donors

COLLECTIVE BARGAINING

➡ G4- 11, LA4 & HR4

PLC does not recognise any trade union and therefore, employees are not covered by collective bargaining agreements. However, the Company has in place a structured employee grievance redressal process as discussed below, enabling employees to iron out their issues and concerns with the management. The Welfare and Sports Society which is well organised, active and contributed collectively by the employees, gives an ideal platform for employees to engage and seek support for their welfare and wellbeing. The Society activities connect and bring together managers and employees across the board, leading to harmonious work relationships. In the year under review, the Company did not record any incidences of employee disputes at a collective level.



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Any changes to the operations are duly notified to employees through formal communication processes established within the organisation- internal correspondence, departmental meetings and intranet. However, minimum notice period to notify employees on any material change to operations is not specified through collective agreements.

Employee Satisfaction

Employee Satisfaction Survey 2014/15 - Broad Areas Covered

- Working Environment
- Career Development
- Supervisor Relations
- Nature of Work
- Recognition
- Monetary Benefits
- Non Monetary Benefits
- Performance Appraisal System
- Overall Satisfaction
- Employee Self Evaluation

Periodically, employee satisfaction surveys are carried across the organisation, even including the subsidiaries to ascertain the 'pulse' of the employees. During these surveys which are most often conducted confidentially through a questionnaire and sometimes, focus- group sessions, the management seeks to obtain employees' feedback on the effectiveness and their perspective on the HR management policies, practices and measures that have been adopted for their wellbeing.

In the reporting year, the HR department initiated an in- house employee satisfaction survey, targeting a sample of 158 amongst all employee categories at the head office. The selected sample of employees responded positively, duly filling the simple questionnaire fielding both close- ended and open- ended qualitative questions. The results are being compiled and analysed as at

reporting date. The survey findings and recommendations therein are expected to be tabled for senior management deliberations.

The HR department also launched an online suggestion portal via the intranet for employees to post their suggestions, feedback and comments on the existing practices and policies, training and other measures adopted towards a better workplace.

GRIEVANCE REDRESSAL



The commitment extended to redress employee grievances plays an essential role in employee wellbeing. Employees are encouraged to openly discuss with their immediate supervisors on issues and concerns or give their feedback on policies and practices within the workplace. The heads of departments and branches are guided and advised by the HR department at the head office to follow an 'open- dialogue' policy in their day- to- day management of operations.

If employees are unable to effectively redress their grievances within their departments, they can recourse to the formal process which is structured and independent and mediated by the Head of HR. The Whistleblower Policy coming under the purview of Internal Audit is also a structured mechanism which is in place where employees could avail to address their concerns on employee rights, violation or misdeeds, confidentially.

In the reporting year, employee grievances were not directed to the HR department for formal redressal. Grievances with respect to employees' human rights have not been filed through this formal process within the organisation and through litigation.

Employee Productivity

Employee productivity indicators as set out in the table demonstrate a progressive trend with substantial improvement over the past three years- endorsing the Company's HR management policies and practices underscoring the quality of delivery.

Employee Productivity Indicators

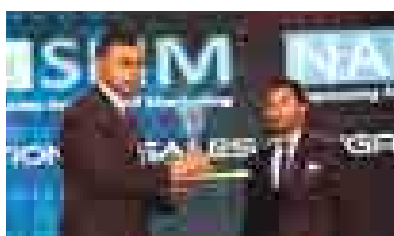
For the Year Ended	2014/15	2013/14	2012/13
Productivity Indicators			
No of Employees	1,666	1,575	1,388
Gross Income per Employee (Rs. Mn)	12.68	13.92	13.39
Profit Before Tax Per Employee (Rs. Mn)	3.32	2.96	3.39
Profit After Tax Per Employee (Rs. Mn)	2.25	2.11	2.10
Net Assets Per Employee (Rs. Mn)	12.69	12.96	12.98
Value Added Per Employee (Rs. Mn)	0.97	0.92	0.75



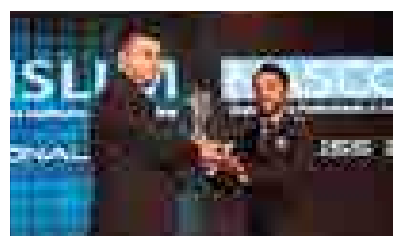
Celebrating Employee Achievements

Showcasing talent, three of PLC's top employees secured three awards in the Financial Products and Services category at the National Sales Congress (NASCO) Awards 2014 organised by the Sri Lanka Institute of Marketing. PLC also secured an employee award at the Sri Lanka Islamic Banking & Finance Industry (SLIBFI) Awards 2013/14 whilst Al-safa unit emerged as the winner of the SLIBFI Quiz Night 2014.

Employee Awards



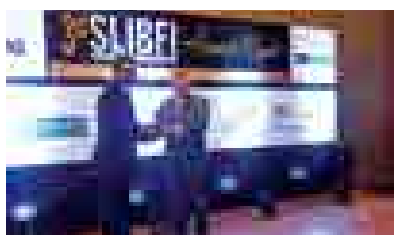
Gold Award
Mr. Anuradha Jayasinghe, Kaduwela branch recognised within the 'Territorial Managers' category, NASCO Awards 2014



Bronze Award
Mr. Saminda Ratnayake, Awissawella branch recognised within the 'Territorial Managers' category, NASCO Awards 2014



Silver Award
Mr. Aslam Badurdeen, Deputy Manager Al-Safa was recognised within the 'Sales Executives and Sales Supervisors' category, NASCO Awards 2014



Silver Award
Mr. Mohamed Hikam, Head of Recoveries Al-safa unit honoured at the 'Rising Islamic Finance Personality - 2013/14'



1st Prize
Al-safa Unit won SLIBFI Quiz Night 2014 organised by UTO Edu Consult

HUMAN RIGHTS MANAGEMENT APPROACH

PLC's value system is fully aligned to employment and work-related policies set out by the International Labour Organisation. The Company concedes and conforms to the International Labour Standards and the Universal Declaration of Principles of Human Rights therein. The Company is fully committed and firm measures have been progressively adopted to safeguard human rights across the organisation.

TRAINING ON HUMAN RIGHTS



Striving to internalise, PLC has sought to educate staff members through formal training on policies and practices with respect to human rights within the organisation. As initiated in

the preceding year, the Company continued with human rights training, extending to branch level. This programme was carried out by a specialist resource person, Mr. P. V. M. N. Ranathunge. In the reporting year, human rights training covered 142 employees including office assistants and drivers for 429 training hours.

Aside, human rights aspects are included as covenants within employment contracts offered to employees at the time of recruitment which legally binds them to PLC's value system inclusive of human rights.

Human Rights- Training Hours

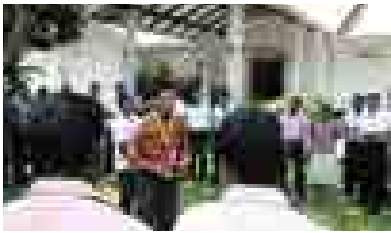
Employee Category	Employees Trained		Training Hours	
	2014/15	2013/14	2014/15	2013/14
Senior Management	-	-	-	-
Line Managers	-	-	-	-
Executive Officers	9	4	27	16
Non Executives	74	10	222	40
Minor Staff	60	2	180	8
Total	143	16	429	64



HUMAN CAPITAL MANAGEMENT REVIEW CONTD.



Training on Human Rights



Security Training

Security Training



Security personnel fall under the outsourced staff category. Yet, the Company is fully aware of their role as the front-line staff and the first point of contact for employees, customers and other stakeholders within the office premises. Hence, the HR department took firm steps to educate the security personnel on human rights aspects relevant to PLC and best practices in civility and propriety in discharging their daily duties.

In the reporting year, the formal training on human rights mentioned above was extended for security personnel. Training programme covered 60 security personnel representing all of the personnel detailed to PLC for 180 training hours.

NON-DISCRIMINATION



With 'equal opportunity' as the underlining principle, PLC Group in the year under review, did not record any incidences of discrimination. All facets of HR management including recruitment, remuneration, rewards and recognition as discussed above were based on performance merits without discrimination on grounds of socio-economic biases. Grievance redressal mechanism, among others, is in place to protect employees from such incidents if and when they occur in the future.

CHILD LABOUR



Adhering to Sri Lanka's labour rules, PLC clearly follows its policy on child labour. The minimum age of employment is 18 years and above and measures are in

place to ensure that this is not violated in its recruitment process across the organisation. The Company has not resorted to child labour in the past and remains resolute in maintaining this policy in the years ahead.

FORCED LABOUR



With employee rights conscientiously upheld, PLC treats its employees with utmost respect. Employees are extended with due compensation and all statutory obligations in terms defined benefits and contributions as discussed above under 'Remuneration & Rewards'. In the reporting year, the Company has not recorded any incidents on forced or compulsory labour within the operations.

INDIGENOUS RIGHTS



PLC's operations do not impinge on the lives of indigenous groups in a detrimental manner. Only the Mahiyangana branch has links to the 'Dambana' indigenous community. The employees of this branch are well trained and guided to engage the community closely without interfering and impacting on their original identity.

As at the reporting date, the Company and its network have not reported on any incidents of violations of the rights of indigenous communities.

ASSESSMENTS



In the backdrop of a workplace that upholds highest ideals in terms of HR management and work ethics, PLC as a group has not been subjected as at the reporting date for human rights reviews or impact assessments.



FUTURE OUTLOOK

Facing intense competition and dynamic business landscape, it warrants careful attention and investment to build a professional and rounded team that is able to take on the innate opportunities present and surmount the challenges. Towards this, the HR management will focus on strategic initiatives that would further employee engagement, bring quality to work practices and drive performance to reach higher corporate goals.

HR Targets & Plans 2014/15	Training & Development <ul style="list-style-type: none">• Initiate further training to build on technical and soft skills.• Structure training programmes on Islamic finance and other new products for branch employees.• Extend foreign training opportunities for high achievers and selected employees.• Further develop the professional development programme with coverage to sustainability aspects.• Focus on cost-effective e-learning with a wider coverage of branches island wide• Increase training investment to Rs. 40 million.
	Performance Management <ul style="list-style-type: none">• Focus on new evaluation techniques to be current with best industry practices.• Carry out performance evaluations covering all employees. Recruitments <ul style="list-style-type: none">• Target gaps in the middle management and senior levels.• Attract young talent for the management trainee programme.• Head-hunt professionals for new products - foreign currency operations, and margin trading.
	Remuneration <ul style="list-style-type: none">• Review employee remuneration package on par with industry norms and make necessary adjustments.







WHEN IT COMES TO THE SAYING, 'A FRIEND
IN NEED IS A FRIEND IN DEED', PLC HAS
PROVEN IT COUNTLESS TIMES IN OUR GROWTH
TOGETHER. IT IS WITH IMMENSE HAPPINESS
THAT I STAND BEFORE YOU AS THEIR FIFTH
CUSTOMER AND LOOK FORWARD TO BEING A
PART OF THEIR SUCCESS, AS THEY HAVE BEEN
IN MINE, IN THE MANY YEARS AHEAD.

Mr. Sunil Shantha
Customer

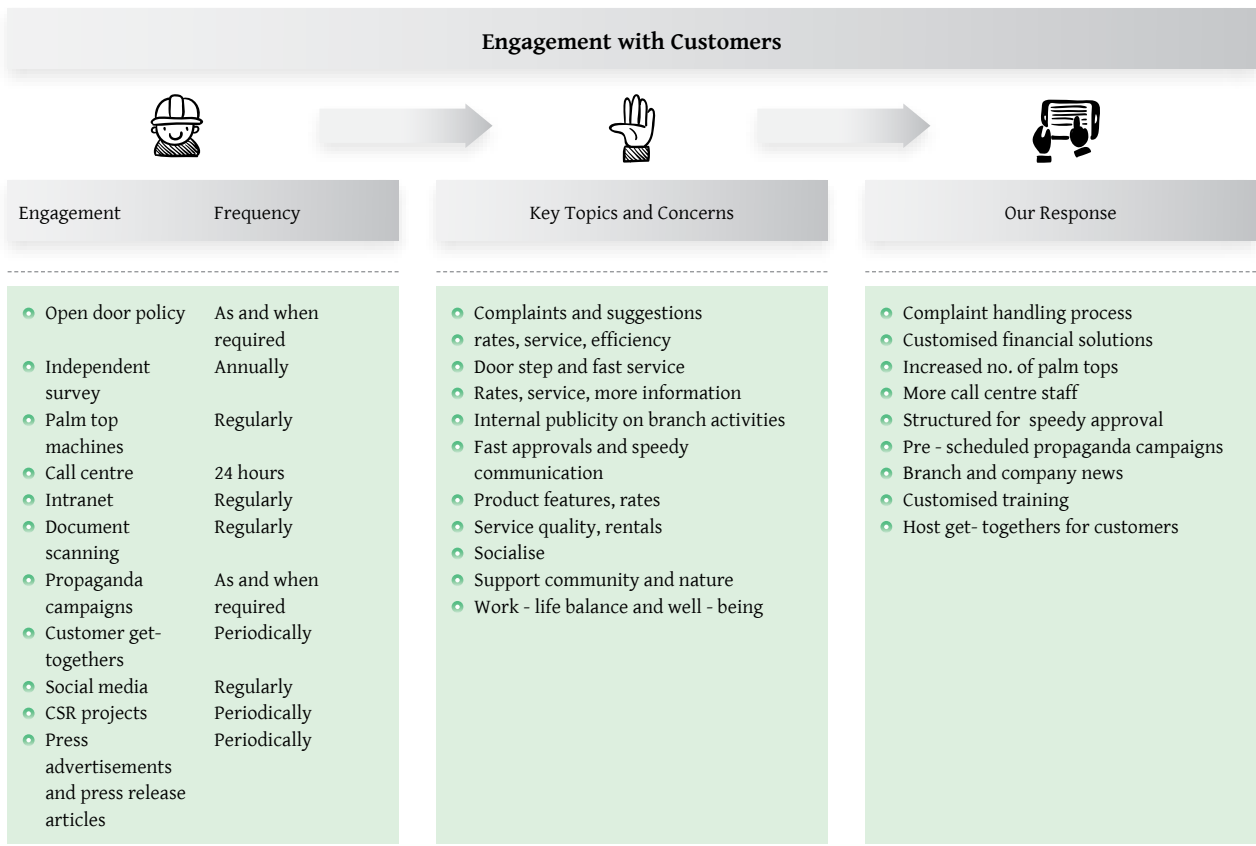


SOCIAL REVIEW

FAIR AND BENEFICIAL BUSINESS PRACTICES TOWARDS THE COMMUNITY AS A WHOLE

➔ G4 - 26, 27

CUSTOMER & PRODUCT RESPONSIBILITY



MATERIAL ASPECTS IN SUMMARY

Refer: Materiality Assessment Pages: 35-37

What to Expect				
Material Aspects	Level of Materiality			Section Content
	High	Moderate	Low	
Customer Health and Safety				Gives an overview of the measures taken to ensure that leased vehicles meet the required safety standards.
Product and Service Labelling				Discusses PLC's responsibility of extending adequate information on products and services, including awareness creation towards financial literacy.
Marketing Communications				Discusses the marketing strategy and mix along with key initiatives for 2014/15.
Customer Privacy				Reports on the measures adopted to ensure security of customer information, data and privacy
Compliance				Sets out the compliance status on rules and regulations with regard to products and services.
Anti- Corruption				Discusses PLC's policy and the measures taken to arrest unlawful and unethical practices. Full coverage is given under the 'Compliance Management' section.
Anti- Competitive Behaviour				Reports on PLC's stance on anti- competition from a product perspective. Anti- competition in terms of share trading on the CSE will be covered under 'Shareholder's Information' section.
Finance Sector Disclosure				
Product Portfolio				Discusses the environmental and social criteria taken into consideration in assessing facilities in providing financial solution.
Audit				Covers Internal Audit function with respect to audits undertaken to monitor compliance on environmental and social risks within the facility granting process.
Active Ownership				Moderately covers the role played within subsidiary decision- making process with respect to environmental and social risks.



SOCIAL REVIEW CONTD.

OVERVIEW

In an increasingly - competitive marketplace, differentiating the product offer warrants careful attention. In this light, PLC's product strategy, underscored by an inclusive product solution, quality and responsibility in its delivery, seeks to establish a unique product that would set the Company apart from the competition within the non- bank financial sector.

Customer & Product Responsibility - Snapshot 2014/15

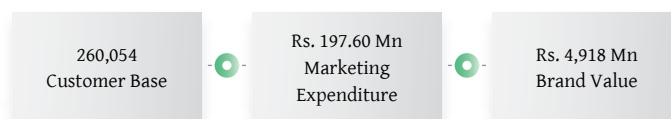
Product Policy

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

Highlights

- Sustained the positioning at number one within the Leasing Industry for the 13th successive year.
- Sustained dominance within the non- bank financial sector.
- Launched a value- added product under leases and loans - 'Fast Track'.
- Launched 'Green Friends' cementing PLC's commitment to carbon neutrality.
- Opened four new branches taking, the total to 89 customer touch points.
- Customer base increased by 19.78 percent to 260,054.
- Loyal customers were rewarded, including winners of the 'Sanwathsara Raffle Draw'.
- 48 branches hosted customer gettogethers, covering 4,039 customers.

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Product & Accessibility			
Portfolio - Loans & Leases (Rs. Mn)	97,691.87	90,913.07	7.46
Portfolio - Deposits (Rs. Mn)	34,022.57	40,921.48	(16.86)
Customer Touch Points (Number)	198	194	2.06
Customer Base (Number)	260,054	217,113	19.78
Quality of Service			
Customer Networking Events (Number)	84	56	50.00
Cost Involved in Networking Events (Rs. Mn)	10.22	6.47	57.96
Non Performing Ratio (%)	2.72	2.18	0.54
Marketing & Communication			
Brand Value (Rs. Mn)	4,918	4,265	15.31
Business Promotions Expenditure (Rs. Mn)	197.60	167.13	18.23
Ethical Business Practices			
Number of Complaints Received (Number)	25	32	(21.88)



MANAGEMENT APPROACH

Guided by and complying with the Finance Business Act No. 42 of 2011 along with the other applicable rules and regulations, PLC seeks to extend a versatile product suite which has an edge over pricing in an overcrowded industry. The product approach is founded on four key facets: inclusive solution along with accessibility; quality of service; marketing and communication; and ethical business practices.

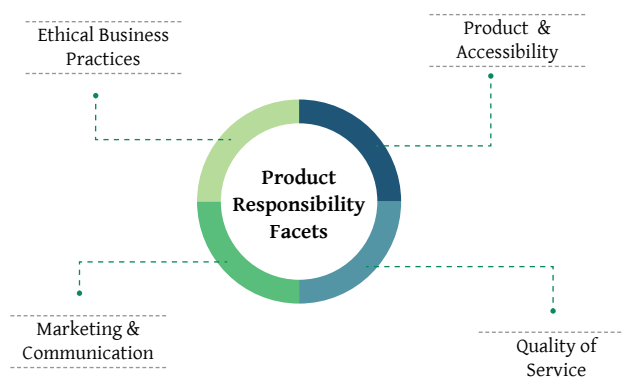
The Company in its product strategy primarily focuses on extending an array of products that would facilitate the financial needs of diverse customer segments. The aim is to extend a comprehensive product solution as a 'one-stop', tailored to meet customer convenience, satisfaction and inclusivity. To this end, the Company makes tactical investments to strengthen its product offer through value addition and new product initiation and development. This in turn is further complemented by its strategy to be accessible from the city to the periphery, even from the most remote areas in the country.

Apart from its forte in its product offer and accessibility, the Company is committed to ensure quality of service which has a significant bearing on its operational success. With customer satisfaction at the core, quality of service is given precedence. This is approached through employee empowerment enabling 'empathy' in their dealings with customers; and through the aid of appropriate technology to facilitate better systems and processes, enabling efficiency and speedy transactions.

Marketing and communication are approached on a practical note - cost effective and mostly below-the-line techniques are sought to strengthen

the brand presence, seeking strong 'top-of-the-mind' brand recall. The key within this approach is the responsibility that is pursued; resulting in customer confidence and trust.

Ethical business practices are carefully looked into within its product strategy. The due engagement process undertaken with key stakeholders and well-planned and perceptive initiatives support the efforts towards ensuring responsibility in its delivery of product. Firm measures have been adopted from a precautionary perspective to prevent inappropriate products and transactions that will have negative impacts on the Company's sustainability and society.



PRODUCT OFFER & ACCESSIBILITY

With its new status embraced in 2012/13, moving on from a specialised leasing to a finance services company, PLC is now able to offer a complete suite of financial products to customers; be it in its core offer leasing as well as term facilities, short and long-term, deposit products, Islamic finance and even new product segments viz. margin trading for capital market transactions.

Under leases and loans, marking PLC's 18 anniversary, a value-added product was launched- 'Fast Track' mainly targeting to meet the short-term financial needs of customers. The Green Friends aiming to promote less carbon products also took off successfully in the year.

The subsidiary products in microfinance, insurance and vehicle valuations through fleet management further add value and facilitate a

total offer. Availing group synergies, cross-selling and product bundling are sought after and advocated to meet specific customer requirements which in effect, underscored the front-line positioning with the non-bank financial sector. Due investments in technology also support and facilitates a seamless operation across the Group.

Further reinforcing its competitive edge, the distribution channel is targeted island wide. The customer touch points totaled to 89 as at the year-end including the dedicated branches and window representation through the parent network. Four new branches were established in Giriulla, Malsiripura, Digana and Bentota. The vast distribution network complements the Company's efforts to reach out to a spectrum of customer segments - from corporates, small and medium sector and micro entrepreneurs to individual customers.



SOCIAL REVIEW CONTD.

➔ G4 - 4

Product Portfolio
Leases
<ul style="list-style-type: none"> General Leases - Operating & Finance Leases, Hire Purchase Corporate Leasing Plantation Leasing Motor Bike and Three Wheeler Leasing
Loans
<ul style="list-style-type: none"> Term Loans - Mortgage and Motor Working Capital Facilities Personal Loans Letters of Guarantee Refinance loans Quick cash
Deposits
<ul style="list-style-type: none"> Fixed Deposits Super Savings Senior Citizen Savings Dhana Surakum Savings Minor Savings Micro Savings Promissory Notes Commercial Papers
Islamic Products
<ul style="list-style-type: none"> Murabahah Mudharaba Diminishing Musharakah Ijarah (Lease) Mudharabah Savings Usfoor Minor Savings Corporate Savings Plus Hajj Savings Mudharabah Investments
New Products
<ul style="list-style-type: none"> Margin Trading Fast Track
Subsidiary Products
<ul style="list-style-type: none"> Non- Life Insurance Microfinance Fleet Management Vehicle Valuation Property Development

QUALITY OF SERVICE

Standing apart in an overcrowded industry demands consistent and focused efforts in delivering a quality service. Recognising this, the Company is well focused on engaging customers on a holistic level, benchmarking in line with international standards, wherever possible. Relationship management, networking and customer health and safety as elaborated below are given precedence within the corporate strategy and plans, seeking to create a niche advantage over industry peers.

In the year under review, PLC reinforced its customer base by 19.78 percent to reach 260,054 customers. The market positioning was retained at the top within the leasing industry for the 13th successive year whilst continuing to hold its eminence within the non- bank financial sector.

Quality of Service Focused Initiatives	
<ul style="list-style-type: none"> Customer Feedback through daily interactions, customer satisfaction survey and networking events. 	<ul style="list-style-type: none"> Training customer service and relationship management for marketing officers and front-line staff.
<ul style="list-style-type: none"> Mobile Transactions at the customers' doorstep with point of sales terminals, smart phones and mobile apps. 	<ul style="list-style-type: none"> Customer Health & Safety ensure a safe product and educate the customer on safety measures.
<ul style="list-style-type: none"> Call centre modern features for efficient communication and responsiveness. 	<ul style="list-style-type: none"> E- payment System for interbank transactions and utility bill payments in collaborations with LankaClear.
<ul style="list-style-type: none"> Systems & Processes enabling simplified, speedy and efficient transactions. 	<ul style="list-style-type: none"> Official website interactive features facilitating on-line services.

CUSTOMER RELATIONS

Refer: Human Capital Management Review, Pages: 118-137

Fostering customer relationships is central to the Company's efforts to retain and grow its customer base, supporting to ensure the long term viability of operations.

The focus is on extending the best in service levels that would result in positive customer experience. To this end, employee satisfaction is the key and thus, given primacy as elaborated under the Human Resources section. Proactive measures have been adopted to nurture an employee oriented culture within the workplace; complemented with focused training opportunities on customer care, particularly targeting marketing officers and the front office staff including security personnel,

lift operators, drivers and office assistants. The main thrust is to gear the staff to embrace a 'hands-on' relationship based management where they could be receptive and flexible to customer needs and demands.

Adding on, the Company invests well on technology to facilitate its efforts towards customer orientation. The streamlined systems and processes that are in place across the organisation have enabled speedy and efficient transactions. The official website has been decisive in driving its customer focused strategy.

Customer Satisfaction & Feedback



Being progressive in its customer

Customer Satisfaction Survey - 2014 Salient Findings & Feedback

- The Company carried out a customer survey in collaboration with Niensens, the key drivers of performance included;
- Company Image
- Marketing Officer
- Lease/HP rates and Settlement
- Documentation Process and Branches

The following were the findings;

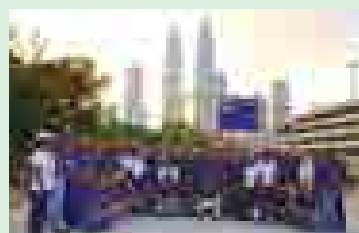
- At an overall level PLC was given an eQ of 85 by SME customers, higher compared to eQ score given by Corporate customers.
- Very high level of commitment was visible among SME customers.
- Leasing customers gave a higher eQ compared to Hire Purchase customers.

Case Summary: In Memory of a Customer

A scholarship scheme has been structured to extend Rs. 12,000 per month for two students - daughters of our late customer, Mr. Warusawitana. In the reporting year, arrangements were made to extend this scholarship to cover the eldest daughter's tertiary education, offering Rs. 105,000 every six month for the next four years, commencing from January 2015.

Case Summary: Rewarding Loyalty

In celebration of the 17th anniversary of PLC, 27 loyal customers together with high- performers amongst the team were extended with an all- inclusive three-day tour in Malaysia. The winners of the 'Sanwathsara Wasi' customer raffle draw initiated in the preceding year were amongst the tour group.



relationship management, the Company continues to engage customers and closely monitor their feedback and satisfaction levels - both informally through its daily interactions and formally through feedback forms and structured customer surveys. The findings therein are compiled and evaluated periodically and tabled at monthly staff meetings for deliberations and actions and if necessary forwarded to the Board of Management.

In the reporting year, 84 branches organised networking events with customers - facilitating closer interactions and engagement which saw the participation of over 4,000 customers. The events also gave the opportunity for staff and management to appreciate and reward loyal and longstanding customers. Apart from strengthening relationships and loyalty, the events enabled the staff to obtain first- hand feedback on PLC's product offers, quality and standards of customer service.

In the preceding year, the Company carried out a customer satisfaction survey, which was duly reported in the 2013/14 Annual Report. The salient findings of the survey supported the management in strategic planning and were taken on board when formulating its proposed Corporate Plan for the next three years.

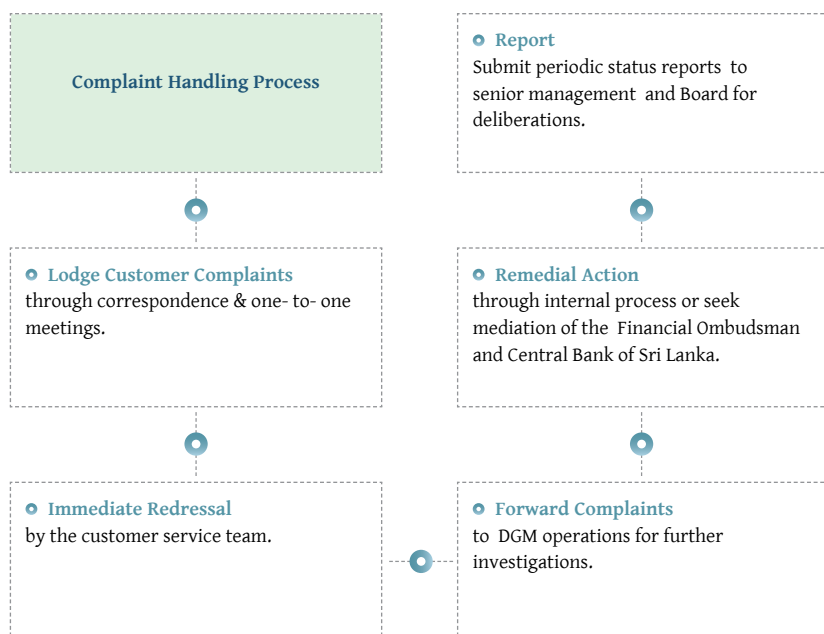
Customer Complaints

A structured customer complaint process is in place which comes under the direct purview of the Deputy General Manager - Operations. If and when further action is called for, the management will be engaged through the structured process for mediation and corrective action. Complaints can also be lodged through formal correspondence or at one-to-one meetings with the staff and management.

Apart from these internal measures, grievance redressal can be channelled to the Financial Ombudsman and the regulator, the Central Bank of Sri Lanka.



SOCIAL REVIEW CONTD.



During the year under review, the Company recorded 25 customer complaints all of which were duly addressed and resolved.

Number of Customer Complaints		
Channel of Mediation	Complaints Handled (Number)	Complaints Resolved (Number)
Chief Executive Officer	6	6
Financial Ombudsman	5	5
Central Bank of Sri Lanka	20	20

Customer Health and Safety

G4- EN7, PR1, G4-PR2

Refer: Social Review & Environment Review Pages: 140-165, 166-180

The product policy encompasses best practices and standards which in spirit upholds the best interest of customers, inter alia, in terms of their health and safety. Necessary measures and safeguards are adopted to ensure that material risks concerning health and safety are well-assessed and mitigated, to the extent possible.

With regard to its core product - leasing vehicles; the Company is conscientious in addressing the most material risk for customers - injury in road accidents. To this end, the Company closely assesses and monitors the vehicles prior to leasing and third party sale to ensure that they are in mint condition with the mandatory safety standards in place. Inspections are carried out to check on safety and injury protection features viz. air bags, crumple zone, anti- skid brake system and seat

belts as well as the availability of user and safety manuals. Due engagement is in place with vehicle suppliers in this regard. Measures are also in place to ensure that all vehicles leased are in line with environmental regulations and have obtained necessary emission testing and certification.

The Company in the reporting year, did not report on incidents of non-compliance with regulations concerning health and safety of the products transacted.

Apart from the above direct mitigatory measures, the Company also seeks to engage key stakeholders on advocating road safety as a CSR initiative, discussed separately under 'Social Responsibility' section herein the Annual report.

Dissemination of Information

G4-PR3, PR4

Refer: Social Review, Pages: 140-165

In its fiduciary duty, PLC stands committed to offer the right choices to customers and extend sufficient information on the choices for effective decision making. To this end, PLC engages the customers on a one-to-one basis and educates and guides them on the options available within the product offer, facility terms, risks and legal implications to 'best-fit' their risk-return profiles. The operational staff and management have the necessary expertise, enabling them to take on their advisory roles effectively. Due training on a structured basis is given to the team on products and value-additions including technical evaluations to enhance their expertise and to ensure that are abreast with the current developments. Product information is also available as leaflets, brochures, legal contracts and other documentation.



Product information is published in three national languages. This bears more significance for effective dissemination of information given that the Company's distribution channel is vast with an outreach amongst diverse communities. The multi-lingual talent of some of the employees within the cadre further reinforces the effectiveness of communication. The policy on recruiting within the communities in which branches are located also supports employees to build strong bonds with their respective communities and thus enable better interaction and responsiveness to the 'pulse' of the community.

Not confining its advisory role to customers, PLC also seeks to reach out to the general public. As discussed under the 'Social Responsibility' section, the Company seeks to take on opportunities to advocate financial literacy amongst communities especially youth and under-literate segments, thus reinforcing its aspirations to be financially inclusive.

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.

MARKETING COMMUNICATION



Marketing communication is an essential facet in building a strong customer base and thus warrant careful planning and due investments. Aiming at creating brand awareness and promoting its product suite, PLC's marketing strategy focuses on best-fit campaigns that are cost-effective, yet, have a wider outreach to existing and prospective customers.

The marketing strategy advocates responsible communications with highest standards of integrity and accountability; thus ensuring fair and unambiguous representation of information in its communication material and tools. The Compliance Office and Internal Audit at PLC play a vital role in monitoring and following up on product-specific disclosures and compliance to contractual obligations, legal and regulatory requirements. The marketing campaigns are endorsed by the Board of Directors and submitted to the Central Bank for concurrence.

Marketing campaigns and promotional material at PLC are spearheaded and carried out at the operational level including the branches in consultation with and guided by the corporate communications department. As at the reporting year, PLC did not engage in unwarranted business or promote banned or disputed products. Incidents of non-compliance with regulations with regard to marketing communication were not reported.

PLC's marketing mix is multi-layered. The Company primarily and steadfastly works towards building a positive-word-of-mouth which is indeed the most efficient form of brand communication. PLC also relies on structured marketing initiatives, particularly intense on below-the-line measures - direct marketing, road shows, street promotions, events and exhibitions. Above the line measures are confined to advertisements via the print media and billboards and sponsorships via electronic media.

MARKETING MIX

Marketing Mix

- Positive Word-of-Mouth
- Print Media
- Electronic Media
- Events
- Trade Fairs and Exhibitions
- Billboards
- Website
- Direct Marketing
- Brochures and Leaflets
- Memorabilia
- Email Campaigns
- Street Promotions
- Roadshows
- Sponsorships



SOCIAL REVIEW CONTD.

Marketing Initiatives - 2014/15		
Description	Target Audience	Outcome
Print Media		
Advertisements placed in corporate magazines - 'LMD' and 'Business Today' and lifestyle and international magazines - 'Serandib' and 'Living'.	Professionals, business community, high- net-worth individuals	Brand awareness and mileage
Electronic Media		
Sponsor 'Jana Jaya Mawatha' on Sri Lanka Broadcasting Corporation and Rupees & Cents on the Independent Television Network.	Business community, Professionals and public	Brand awareness and mileage and product awareness
Hoardings, Logo Signage and Product Displays		
Showcased PLC logo and services on a light board display in 13 selected branches, particularly, in new and relocated branches across the network.	Customers and communities living within the selected areas	Brand and product awareness
Hoardings placed in three strategic locations in Negombo, Bentota and Colombo	General public	Brand mileage
Product Promotion Campaigns		
Celebrating the 17th anniversary, a new product campaign was launched.	General public	Product awareness for 'Fast Track'
Events & Exhibitions		
Auto Market (Auto, Travel and Transport Expo), BMICH, April 2014 Official Leasing Partner- promoted hybrid vehicles and campaigned on road safety. Head Office, Kalutara and Nugegoda branches and the Three Wheeler Department, City branch hosted the initiative.	Participants at the Exhibition estimated to be business community, high- net- worth individuals	Brand mileage and awareness created on road safety and energy efficient hybrid vehicle leasing
Build SL (Construction and Regenerating Expo 2014) - BMICH, June 2014, organised by the Ceylon Institute of Builders Official Leasing Partner- hosted by the Imports Department, Head Office with the participation of seven branches.	Business community	Brand mileage
Family Fair 2014 - BMICH, November 2014 PLC Head Office together with five branches promoted new loan products.	General public	Brand mileage
Industrial Exhibition and Trade Fair 2014, BMICH, organised by The Institute of Incorporated Engineers, Sri Lanka PLC hosted a stall and promoted leasing, and fixed deposits.	Business community	Brand mileage and product awareness
Annual Conference - The Institute of Chartered Accountants of Sri Lanka, Waters Edge Promoted specially designed packages for professionals and launched an e-mail campaign.	CA professionals	Brand mileage and product awareness



ETHICAL BUSINESS PRACTICES

Given the customer-centric approach, PLC is committed to espouse the highest principles of business ethics. Customer protection and responsibility to society as a whole - advocating fairness, transparency and accountability in all its transactions as well as in marketing communication are deeply embedded within the Company's product strategy.

Fair Transactions


Case Summary: Supporting a Family in Need

Mr. A. R. K. De Soyza, a loyal customer of PLC since 2009, succumbed to brain cancer in year 2012

On humanitarian grounds, PLC settled the balance outstanding to support late Mr. Soyza's family. The balance was settled against the Shari'ah Fund.

The steps taken towards being 'hands-on' with customer relationships - advising and giving them sufficient information to make the most appropriate product choices and supporting them to manage their debt and other contractual obligations from the time of granting to settlement reflect well on the Company's ethical standpoint. Even, the recoveries are approached from a humane perspective. Due considerations are given for genuine defaults and 'distressed' customers even entailing interest and sometimes capital waivers and re-schedulement of capital.

ANTI-COMPETITION


 G4-S07

Pricing products is purely guided by the country's monetary policy and the market dynamics. Product strategy does not recourse to pricing to gain unfair advantage within the marketplace. Marketing and

promotions are primarily based on qualitative aspects of the product which are taken and leveraged upon to bring in a point of differentiation to the brand and product offer.

In the reporting year, the Company was not charged and not subject to legal action regarding anti-competitive behaviour, anti-trust, monopoly practices or their outcomes.

Anti-Corruption

 G4-S03, S04, S05


Refer: Compliance Management, Risk Management & Internal Audit, Pages: 273-275, 276-300, 110-112

As will be discussed in detail under 'Compliance Management' and 'Internal Audit', sound internal controls and operating procedures are in place to prevent any corrupt, unlawful and improper activities and transactions and to ensure that customers are well protected from such unethical practices.

A formal mechanism is in place to investigate, redress and take due disciplinary action for any complaints or allegations related to corruption. The internal and external audit, risk management and compliance functions, well organised and independent from operations, play a pivotal role in this regard. The Code of Conduct structured in line with best practices of business ethics clearly sets out the guidelines and principles in engaging in daily operations with professionalism and uprightness. Anti-corruption policy and procedure is well internalised amongst the employees via periodic training, employee meetings, staff circulars, emails and the intranet. The induction programme for new recruits entails a session on the Code of Conduct including anti-corruption.

In the year under review, the Company assessed head office and 50 percent of the branch network on risk related to corrupt practices, from which 3 issues were identified. These issues were duly addressed and communicated to the Board through Integrated Risk Management Committee. The Code of conduct was published on the intranet for wider coverage.

CUSTOMER PRIVACY

 G4-PR1, G4-PR2, PR8, PR9

Refer: Information and Communication Technology Pages: 113-115

Customer Privacy

Certification: ISO/IEC 27000:2005
Det Norske Veritas (DNV) certified PLC for information security management including customer privacy and data protection. The certification is current and valid for three years.



SOCIAL REVIEW CONTD.

PLC recognises its custodian role and is committed to uphold customer privacy subject to applicable, laws, rules and regulations. A structured and internalised mechanism is in place to ensure security of customer information and data and maintain confidentiality. Physical, electronic and procedural safeguards facilitate the Company to maintain its policy on customer privacy and protect against breaches and losses of customer personal data and information in day to day operations.

The Disaster Recovery System envisaged under the Business Continuity Plan is well maintained and current - securing data and information. The Document Management System (DMS) which is set across the organisation supports disaster recovery with back- up and off- site storage facilities. The DMS also entails authority limits and an audit trail with information on user and modifications to documents within the system. Periodic vulnerability assessments are also performed by independent auditors for assurance on the entire system.

Even in the case of affiliated companies within the Group, customers are duly notified and formal approvals and legal concurrence are obtained prior to sharing information across the Group. Employees are well trained on the Company's stance on customer privacy.

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

SOCIAL & ENVIRONMENT CONCERNS

Refer: Environment Review,
Pages: 166-180

Environment and Social Criteria in Facility Assessments

In granting new facilities, especially for opening up of new factories or purchasing new lands, marketing officers are advised to check whether such facilities are free from damaging environmental and social aspects, adhering to the exclusion list. This exclusion list includes factors such as labour rights, child rights, natural habitats etc.

As a leading organisation within the non- bank finance industry, the Company is fully aware of the necessity to address environmental and social issues in its structuring and delivery of its product suite. Reflecting this, as mentioned under the Environmental sections of this Report, definitive measures have been adopted to follow through green lending and socially responsible practices. Due training to employees are extended on such practices and all technical evaluations therefore, factor in key environment and social issues; taking heed not to engage with customers who are involved in illicit, unethical and environmentally damaging activities and businesses.

On a precautionary note, PLC upholds the 'Know Your Customer' principle. Employees are well educated and trained to be attentive and monitor customer profiles and ensure that their transactions are clear of money laundering and terrorism financing. As will be discussed under 'Compliance Management', the organisation keeps close tabs on customer relationships to ensure that the product delivery is responsible and compliant with applicable rules and regulations stipulated in this regard.

In the reporting year, 124 new recruits were guided on technical evaluations of credit facilities which covered the risk impacts from an environmental and social perspective. They were trained on relevant policies and the criteria which need to be covered in their facility appraisals.

The facility approval process entails four levels where due assessments are undertaken by the marketing officer at the initial stage and then graduate up to the management level, including the Head of Branch Operations, Assistant General Manager and Deputy General Manager Operations, subject to exposure limits. During this approval process due diligence on the impacts from environmental and social risks are carried out.

Independent from operations, the Risk Management Department in consultation with the Integrated Risk Management Committee assesses such risks and endorses the facility if and when the identified criteria is met, in line with the Standard Operating Procedure, internal environment, social and product policies and the applicable laws, rules and regulations.





As at the reporting year, PLC does not have significant equity stakes in other ventures, apart from the subsidiaries where voting rights are applicable.

COMPLIANCE

G4 - PR9, SO8

Refer: Compliance Management, Pages: 273-275

As elaborated in the Compliance Management Report, PLC in the reporting year was not subject to non-compliance with laws and regulation with regard to products and services and its delivery. The Company also did not record fines and non- monetary sanctions for non- compliance with laws and regulations.

AUDIT

Refer: Internal Audit, Pages: 110-112

Internal Audit, an independent function within PLC, carries out systematic and consistent audits - both spot- checks and detailed audits on product facilities granted, their approval and monitoring processes. The spot- checks are done on a periodic basis whilst detailed audits are carried out on a quarterly basis. These audits evaluate if proper checks and balances were in place, inter alia, on environmental and social risks and their impacts prior to approval and thereafter on an on- going basis as per the covenants given in the executed contracts. The audits seek to establish the operational compliance on internal policies and applicable laws, rules and regulations.

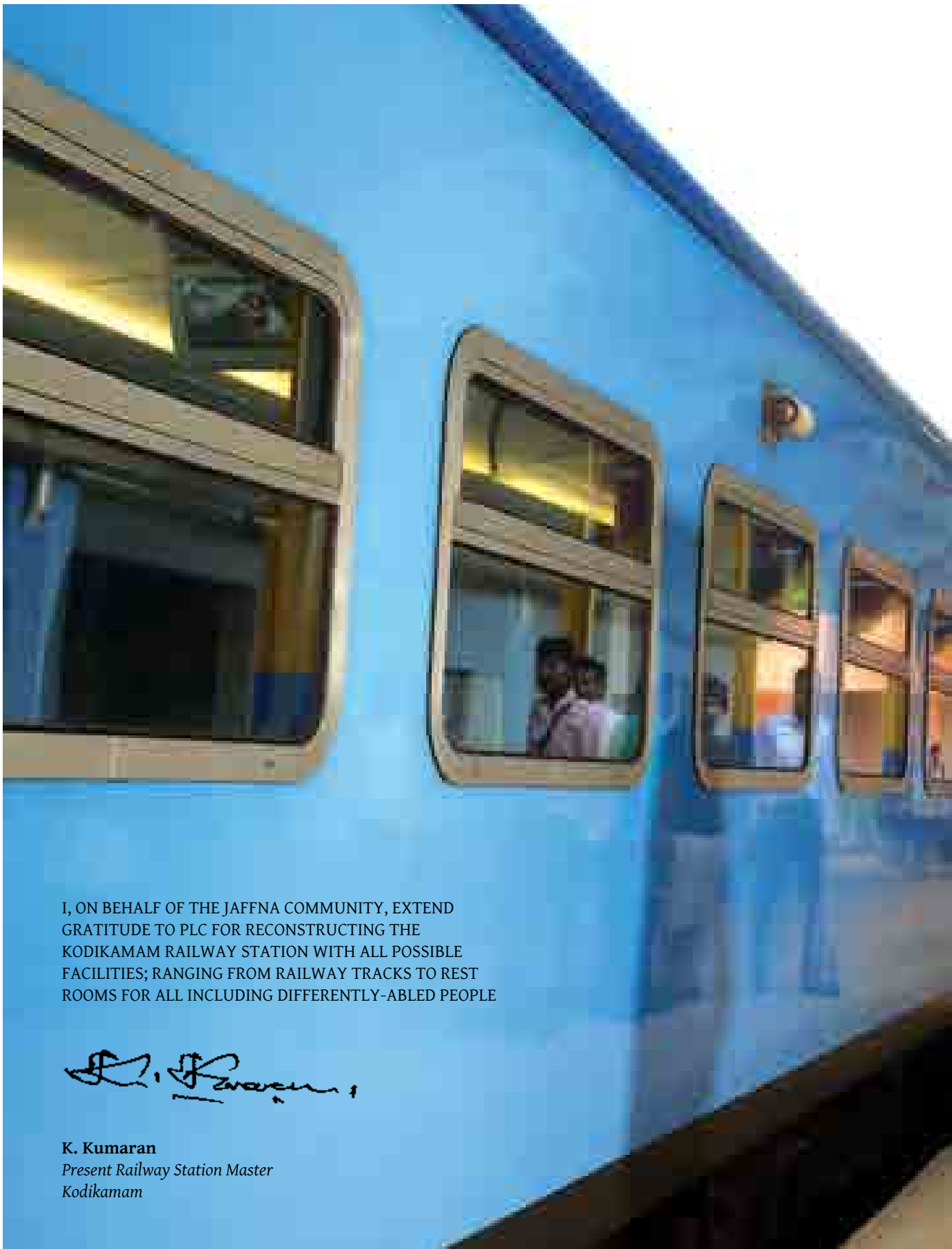
In the reporting year, as will be discussed under the 'Internal Audit - Management Discussion & Analysis, 130 audits were carried out across

the organisation comprising 118 conventional audits and 12 online audits. These audits covered 45 branches representing 50 percent of the total network whilst all major processes at the head office level were also audited. The audit findings were duly presented to the Board of Management as 'Audit Reviews' on a quarterly basis for deliberations and necessary remedial and disciplinary action.

ACTIVE OWNERSHIP

PLC takes an active ownership role with respect to its fully- owned five subsidiaries. The Standard Operating Procedures set out the voting guidelines on environmental and social aspects for subsidiary decision making. In the reporting year, we guided the subsidiaries - People's Leasing Havelock Properties Ltd and People's Leasing Property Development Ltd with respect to decision- making on projects and activities which have implications on environmental and social concerns.





I, ON BEHALF OF THE JAFFNA COMMUNITY, EXTEND GRATITUDE TO PLC FOR RECONSTRUCTING THE KODIKAMAM RAILWAY STATION WITH ALL POSSIBLE FACILITIES; RANGING FROM RAILWAY TRACKS TO REST ROOMS FOR ALL INCLUDING DIFFERENTLY-ABLED PEOPLE

K. Kumaran
*Present Railway Station Master
Kodikamam*

கோடிகாமம்
கொடிகாமம்
KODIKAMAM



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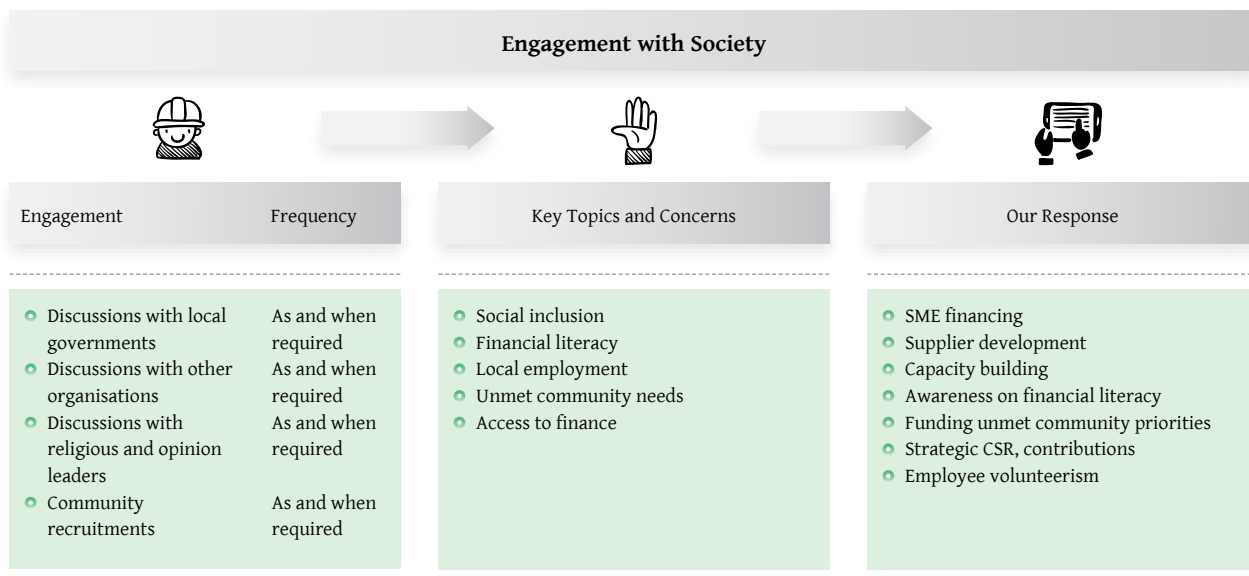


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COMMUNITY RESPONSIBILITY



ALLEGIANCE TO A BETTER SOCIETY

Refer: Materiality Assessment, Pages: 35-37

Material Aspects	Level of Materiality			Content
	High	Moderate	Low	
Local Communities	●			Extensively covers PLC's community engagement initiatives on four focused areas. This section draws references to significant head office and branch activities and establishes the output, the number of beneficiaries, cost incurred and employee volunteerism.
Supplier Assessment for Impact on Society		●		Moderately covers PLC's prioritised supplier assessment against impact on society
Grievance Mechanism			●	Not reported being a financial services provider and the core business being leasing of vehicles

OVERVIEW

As a responsible corporate, PLC has always sought its role to address triple bottom line concerns that are material to its business operations and partner national development, addressing local priorities whilst upholding best practices in business. The success thus far, is essentially interwoven in to the Company's culture that gives precedence to social responsibility and accountability.

This section herein will focus on the Company's social responsibility towards developing communities in which it operates, drawing emphasis on the management approach, initiatives carried out and their impact on society, funds allocated and employee volunteerism.

Responsibility to Society- Snapshot 2014/15

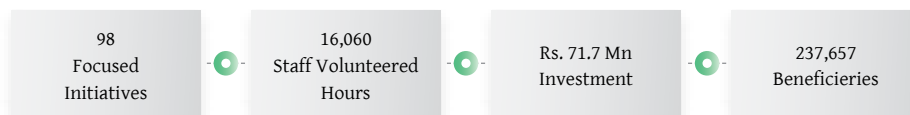
Social Policy

By encouraging, supporting, caring and empowering, we remain committed to pursuing our sustainability agenda by building sustainable development platforms that will positively impact the communities around us.

Highlights

- Management approach revisited and refined to include a five-focused strategy - 'We Care'.
- Top Three CSR Projects and the most socially responsible branch for the first time were awarded at the 'Premier Awards' 2014/15.
- Jointly funded the reconstruction of the Kodikamam Railway Station in the North in collaboration with People's Bank.
- Focused awareness building initiatives on road safety and discipline carried out with the engagement of key stakeholders.
- Education related initiatives focused on providing amenities and infrastructure support for underprivileged schools.
- Addressed community priority to respond chronic kidney disease prevalent in the Anuradhapura region.
- Water initiatives and disaster relief in response to natural disasters.
- Funding support extended to construct three children's parks in Matara, Mahiyangana and Ambalangoda.

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Overall			
Society Based CSR Investment (Rs. Mn)	71.68	55.96	28.09
Society Based CSR Initiatives (Number)	127	177	(28.25)
Benefited People Through Society Based Investments (Number)	237,657	Not tracked	-
Staff Volunteerism (Hours)	16,060	2,618	513.45
Build Entrepreneurship & Financial Literacy			
Initiatives on Entrepreneur Development (Number)	1	16	(93.75)
Entrepreneurs Trained/Educated (Number)	1,300	25	5,100
Uplift Education			
Initiatives Related to Education (Number)	31	31	-
Scholarships Granted (Rs.)	333,000	219,000	52.05
Infrastructure Development Projects (Rs. Mn)	6.72	0.77	772.73
Promote Road Discipline			
Initiatives on Road Safety (Number)	18	3	500
People Educated on Road Safety (Number)	12,375	725	1,606.90
Support Community Priorities			
Healthcare Initiatives (Number)	20	20	-
Healthcare Investment (Rs. Mn)	4.55	6.22	(26.85)
Society Based Infrastructure Development (Rs. Mn)	36.25	28.21	28.50



SOCIAL REVIEW CONTD.

MANAGEMENT APPROACH

Seeking better clarity and effectiveness, PLC in the reporting year revisited and refined its management approach to meet its aspirations in corporate social responsibility. Themed 'We Care', PLC's approach is structured on five-focused areas. Out of these, four areas focus on social responsibility and impact: viz. uplifting education, entrepreneurship development and financial literacy, promoting road discipline and safety, and addressing community priorities. Environment conservation being the other area within the PLC's approach will be discussed at length in the ensuing section.

With its wide outreach across the island, PLC recognises the significance of community responsibility. The Company is committed and conscientiously advocates and drives community based initiatives and programmes; addressing their social issues and challenges and empowering them in this process. Based on its engagement with key stakeholders, including policy planning authorities, provincial, district and local bodies, non-governmental organisations, societies, village opinion leaders and religious dignitaries, community needs are ascertained and prioritised under the four key areas mentioned above. Assigned funding from the budget is then allocated to prioritised projects, programmes and initiatives.

The CSR team at the head office is headed by a Senior Manager, under the supervision of the Sustainability Governance Steering Committee. The CSR Department supports the branches, operational units and volunteering teams to make the right choices in planning and implementing CSR initiatives that would give far-reaching

benefits to a wider stakeholder base with multiplier effects. The CSR team closely monitors all projects and initiatives to ensure greater congruence to sustainability goal and strategy. The Board periodically reviews the progress of these initiatives and provides strategic direction. (More details: sustainability framework section at the start of the report)

Social responsibility along with the CSR strategy is well internalised within the network, across the head office and the branches through the intranet, circulars, staff mails and articles published in the company quarterly 'Aruna' newsletter. There is much enthusiasm and employee volunteerism to spearhead and support sound society based projects and programmes. The management gives utmost support for such initiatives which are recognised and rewarded both at an individual level during their performance evaluations and at a collective level especially recognised during the annual 'Premier Awards' event.



INVESTMENT - FOCUSED AREAS & OPERATIONAL UNITS



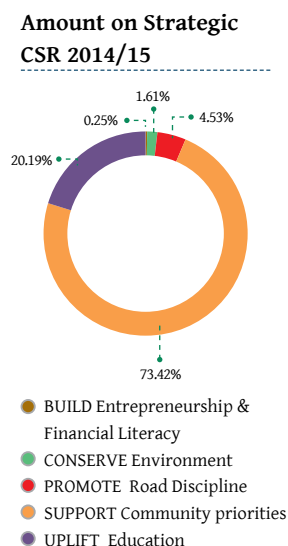
In the year under review, out of the allocation of 2.5 percent of the post-tax profit, the total cost on carrying out society based initiatives and programmes reached Rs. 71.68 million, representing a 28.09 percent increase over the preceding year. In terms of focused areas, supporting community priorities took up 74.62 percent of the total society based investment. This was followed by 20.52 percent investment in uplifting education, particularly targeting to bring better standards to needy schools and

students. The other two focused areas promote road discipline and building entrepreneurship and financial literacy accounted for 4.61 percent and 0.25 percent respectively of the total investment.

Over 76.35 percent of this investment was taken up by the initiatives carried out by the head office whilst the branch network across the island took up the balance 23.65 percent. Out of the total branch network, 58 branches corresponding to 65.17 percent spear-headed and organised 98 key social responsibly initiatives out of a total 127 initiatives.

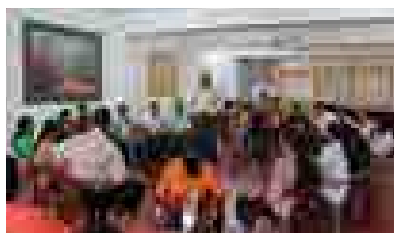


Society Based Initiatives & Investments - Five Focused Areas						
	Number of Initiatives			Investment (Rs. Mn)		
	2014/15	2013/14	% Change	2014/15	2013/14	% Change
Environment Conservation	28	14	100	1.17	10.06	(88.37)
Total Society Development Investment	127	177	(28.25)	71.68	55.96	28.09
Uplift Education	31	31	0	14.71	2.65	455.09
Promote Road Discipline	18	3	500	3.30	0.66	400.00
Develop Entrepreneurship & Financial Literacy	1	16	(93.75)	0.18	0.26	(30.77)
Support Community Priorities	77	127	(39.37)	53.49	23	132.57



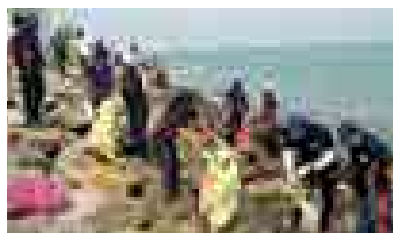
Recognising Deserving CSR Initiatives: 'Premier Awards 2014'

Celebrating the efforts taken by the branch network through innovative social responsibility initiatives, 'Premier Awards 2014' recognised and awarded the top three CSR projects.



Winner - Kandy Branch

Project: Uplifting financial literacy and entrepreneurship of Small and Medium Entrepreneurs in Kandy region and thereby contribute towards national development
Output: The trained entrepreneurs were supported to expand and enhanced the efficiency or to start a new product line based on the strategic learning instilled in them during the training series.
Beneficiaries: 25 SME
Staff Volunteer Hours: 1,125
Investment: Rs. 210,986.75



1st Runner-Up - Negombo Branch

Project: Conservation and cleaning of Pitipana-Duwa coastal stretch, with the engagement of employees, customers and community in the area
Output: Branch staff volunteered to clean the coastal stretch together with staff of neighboring branches, customers, suppliers and community, planted 140 saplings, carried out an awareness campaign, displayed 16 sign boards, set up 10 benches, placed garbage bins and hosted an art competition among children on "Marine Protection"
Beneficiaries: Community who visit and reside by the coastal stretch
Staff Volunteer Hours: 585
Investment: Rs. 332,015.75



2nd Runner Up - Ampara Branch

Project: Conduct of the first of the series of programmes to provide water related infrastructure facilities to low attention receiving schools in the Ampara area
Output: Provided access to clean drinking water and sanitation.
Beneficiaries: 72 students and 11 teachers
Staff Volunteer Hours: 122
Investment: Rs. 85,208.00



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The Most Socially Responsible Branch was awarded for the first time taking into consideration the outstanding holistic performance in terms of people, planet and profit. Applied branches were assessed against measures taken by branches to engage its employees and customers, suppliers and other stakeholders. Further, in making a difference where needed and when needed, measures taken to reduce the environment footprint of branch operations and actions towards reducing the environment footprint of customers, suppliers and other stakeholders were focused in addition to the financial performance of a branch.

SOCIAL FOOTPRINT

Promoting Road Discipline

Well attuned to core operations of leasing vehicles and stepping up to support one of the most pressing social issues in the country, PLC has embraced the advocacy role of road safety and discipline within its CSR strategy. Whilst reinforcing the PLC brand as a responsible corporate, the projects and the initiatives on road safety are pertinent and highly warranted to address growing concerns in especially with the build-up of unruly traffic and the mounting road accidents within and the outskirts of the city.

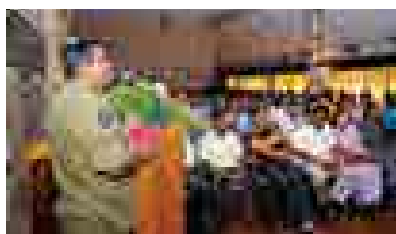
In the year under review, the Company with the collaborative support of the branches successfully carried out 18 road safety and accident preventive initiatives at a cost of Rs. 3.30 million. These initiatives, engaging key stakeholders within the transport sector, especially our customers from the Vehicle Owners Associations, Societies and government agencies, reached out to 12,375 vehicle owners, operators and the public at large.

Road Safety – Salient Initiatives

During 2014/15, Matugama, Horana, Ratnapura, Moratuwa, Kuliyaipitya, Galle, Kalutara, Wariyapola, Matara, and Ambalantota and Ambalangoda branches of PLC spearheaded awareness on road discipline and accident prevention among the following customer groups with resource persons identified from the locality.

- All Island Inter District Children Transportation Society - Kalutara
- School Children Welfare Society - Ratnapura
- United School Transportation Society - Moratuwa
- School Children Transporting Association - Galle
- School Service Association - Kuliyaipitya
- All Ceylon Driving School Owners' Association - Kalutara
- Private Bus Company Association - Matara
- Passenger Transport Company Ltd - Matara
- Eksath Drivers Association - Wariyapola
- Bus Owners Association - Hambantota
- Lanka Private School Van Owner's Association – Ambalangoda

Further, the Bandarawela branch led the first 'edutainment' event where 225 customers were educated on road discipline at their annual customer get-together. Jaffna and Chunnakkam branches instilled a sense of road discipline through a street drama in strategically identified areas in the neighbourhood. PLC head office set up a stall to educate the public on road safety and good road manners at Automarket - Auto, Travel & Transport Exhibition 2014 at the BMICH together with Nugegoda, City and Kalutara branches where interactive daily sessions for viewers' with the support of resource persons on road discipline were hosted.



Bandarawela branch: Awareness programme on road safety in Bandarawela



Jaffna branch: Road safety programme in partnership with the Sri Lanka Police in Chunnakkam

Impact:

Initiatives (Number):	18
Investment (Rs. Mn):	3.3
Staff volunteerism (Hours):	805
Customers/Community engaged (Number):	12,375
Customers/Community educated (Number):	5,375

ROAD SAFETY PLEDGE:

Provides a list of easy-to-follow tips, leading to road discipline and safety on the road.



UPLIFTING EDUCATION

As an organisation that values human capital and deeply recognises the role played for social progress, education is identified and prioritised within PLC's CSR strategy and also in line with the marketing strategy for savings products. Extending funding support for underprivileged schools to develop facilities, structuring scholarship programmes for deserving and talented students, guiding their education and creating awareness on how to become a responsible citizen, on being thrifty, social issues and causes take up a significant part of the Company's social

responsibility plans. The precedence thus given and the projects and initiatives selected are expected to have far reaching benefits to society, well into the future.

In the reporting year, the Company invested a total sum of Rs. 14.71 million on education related initiatives - accounting for 20.52 percent of the total social responsibility expenditure. This corresponded to a 455.09 percent increase over Rs. 2.65 million spent in the previous year and is estimated to have reached around 3,939 students with significant benefits.

Uplifting Education – Salient Initiatives

During 2014/15, the following key initiatives were implemented by the head office and the branch network, ranging from awarding scholarships for deserving students from low income households to fulfilling gaps in school infrastructure.

Scholarships:

tertiary education scholarships for deserving and talented students selected amongst the children of non-executive grade staff, needy community and late customers

Library Construction:

'Pravachanodaya Pirivena', Molligoda, Wadduwa enabling safe storage for ola leaf based literature – head office

Class Rooms Construction:

Ariyagama Siddartha Maha Vidyalaya, Kalpitiya – Chilaw branch

Playground construction and multimedia presentation:

Sri Dhammaratana Vidyayathana Piriwena – Vavuniya branch

Construction of Water Related Amenities:

Four underprivileged schools in Ampara, Mahaoya and Lahugala areas – Ampara branch

Library Refurbishment:

Sri Saranankara Dhamma School, Helawatta Temple, Badulla - Badulla branch

Construction of waiting area:

Kekirawa Muslim Maha Vidyalaya – Kekirawa branch

Presentation of a water filter and access to drinking water:

Rathmalgahawewa Maha Vidyalaya, Anuradhapura

Grade Five Scholarship seminar:

Prince College-Kotahena- Grandpas branch

Presentation of educational equipment, school books, stationery and school shoes to needy schools:

head office, Avissawella, Kurunegala, Ratnapura, Matara and Maharagama branches

Impact:

Education related initiatives (Number):	31
Investment (Rs. Mn):	14.7
Staff volunteerism (Hours):	3,816
Student/community educated (Number):	3,939
Yearly commitment on scholarships (Rs.):	456,000



"Am/ Vihara Maha Devi Primary School is one of the less facilitated schools in Ampara area. Students and teachers did not sufficient facilities to access clean drinking water for many years. Considering my humble request, People's Leasing Ampara Branch took immediate action to solve this problem and provided us a complete tap line system. I would like to express my sincere gratitude to PLC Ampara Branch for facilitating access to clean drinking water for the sake of all the children and teachers in my school"

Mr. A.B. Jagath De Silva Principal – Am/Vihara Maha Devi Primary School, Lahugala



SOCIAL REVIEW CONTD.



Testimony: Scholarship Student

My father was a very loyal customer to PLC ever since the inception of the company. After his sudden demise in August 2008, my sister and I were given scholarships by PLC - since Grade 6 and for my sister, since Grade 1. With PLC's support, I got through my Advanced Level Examination with three 'Bs' in the commerce stream. I have opted and was selected to take up my tertiary education at the Sri Lanka Institute of Information Technology. However, it was not possible to meet the course fees. PLC has extended the original scholarship by sponsoring the fees every six months for the next four years to support my tenure at the institute. I am indeed grateful!

Imesha Madushani Warusawithana

*Daughter of late customer
Mr. Sanath Warusawithana*

ENTREPRENEURSHIP BUILDING & FINANCIAL LITERACY

Building entrepreneurship, especially amongst the SME sector, is intrinsic within the core business of the Company. The product offer in effect seeks to cover and tailor to varied needs of local entrepreneurs from their transport requirements, equipment and machinery and even working capital needs. The Company's microfinancing arm, People's Microfinance, also works towards boosting entrepreneurship amongst the grass-root communities especially supporting and empowering women, thus underscoring PLC's aspirations in this regard.

Apart from the main-stream businesses and activities, PLC also seeks to encompass entrepreneurship building within its CSR strategy. In the reporting year, PLC sought to create awareness on SME opportunities amongst the members of the Death Benevolent Society at Galenbindunuwewa in the Anuradhapura. 1,300 members were educated on savings habits, provide knowledge on importance of cash management and to uplift their entrepreneurship spirit. The society was donated chairs and flags. The cost of this initiative totalled Rs. 180,000.

The Company also continued to engage the public, educating and guiding them on the tools and options available within the finance sector - enabling them to make informed and best-fit decisions towards financial empowerment. The marketing initiatives, particularly the mobile propaganda vehicles and the dedication of field officers and microfinance officers, enabled the Company to educate people even in the remotest areas thereby advocating financial inclusivity.

Further the head office supported the 35th National Conference of Chartered Accountants as the Gold Sponsor for the 3rd consecutive year.

SUPPORTING COMMUNITY PRIORITIES

The Company continued to be strong in its CSR initiatives and programmes that had a significant bearing on addressing the gaps in societal needs, pertinent causes and issues. Sometimes these initiatives are undertaken directly in response to the requests made by stakeholders. In the year under review, the Company incurred a cost of Rs. 53.49 million for projects that supported community infrastructure needs, healthcare services and other initiatives. This category also saw initiatives that sought to bring in and enhance cultural and religious harmony within the communities. The cost of supporting community priorities corresponded to 74.62 percent of the total social responsibility expenditure.

Healthcare

Further reinforcing its concern and commitment to uplift the country's healthcare services, PLC in the reporting year continued to organise key initiatives and programmes within the sector, with far-reaching benefits to society. Encompassing funding support for hospital development, health camps and blood donation campaigns, the initiatives to uplift healthcare accounted for Rs.4.55 million, reflecting 6.35 percent of the total social responsibility expenditure.



Healthcare - Salient Initiatives

During 2014/15, initiatives were implemented by the head office and the branch network to meet gaps in healthcare ranging from health screening to number of healthcare initiatives benefitting rural and economically disadvantaged communities including the following.

Health Screening Camps

Chronic Kidney Disease (CKD) Campaigns, Anuradhapura

Anuradhapura branch partnered with the Kidney Protection Foundation to carry out community CKD screening programmes in five areas - Kelanikawawa, Karagahawawa, Kadawa, Rathmale and Rajanganaya in the Anuradhapura District. The branch also donated four trolleys and medicine to the Nephrology Unit of the Anuradhapura Teaching Hospital. Early detection of CKD and treatment recommendations benefitted 1,739 community members

Impact

Programs (Number):	4
People educated on CKD (Number):	2,313
People screened (Number):	1,739
People sent for further treatments (Number):	84
Staff volunteerism (Hours):	202
Total investment (Rs.):	823,856.00

Testimony: Chronic Kidney Disease

“Our screening programmes aim at early detection of chronic kidney disease. Our expert medical team from the Teaching Hospital in Anuradhapura carries out tests on urine, albumin and blood twice a month. Our programmes have a wide outreach, including mobile camps to the periphery especially within the North Central Province.

However, obtaining chemicals for testing and at times, the transport facilities to village interiors are the key challenges regarding chemicals and equipment including hosting mobile screening camps. It is in this regard that we appreciate the support extended by PLC’s Anuradhapura branch, facilitating us with two blood pressure meters and second time testing to pursue our mission.”

Mr. Terrance Gamini, Vice President - Kidney Protection Foundation and Senior Medical Laboratory Technologist, Teaching Hospital, Anuradhapura

Blood Donations Camps

Galle, Matara and Embilipitiya branches organised blood donation camps in Nakiyadeniya, Pitabeddara and Embilipitiya of Galle and Matara Districts. 1,124 pints of blood were donated. 53 staff members participated at these initiatives with 284 volunteer hours.

Kandy branch provided assistance to improve services of the Blood Bank branch at the Kandy General Hospital.

Impact

Initiatives (Number):	4
Donors participated (Number):	1,288
Blood collected (Pints):	1,222
Staff volunteerism (Hours):	284
Total investment (Rs.):	390,518

Other Health Promotions & Community Awareness Programmes

- Routine Maintenance of Fish Tanks - Cancer Hospital, Maharagama- head office
- Dengue Prevention Campaign targeting four high-risk schools in Ratnapura - Ratnapura branch
- Routine Maintenance of the Radiotherapy Unit, Thelippelai Trail Cancer Hospital, Jaffna - Jaffna branch
- Sponsor Health Promotion Walk of Anuradhapura Clinical Society- Anuradhapura branch
- Introduce segregated Waste Collection and Management - Colombo South Teaching Hospital - Wellawatta branch

Impact

Initiatives (Number):	15
People Educated (Number):	43,170
Staff volunteerism (Hours):	1,769
Total investment:	3,339,104



Anuradhapura branch: Providing access to quality drinking water for students of Ratmalgahawewa Maha Vidyalaya, Anuradhapura



Embilipitiya branch: Blood donation campaign at Embilipitiya



SOCIAL REVIEW CONTD.

Elderly Care

PLC continued to be one of the corporate donors to 'Gamini Matha Elders' Home for the fourth consecutive year. Annual donation of Rs. 50,000 was extended in the year under review. The Kandy branch also attended to the needs of the Elders' Home at Mulgampola, Kandy with the participation of 26 staff members volunteering for 78 hours.

Child Care

Seeking to bring emotional, social and mental development of children, PLC invested Rs. 5.12 million on three children's projects and initiatives. These projects saw the participation of 40 staff members with 813 volunteer hours.

Child Care - Salient Initiatives

Construction of Children's Parks

Ambalangoda, Matara and Mahiyangana branches of PLC construct children's parks in their respective communities. Three children's parks are expected to enhance wellbeing and physical development of over 2,000 children using the parks.

Impact

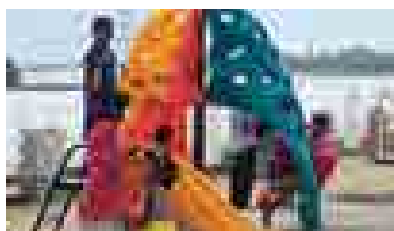
Initiatives (Number):	3
Children/Community benefited (Number):	2,000
Staff volunteerism (Hours):	718
Total investment (Rs. Mn):	5

Awareness Programme to Prevent Child Abuse

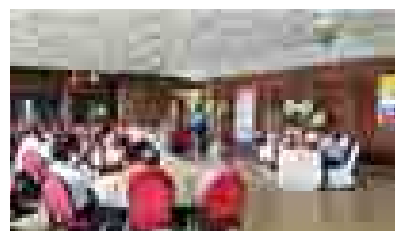
Kalutara branch spearheaded a customer awareness programme at the Annual General Meeting of the Children Transportation Society, Kalutara with resource persons from the Police Training School on prevention of child abuse amongst 300 members.



Ambalangoda branch: Construction of the children's park in Ambalangoda



Matara branch: Reconstruction of the children's park in Matara



Kalutara branch: Awareness programme on preventing child abuse

Differently Abled

In its aspirations of being an inclusive corporate, PLC sought to recognise and give support to differently-abled people as part of its CSR initiatives. In the reporting year, PLC gave a donation of Rs. 625,000 for the 'Wheels for Wheels' Fund dedicated to assist children with Cerebral Palsy, a neurological condition that affects movement and coordination. PLC also donated 134 kilograms of old magazines to 'The Ceylon School for the Blind' to take their notes with the brail system.

Ramp access to the differently abled – when entering the PLC premises a slopy area is presented at the entrance to facilitate wheelchair access.

Reaching out to specific stakeholder requests, PLC this year continued to invest well in selected infrastructure projects entailing diverse socio- economic benefits to society.



Disaster Relief

Supporting the community at times of need, PLC was proactive with its disaster relief measures in the year under review in areas hit by natural disasters. Led by the branches, several initiatives as detailed out below in the table 'Disaster Relief' sought to extend a helping hand to the afflicted victims and communities, reaching out to over 7,000 families and over 21,700 victims.

Disaster Relief - Salient Initiatives

Flood Relief - Matugama, Kalutara and Horana

The Matugama branch provided 200 dry rations parcels as relief for flood victims in Meegahathanna and Palawatta areas in Matugama whilst the Horana branch provided 500 lunch packets for the flood victims in Kalutara.

Water Distribution Project - Damana, Ampara District

In response to a request made by the Ampara District Secretariat, the Ampara branch collaborated with the National Water Supply & Drainage Board to distribute drinking water to Damana, an area aggrieved with severe drought and shortage of water. Water was distributed in a bowser with a carrying capacity of 14,000 litres for 39 days twice a day for 4,800 affected families and 17,750 people living within the surrounding villages.

Disaster Relief - Koslanda-Meeriyabedda area

Bandarawela and Badulla branches supported the victims of the landslides with dry rations and personal care essentials providing relief for around 1,300 victims.

Drought Relief - Medirigiriya, Polonnaruwa District

Colpetty Branch organised a donation of 4,000 water bottles in aid of the drought victims providing drinking water for 1,950 families.

Impact

Initiatives (Number):	7
Community benefited (Number):	21,700
Staff volunteerism (Hours):	683
Total investment (Rs. Mn):	0.62

Testimony: Spearheading Relief for the Drought-hit Damana

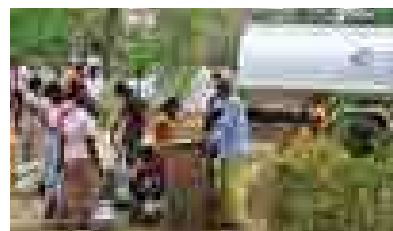
"We were geared to act promptly in response to many pleas of our drought-hit customers whose livelihood depended on paddy, sugarcane and chena cultivation. These pleas were validated by the feedback we received from our microfinance officers who visited community 'clusters' and engaged with them frequently.

We had initial discussions with Mr. Neil De Alwis, the District Secretary and Mr. Soyza Siriwardene, the Damana Divisional Secretary, to kick-start the initiative. Under their guidance and with the support led by Mr. Kapila Perera, the District Engineer of the National Water Supply & Drainage Board, we distributed water, sometimes twice a day, to the neediest within the villages. The District Secretariat facilitated the initiative with 20 storage tanks with 1,000 litre capacity which was placed in public areas, readily accessible to the community.

We are deeply moved by the feedback we received from the community and especially from our customers. We aim to follow through with this initiative up until August 2015, reaching out to the people in need. We are impressed with our branch staff who volunteered earnestly to assist this worthy cause without prejudice. Indeed a great humanitarian initiative, demonstrating our ability to rise up to the need of the hour."

Mr. Dinesh Willarachchige

Head of Branch - Ampara



Ampara branch: Taking the initiative to continuously supply drinking water for the drought hit community in Damana



SOCIAL REVIEW CONTD.

Community Infrastructure Development

Reaching out to specific stakeholder requests, PLC this year continued to invest well in selected infrastructure projects entailing diverse socio-economic benefits to society.

Infrastructure Development - Salient Initiatives

Reconstruction Railway Station - Kodikamam, Northern Province

Continuing to support the country's development aspirations to uplift the North and the East after a 30-year civil strife, PLC teamed up with its parent, People's Bank to reconstruct the railway station at Kodikamam. This initiative facilitated connectivity between North and the rest of the island with benefits to around 100-300 passengers on a daily basis. Total PLC investment on the project was Rs.19.99 Mn. and the rest was borne by the People's Bank.

Beachfront Beautification, Moratuwa

As initiated in the preceding year, PLC in collaboration with the Urban Development Authority commenced the Moratuwa beautification project, encompassing the development of the beach stretch of 100 metres, removing unauthorised settlements in the tsunami prone area, construction of a food court, sanitary block, car park, road side pavement, jogging path and sitting areas assuring Physical and mental wellbeing of the health conscious community and tourism promotion at a cost of Rs. 13.27 million taking the total to Rs. 22.12 million inclusive of last year's expenditure of Rs. 8.85 million.

Beautification of Police Station, Matara

The Matara branch funded the beautification and landscaping of the gardens within the Matara Police Station, which is located at the centre of the town. Four staff members were engaged in this project with 24 volunteered hours. The pleasant environment for the Matara Police benefits 350 officers and 250 other stakeholders.

Funding Support, Security Tower, Awissawella

Awissawella branch funded the fixing of clocks in the security tower located in the town. This is an extension to the funding support given in the previous year, to construct the security tower to support city vigilance during night time by the Police. Four staff members volunteered with 192 hours to follow through with this project.

Renovation of the Mortuary, Kahatagasdigiliya Base Hospital, Anuradhapura

Initiated by the head office, the renovation of the mortuary including the front entrance and boundary walls benefitted 3,600 people of 18 villages.

Impact

Initiatives (Number):	5
People benefited (Number):	3,750
Staff volunteerism (Hours):	216
Total investment (Rs. Mn):	36.65

Testimony: Reconstruction of the Railway Station, Kodikamam

"During the North-East conflict of nearly three decades, trains reached only up to Palalei within the Northern Province. With the cessation of hostilities, normalcy has slowly moved back to our community. The reconstruction of our railway station which was in a debilitating state has immensely benefited the community. Around 100 to 300 passengers take 8 to 10 trips per day from the station including 'Yaldevi' from Mt. Lavinia to Jaffna. Whilst facilitating transport of passengers and goods, the station has restored normal life for many and helped to build connectivity and strengthened the cultural and social ties between the North and South, East and West of the country."

Mr. S.M. Samarakoon

Former Station Master - Kodikamam Railway Station



Head office: Reconstruction of the railway station in Kodikamam



**OPERATIONAL IMPACT ON
COMMUNITY**

 G4 - S02

Refer: Environment Review,
Pages: 166-180

Upholding the highest ideals in corporate stewardship, and being aware of our indirect impacts on emissions and road accidents, the Company continued to plan, manage and operate responsibly across its distribution channel spanning the entire island. The Company gives due precedence to community engagement - maintaining a consistent dialogue between community leaders, societies and governmental and non-governmental bodies; recruitment of employees within the communities where the branches are located; networking with customers and people and supporting them in addressing their social issues; and participating at their festivals and celebrations.

During the year under review 29 'dansal' events were organised in celebration of Vesak and Poson religious festivals facilitating cross cultural harmony and where possible giving priority to uplift local growers and intermediaries in hosting 'dansal'.

Furthermore, as discussed under the Environment Responsibility Review section, all due assessments in terms of environment and socio-cultural factors are carried out before setting up branches and closely monitored throughout the operations.

As at the reporting year, there were no negative impacts reported or disputes with the neighbouring and host communities.

FUTURE FOCUS

Responsibility towards society is deeply engraved within PLC's culture and will continue to play an essential role in the Company's future success.

Our initiatives in the ensuing year will see a greater focus and planning in the areas that have been prioritised. The head office and the branches will be guided to take up projects and initiatives that have a better fit with the five-focused strategy. Due resources will be allocated and encouragement will be extended for strategic CSR projects that have more meaning to the core business whilst reaching to meet the social goals with multiplier impact. Recognition will be given for employee volunteerism to drive society based initiatives. The key plans and targets for 2015/16 are set out below budgeted at an investment of 2.5 percent of post-tax profit.


Key Plans 2015/16	
<p>UPLIFT Education: Develop soft skills and inculcate thrifty and responsible citizenship among school children.</p> <p>Fulfill gaps in school based infrastructure including access to clean water and offer scholarships for the deserving, differently abled and students from low income households.</p>	<p>PROMOTE Road Discipline: Promote road discipline among vehicle customers and community at large - partnering with State and private institutions while committing customers on "Drivers' Pledge".</p> <p>Educate school children on road rules and safety and promote prevention of accidents.</p>
<p>BUILD Entrepreneurship & Financial Literacy: Support PLC customers to improve businesses with skills required to bridge gaps with respect to marketing, financial planning, costing, stock controlling and record keeping.</p> <p>Provide required financial solutions to start improve and expand entrepreneurial ventures and facilitate networking and learning among entrepreneurial customers.</p>	<p>SUPPORT Community Priorities: Support customers to resolve factors that negatively affect their income generation, engaging the stakeholders involved and partner organisations.</p> <p>Promote local sourcing in the area of operations and provide relief in the case of a disaster, for disaster affected community to regain normalcy.</p>



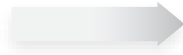


ENVIRONMENTAL REVIEW

A FORMAL PROCESS FOR ENSURING THAT THE ENVIRONMENT IS
MANAGED AT ITS BEST, PRESERVING IT FOR THE FUTURE GENERATION.

 G4 - 26, 27

IN THE GREEN CONSCIOUS JOURNEY TOWARDS CARBON NEUTRALITY



Engagement	Frequency	Key Topics and Concerns	Our Response
<ul style="list-style-type: none"> ◦ Pocket meetings at branch level ◦ Intranet 	<p>Periodically</p> <p>Regularly</p>	<ul style="list-style-type: none"> ◦ Implementing eco initiatives ◦ Internal publicity on eco CSR activities 	<ul style="list-style-type: none"> ◦ Employee volunteered, company funded green projects ◦ Publicise green initiatives done by branches
<ul style="list-style-type: none"> ◦ Memos and e-mails ◦ Company newsletter ◦ Green evaluations ◦ Networking events/green training ◦ Eco activities ◦ Site visits ◦ Outsourced expertise ◦ Training 	<p>Regularly</p> <p>Quarterly</p> <p>Upon completion of a green initiative</p> <p>Periodically</p> <p>Periodically</p> <p>Periodically</p> <p>Annually</p> <p>Periodically</p> <p>As and when required</p>		
<ul style="list-style-type: none"> ◦ Dialogue with customer 		<ul style="list-style-type: none"> ◦ Approvals and speedy communication on green CSR ◦ Green thoughts/developments ◦ Measuring the impact of green initiatives ◦ New developments in the world/ industry on green aspects ◦ Impacting the environment positively ◦ Measure impact of green projects ◦ Measuring carbon footprint and energy saving ◦ Gaps in green training/sustainability ◦ Eco-friendly vehicle solutions 	<ul style="list-style-type: none"> ◦ Effective green initiatives and record keeping ◦ Internally Publicise green news/ employee contributions ◦ Measured impacts against set indicators ◦ Green conscious employees ◦ Effective green initiatives ◦ Reporting on green initiatives ◦ Calculated carbon footprint ◦ Green pledge, employee training and awareness ◦ Green lending



Refer: Materiality Assessment, Pages: 35-37

What to Expect				
Material Aspects	Level of Materiality			Section Content
	High	Moderate	Low	
Materials			●	Basically covers the usage and procurement of paper.
Energy		●		Moderately covers the responsible consumption levels of energy, intensity and conservation initiatives and measures taken.
Water			●	Being a financial services provider, the report covers basic information on the office consumption levels of water only.
Biodiversity			●	Although our operations does not impact biodiversity directly, the report covers initiatives to protect environment and our affiliation as a patron member of the Biodiversity & Business Platform to protect the environment
Emissions	●			Extensively covers the organisation's emissions under Scope 1, 2, 3 along with the carbon footprint calculation for the entire PLC Group.
Effluents & Waste			●	Primarily covers PLC's solid waste management including food, paper and hazardous e-waste as a responsible financial services provider.
Products & Services		●		Moderately covers green financing solutions under 'Green Friends'.
Compliance			●	Not reported as PLC's commitment to conserve environment is voluntary.
Transport		●		Moderately covers environmental impact of transporting staff and on the measures adopted on maintaining a sustainable fleet of vehicles.
Overall		●		Moderately covers investment and interventions on environment related measures, initiatives and investments towards a paperless office in providing financial solutions.
Supplier Environment Assessment		●		Moderately covers reporting on the measures adopted to ensure that suppliers are following best environmental practices and standards.
Environment Grievance Mechanism			●	Not material being a financial services provider.

OVERVIEW

As a responsible corporate citizen, PLC has always strived to be environmentally conscious in its path towards meeting its corporate goals. Although as finance and leasing solutions provider the direct impact from its daily operations is relatively minimal, PLC is committed towards environmental stewardship. The Company has been persistent in its efforts, from simplest measures adopted within the workplace to concerted initiatives with emphasis on private-public partnerships that will reduce PLC's carbon footprint while addressing complex issues such as climate change that compromise the wellbeing of the entire world.



Overview | [Management Discussion & Analysis](#) | Corporate Stewardship | Financial Information | Supplementary Information

ENVIRONMENTAL REVIEW CONTD.

Environment Responsibility - Snapshot 2014/15

Environment Policy

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.

Highlights

- Established a four-pillar strategy to address environment responsibility management.
- Established a voluntary pledge for employees to work towards a 'greener' and sustainable organisation.
- Introduced companywide score card assessment where key sustainability indicators are tracked.
- A structured process was initiated to calculate total carbon emissions and the carbon footprint for PLC.
- Green training extended to 94 employees for 435 hours
- Completed an energy audit for head office
- Introduced a systematic Solid Waste Management System to manage food, polythene, paper and e-waste at the head office
- Continued 'Green Friends' - a concessionary term leasing scheme for energy efficient vehicles.
- Collaborated with Sri Lanka Business & Biodiversity Platform to organise a networking event for banking and finance sector with emphasis on green lending.

Key Performance Indicators



For the Financial Year	2014/15	2013/14	% Change
Pillar 1: Green Culture			
Green Training Programmes (Number)	19	6	216.67
Employees Trained (Number)	94	19	394.74
New Recruits Trained (Number)	258	132	95.45
Pillar 2: Green Practices & Operations			
Paper Recycled (Kg)	6,406	5,473	17.05
E-Waste Recycled (kg)	5,156	1,605	221.25
Pillar 3: Green Financing			
Green Financing Facilities (Number)	Not tracked	Not tracked	-
Green Financing Disbursement (Rs. Mn)	Not tracked	Not tracked	-
Pillar 4: Green Initiatives			
Environment Related Projects (Number)	28	14	100
Employee Volunteerism (Hours)	3,414	969	252.32
Trees Planted (Number)	430	390	10.26
Environment Related Investment (Rs. Mn)	1.17	10.06	(88.37)



MANAGEMENT APPROACH



As guided by PLC's environmental policy, a structured approach is in place to address environmental issues if any and manage best practices within the value creation process across PLC. The Company's approach which was revisited and reinforced on a four-pillar basis is increasingly becoming an integral part of the overall business strategy, actions and daily operations. Under the first two pillars, the Company seeks to inculcate a 'green culture' within the workplace, with greater focus on creating awareness amongst all employees and mustering their support for its stance on environmental protection. Specific measures are sought after to reduce the footprint in daily business operations. This also includes the supplier chain where best practices in environment management are advocated with due engagement, including screening and assessments as part of the procurement process. The third pillar demonstrates the efforts to manage environmental impacts innate within the financial solutions offered to customers. The Company promotes green lending, carries out proactive assessments on the product suite and takes necessary mitigatory action, wherever and to the extent possible, to counter negative impacts to the environment if any. Under the fourth pillar, the Company seeks to invest and carry out

'green' campaigns and programmes with a broader scope to protect the environment from green-house gas emissions, climate change and other negative impacts. The Company also takes its role in networking through its patron membership in Sri Lanka Business & Biodiversity (SLB&B) Platform, spearheaded by the Ceylon Chamber of Commerce in association with International Union for Conservation of Nature (IUCN).

The Company's environmental initiatives and measures adopted are set out hereunder the four-focused strategy.

PILLAR 1: GREEN CULTURE

PLC in its quest towards sustainable progress is gradually moving towards adopting and internalising accepted best practices to reduce its carbon footprint. Employees are consistently engaged to re-shape their perception, attitudes and even actions to be more environmentally responsible in carrying out their daily tasks including lending. They are well guided to be conscious of the environment through consistent improved dialogue, effective awareness building programmes and signage. Measures are adopted to extend these efforts to the Company's supply chain - positively influencing their businesses to be responsible towards the environment.

Green Pledge



A voluntary pledge was set out in the reporting year, seeking the commitment of all employees to lead and work towards a 'greener' and more sustainable organisation. The pledge broadly covering day to day practices in and out of work was shared with all employees via the intranet and published through the Company's quarterly newsletter 'Aruna'. This Pledge is also placed strategically in common areas and employee handbook whilst the new recruits were educated on the contents at their orientation programme.

Sustainability Scorecard

In keeping with the commitment to report on integrated lines and on the GRI guidelines, a sustainability scorecard was initiated in the year under review to record and monitor the non-financial performance including environmental and social indicators of the branch network. The scorecard which was effectively introduced amongst all branches proved to be an ideal platform to drive branches to be responsible and be sustainable in utilising resources, adopting good



ENVIRONMENTAL REVIEW CONTD.

environmental practise in their daily operations and quantifying the impact of their CSR initiatives.

Signage & Reminders

Signage is placed in common areas to prompt employees to be more efficient in utilising resources and waste less in carrying out their daily tasks. Signage on switching off unnecessary lights, using water sparingly, the benefits of opting to use the stairways instead of lifts, etc., has been an effective way to muster employee support for good environmental habits across the PLC network. In the year under review, a video on green behaviour was uploaded to the intranet with a corporate message that reinforced the necessity to be mindful of the corporate's carbon footprint.

Tracking & Monitoring Resource Utilisation


The Company also closely tracks the levels of sustainable resource consumption including electricity, water and paper on a quarterly

basis and takes corrective actions to address deviations from the norms. In this reporting year, the process was initiated to calculate the total amount of green-house gas emissions the organisation produces through its business activities including the subsidiaries.

Green Training

Employees across the board are well engaged with consistent communication on PLC's environmental policy and goals. Regular training programmes creating awareness on environmental issues and addressing them within the operations including financing solutions, credit appraisals, monitoring and work processes are conducted in-house as well as externally. Apart from the structured initiatives, the Company also reaches out to educate employees through the quarterly employee newsletter 'Aruna' with useful articles and tips with regard to sustainability including best environmental practices.

Supplier Assessment

 G4 - EN32, EN33, HR10, HR11, SO10, LA14, LA15

Refer: Contribution to the Economy, Pages: 60-73

As one of the foremost corporate citizens in the country, PLC has the level of maturity to influence its supply chain and convince them to move towards best practices in their value creation process. As elaborated under the section 'Company's Contribution to the Economy', PLC is increasingly seeking to work closely, muster supplier support and create awareness amongst them on the necessity to adopt inter-alia, sound environmental and social management practices. In this light, the Company is currently working with prioritised suppliers within the chain, including asset/equipment providers, services providers, subsidiaries and other. Out of the assessed, 13.64 percent were new suppliers. They are being assessed on measures they have adopted and their compliance with the Company's selected environmental and social criteria including labour practices and human rights. All the assessed suppliers did not violate any regulation legislation and know significant negative impact on environment or society was reported. Some suppliers were recorded to have complied with standards and certifications as credentials to prove their environmental responsibility on a voluntary basis.

Green Training - 2014/15

Training Description	Topics Covered	No. of Prog.	No. of Employees Trained	Training Hours
External training for PLC staff	Reforestation, green lending, disaster relief, green reporting, occupational health & safety, HIV/AIDS	19	94	435
Internal orientation for new recruits	Global local challenges trends, company performance on CSR and sustainability and integrated reporting on sustainability	17	258	258



Suppliers - Sustainability Assessment Areas

- Compliance to applicable laws and regulations
- Relevant licenses for business operations
- Compliance and availability of certifications and standards
- Standards and sustainable practices of sourcing raw materials
- Operational impacts on environment and mitigatory measures
- Environment Management System
- Advocacy of ethical and fair labour and human rights practices
- Labour disputes, law suits filed
- Annual Report publication
- Site visits


PILLAR 2: GREEN PRACTICES & OPERATIONS

In the quest to reduce PLC's environmental footprint on the planet, best practices and effective measures have been adopted in daily operations. Resource optimisation is given top-most priority with greater emphasis on Green ICT based processes including document scanning, in-house developed Int. App. mobile application, intranet revamped in June 2014 and real time updated digital screens towards a paperless mission by 2020. Guided by the concept of reduce, reuse and recycle - '3-R', the Company seeks to establish practical solutions to manage energy, emissions and solid waste including food waste and paper and hazardous e-waste.

Energy Management

The Company is conscientious in its efforts to manage energy usage, which is an integral part of the day-to-day operations.

Energy Consumption

 G4-EN3, EN4

Energy Consumption Within the Organisation

Energy Source	Consumption Level	
	2014/15	2013/2014
Fuel (Ltrs)	86,148	Not tracked

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

As a finance and leasing company, the most significant and the bulk of energy consumed within the organisation is electricity which is used to power the premises, air conditioning, lighting and other electro-mechanical operations.

With respect to outside the organisation, energy consumption is mainly confined to fuel usage for business travel, training related travel and courier operations which is not that significant in relation to the consumption levels within the organisation. Out of the total fuel consumed outside, business travel including outstation and foreign travel takes up the highest usage.

Energy Intensity

 G4-EN5

Energy Intensity

Energy Source	Consumption Level	
	2014/15	2013/2014
Energy Used Within Organisation kwh	4,019,272	Not tracked
Energy Used Outside Organisation	Not tracked	Not tracked
Total Energy Used kwh	4,019,272	Not tracked
Total Employees	1,666	Not tracked
Energy Consumed/Employee Ratio	2,412	Not tracked

ENVIRONMENTAL REVIEW CONTD.

Energy Conservation



The approach to energy conservation follows the '3R' concept and employees are also consistently engaged and awareness created to inculcate responsibility and discipline and to support PLC's overall efforts to conserve energy.

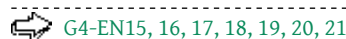
The Company is committed to seek and adopt effective measures to conserve energy within the workplace. The Building Management System which is in place at the head office is effective in controlling and monitoring all electrical and mechanical systems including water, air conditioning, exhaust fans and lighting. Periodic maintenance checks are undertaken to ensure systems are in proper working order and are energy efficient. The premises manager is responsible for

this task. After carefully monitoring, the temperature on two floors at the head office, the air conditioning was adjusted accordingly and thus, enabling a comfortable work environment for the staff whilst reducing the energy requirement. Apart from day-to-day maintenance, the head office is designed as a state-of-the-art building complex with energy efficient features - open workspace layout and access to natural lighting. The company also stood by the policy to replace illumination with LED where necessary and during the year 2 branches were completely renovated with eco-friendly lighting appliances. Adding on, the Company also relies on technology to move towards server virtualisation and to streamline work processes, together with energy efficient ICT including computers, laptops and printers.

Energy Audit

In the reporting year, the Company completed an energy audit at the head office. The audit was carried out by a team of professionals from the Department of Electrical Engineering and Institute of Technology of the University of Moratuwa. The energy audit report and the recommendations therein were taken on board and expected to further the efforts to bring in energy efficiency and savings.

EMISSIONS



Carbon conscious certification - Sri Lanka Carbon Fund

Seeking to move towards carbon neutrality in support of the pressing issues of global warming and climate change, the Company in the reporting year made arrangements to place a structured process to calculate carbon and other green-house gas emissions. The carbon footprint assessment has been calculated based on the Green House Gas (GHG) accounting protocol of the World Business Council for Sustainable Development (WBCSD) & IPCC. Inclusive of the head office and the branches, emissions under this initiative are tracked under three scenarios as per best practice. This initiative is carried out in collaboration with the Sri Lanka Carbon Fund (SLCF), a reputed carbon consulting organisation.

Energy Conservation PLC's Initiatives & Measures		
<ul style="list-style-type: none"> ● Head Office Building Complex energy efficient design and construction features 	<ul style="list-style-type: none"> ● Building Management System controls and monitors electrical and mechanical systems at the head office 	
<ul style="list-style-type: none"> ● Optimising Air Conditioning balancing the temperature with careful monitoring 	<ul style="list-style-type: none"> ● Split-Air Conditioning with variable refrigerant flow (VRF) technology 	<ul style="list-style-type: none"> ● Using LED Bulbs replacing CFL and incandescent bulbs with LEDs
<ul style="list-style-type: none"> ● Server Virtualisation leading to efficient space utilisation and energy consumption 	<ul style="list-style-type: none"> ● Energy Efficient Computers with LED monitors for less energy consumption and higher performance per watt of power supply 	<ul style="list-style-type: none"> ● Opting for Laptops & Tablet PCs for Management more energy efficient than personal computers
<ul style="list-style-type: none"> ● Configuration of Computers & Laptops with fully energy-saving settings 	<ul style="list-style-type: none"> ● Printers & Print Policy sharing printers, use high capacity toner cartridges and printing bulk on higher capacity photocopier machines 	<ul style="list-style-type: none"> ● Staff Awareness Workshops & Signage advocating responsible energy and resources usage





Scope	Emission Category	Emission (TCO2Equivalent)
Scope 1	Emissions due to stand by Generator	0
Scope 1	Employee to and from work from Company owned vehicles (Diesel)	4.06
Scope 1	Employee to and from work from Company owned vehicles (Petrol)	55.12
Scope 1	Company owned vehicles for Business Travels (Petrol)	168
Scope 1	Company owned vehicles for Business Travels (Diesel)	40.57
Scope 1	Emissions due to stand by Refrigerant	0
Total scope 1		267.75
Scope 2	Purchased Electricity	987.02
Total scope 2		987.02
Scope 3	Purchased Water	9.83
Scope 3	Staff to and from work from Common Transport	336.67
Scope 3	Staff to and from work from Private Transport	991.08
Scope 3	Employee Air Travels	177.23
Scope 3	Paper Recycling	0.13
Total scope 3		1,514.94
Total carbon footprint (Tonnes)		2,769.71
Carbon footprint intensity		
Carbon footprint per employee (Tonnes)		1.66

The Company's carbon footprint in the reporting year is 2,769.71 and will be offset in the following year through the Company's green initiatives, especially reforestation and structured tree-planting initiatives.

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

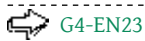
The carbon footprint of the Company was calculated for the first time and reduction of GHG will be reported from 2015/16 onwards.

ENVIRONMENTAL REVIEW CONTD.

EFFLUENTS & WATER DISPOSAL

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.

SOLID WASTE MANAGEMENT



In the reporting year, the Company initiated a Segregated Solid Waste Management System at the head office as a green practice towards a greener cleaner workplace. Seeking to be more disciplined in managing solid waste, the system sets out a practical process to segregate and store solid waste - food, paper and polythene. As will be discussed in the ensuing sections, the waste thus segregated and stored is responsibly disposed and recycled.

Members of janitorial staff contributed and supported this initiative on a voluntarily basis, underscoring its complete success. A special event was organised at the head office by the staff together with the members of the senior management to recognise and appreciate the efforts taken by the janitorial team. The event saw the participation of 21 members of janitorial staff and two supervisors.

Towards a greener cleaner workplace

Segregated solid waste management initiative at the head office has established a sense of green consciousness that support our first pillar - 'green culture' among PLC staff and a cleaner workplace.

The initiative was started in September 2014 with an initial awareness for the janitorial staff. Bins were introduced floor wise and at the cafeteria. Staff awareness through e-mail, signage displayed at strategic points to follow the labels and reduce/reuse polythene was followed. Discussions took place with the Municipal Council and waste collectors. Waste paper recycling programme started in 2007 complemented this initiative and resulted in a fully-internalised employee-driven responsible waste disposal method for head office. A mid-year review was also in place to appreciate the voluntary commitment of janitorial staff and their supervisors.

Testimony: Solid Waste Management

"The ground floor at the head office always had a huge garbage problem. It was not pleasant to enter the office in the mornings and definitely not the best way to start our day.

But, with the Solid Waste Management System now in place, we are able to maintain a clean and tidy environment, not just on the ground floor, but at our work stations. The Waste Management System is definitely a step ahead for a cleaner and greener office."

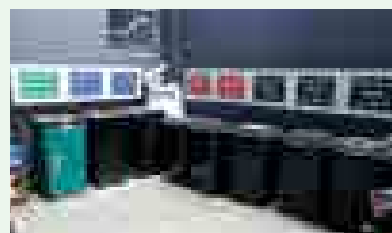
Mr. Prasad Dasanayake

Logistics Department
PLC head office

Segregated Solid Waste Management	2014/15	2013/14	% Change	Disposal Method
Food waste (Kg)	3,211	Not tracked	-	Sent for re-use as animal feed
Paper waste (Kg)	6,406	5,473	17.05	Recycle
Polythene & non Bio-degradable waste (Kg)	122	Not tracked	-	Recycle



Before the implementation of the solid waste management system at the ground floor

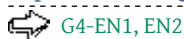


After the implementation of the solid waste management system at the ground floor



“OFFICE AUTOMATION WITH SYSTEMS AND PROCESSES IN PLACE HAS ENABLED THE COMPANY TO CARRY OUT MOST OF THE OPERATIONAL AND ADMINISTRATIVE FUNCTIONS ONLINE AND WITH LESS PAPER. THIS HAS BEEN FURTHER REINFORCED WITH THE DOCUMENT MANAGEMENT SYSTEM (DMS)”

Paper Use Management



Moving towards a ‘less-paper’ office and also complementing the efforts towards a lean -cost structure, the Company has taken proactive measures to reduce paper consumption and wastage.

Office automation with systems and processes in place has enabled the Company to carry out most of the operational and administrative functions online and with less paper. This has been further reinforced with the recent initiatives to formerly move on to the Document Management System (DMS) - converting paper-based documents into electronic files; in effect facilitating efficient document storage, retrieval, delivery and sharing. With the DMS in place, the generation of faxes, printing and cumbersome filing have considerably reduced along with better security for data and information. All employees are now well trained and attuned with the DMS and systems and processes, thus availing the true benefits of technology to seep into business profitability as well as to support the Company’s environmental goals.

Apart from main stream investments, the Company also gives thought to simple measures like encouraging staff to be conscious in their usage of

paper - resort to double-sided printing; avoid unnecessary printing; and re-use paper wherever possible. Necessary awareness is created amongst all staff with signage placed near common printers, email messages, intranet and during staff meetings and induction programmes.

Although recycled paper is not used, being in the business of providing financial solutions, the Company uses high quality ‘Double A Paper’ which is manufactured using eco-sustainable practices by Double A (1991) Public Co. Ltd. Double A has a certification for ISO 14001:2004, the Environmental Management Standard, and ISO9001, the Quality Management Standard.

As initiated in the year 2012, the Company has in place a structured process across the head office, branches and the subsidiaries to collect, segregate and store used paper for recycling with due measures to ensure confidentiality of information. A reputed recycling firm is outsourced to recycle used paper responsibly. PLC head office champions this initiative along with the branches at Battaramulla, Grandpass, Havelock Town, Metropolitan, Ward Place, Pettah, City, Colpetty and Union Place.

In the reporting year, the Company recycled 6,406 kilograms of waste paper in comparison to 5,473 kilograms in the prior year at no cost.

Paper Recycling	2014/15	2013/14	% Change
Paper Recycled (kilograms)	6,406	5,473	17.05



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Hazardous E-Waste Management



G4-EN25

Reinforcing its commitment for the fourth successive year, the Company remained steadfast in carrying out its efforts to dispose of e-waste responsibly.

Extending responsible management of e-waste to communities

Electronic -waste is collected in designated bins at head office and selected locations at 10 branches. Financial year 2014/15 saw a host of 11 electronic waste collection camps in Panadura, Battaramulla, Negombo, Moratuwa, Horana, Piliyandala, Dehiwala, Kuliyapitiya, Kelaniya, Wellawatte and Grandpass branches as an extension of responsible management of electronic waste to communities.

A week-long e-waste collection campaign in the neighbourhood of branches provided the community an avenue to dispose of all types of electric and electronic waste including computers and accessories, mobile phones, batteries and other appliances.

Credentials:

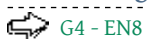
PLC in partnership with a reputed e-waste recycler certified by the Central Environmental Authority ensures that ultimate disposal is undertaken under stringent and well-accepted standards in line with Basel Annex VII. Due endorsements are in place, confirming that the disposal process is 100 percent environmentally friendly.

Impact:

As part of the campaigns, all staff of these branches, customers and communities were educated on the hazards of e-waste. These branches collected a total of 5,156 kilograms of e-waste, which was handed over to the recycler for responsible recycling.

Highlights E-Waste Collection & Disposal	2014/15	2013/14	% Change
Total e-waste collected (kg)	5,156	1,605	221.25
Total cost for initiative (Rs.)	416,984	77,850	435.62
Staff volunteerism (Hours)	2,233	Not tracked	-
People educated on e-waste (Number)	19,465	Not tracked	-

Water Management



G4 - EN8

As a financial services sector organisation, the Company's water usage is confined to the basic needs of the workplace and employees. PLC recognises its responsibility to be frugal in its usage of water which has broader connotations on sustainability of the planet. To this end, the Company has taken simple measures to save and re-use water with the steps taken to create staff awareness on the importance of saving water to cap the usage effectively.

Highlights Water Management	Total Consumption 2014/15	Total Consumption 2013/14	% Change
Water consumption (litres)	687,593	Not tracked	-
Water usage (litres)	38,900,000	Not tracked	-
Water consumption per employee (litres)	23,762	Not tracked	-

Transportation



G4-EN30

With a vast distribution channel covering the entire island, transport covers logistics between branches and the head office, employee travel for field visits, business meetings, training, and marketing communication by two propaganda vehicles.

The Company recognises the importance of minimising the emissions of green-house gases and therefore has taken definitive steps to minimise travel and thus the impact on the environment.

The use of hybrid vehicles for transport which comes under the purview of the fleet management arm has enabled greater fuel efficiency. This is further reinforced by due and timely maintenance checks on the fleet, including following up on the necessary emissions tests.

The Company also encourages its staff to be proactive in using teleconferencing and online facilities as alternatives for travelling for meetings and other business purposes. The systems that are in place especially the DMS across the organisation have enabled seamless communication and operations between branches and head office - limiting logistic travel considerably and effectively controlling the Company's green-house gas emissions. Palm top service where one marketing officer provides door step service to several customers at a time also save travel.

No other kinds of emissions or transportation of effluents, waste or hazardous material is applicable to PLC.



PILLAR 3: GREEN FINANCING



Green Friends logo

Products & Services

Promoting Green Products

G4-EN7, EN27

Operating within the financial services sector, PLC's direct impact on the environment is relatively insignificant. Yet, the indirect impact of its core product - leasing of vehicles mainly comprising mass passenger transporting vehicles and heavy vehicles has a bearing on the environment through the generation of green-house gases, in turn destroying the ozone layer leading up to climate change and global warming.

Conscious of this indirect impact, the Company through its green lending programme - 'Green Friends' seeks to promote leases with concessionary terms and incentives for vehicles that are more energy efficient with lesser green-house gas emissions, thereby reducing to some extent the Company's indirect impact on the environment. The three-wheelers with four-stroke engines and vehicles with hybrid, electrical and NANO-powered technology are covered under 'Green Friends' and a process is in place to quantify the above from 2015/16 onwards.

Credit Assessment & Monitoring

As discussed under the product responsibility section, the standard operating procedure stipulates that all products and services should be in line with accepted standards, regulations and legislation. A facility is granted only if the prerequisites are met which includes social and environmental risks and impacts. From appraisal stage up until the settlement of a facility, the Company closely monitors the performance, risks and impacts of its leasing, loan facilities and other products, carrying out due diligence assessments, if and when required. The Company ensures that all necessary tests and documents viz. the vehicle emission certification are in place, prior to formalising the transaction.

G4-EN28

Being a non-manufacturing company, reclaiming of packaging material is not applicable to PLC.

PILLAR 4: GREEN INITIATIVES Patron Member – Business & Biodiversity Platform

G4 - 15

As an advocate of environment stewardship, PLC has always been committed to protect the environment and thereby bio diversity. Demonstrating this and taking forward its role in policy advocacy, the Company remained an active patron member of the SL B&B platform.

Sri Lanka Business and Biodiversity (SL B&B) Platform

The SL B&B Platform acts as a knowledge sharing system; a nationally-owned, member-driven mechanism to promote dialogue and improve the exchange of knowledge, within and between the private sector and to link with existing and emerging networks and initiatives. It aims to provide assistance to businesses to find solutions to adjust their activities to ensure environmentally responsible management and sustainable growth, whilst providing benefits to biodiversity and ecosystems.

Role of PLC as a Patron Member

As a patron member of the platform PLC demonstrates long-standing commitment to environmental conservation issues aligned to its core business and CSR strategy.



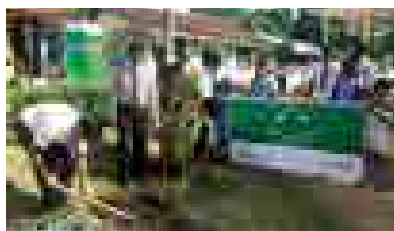
Member - Sri Lanka Business & Biodiversity Platform



ENVIRONMENTAL REVIEW CONTD.



Sector networking event to promote knowledge sharing




Wariyapola branch: Environmental day initiative



Nuwara Eliya branch: Initiative to preserve bio diversity at Adam's Peak

PLC extended its support to the Platform in the year under review, aiming at sustainable development and conserving the natural resources of the country in February 2015 partnering with the SL B&B Platform to organise a networking and learning event for banking and financial sector institutions. The event themed 'Green Principles in Lending' was attended by over 50 professionals from 15 institutions. The event saw eminent resources persons sharing their insight on due diligence and green lending. Representing PLC, five executives and one non-executive level staff joined the programme for 45 hours of training.

Operations & Biodiversity

 G4-EN11, EN12, EN14

Upholding responsibility, the Company remains diligent and carefully assesses impacts of its operations on the environment and biodiversity. Office-based lending operations do not adversely affect the environment. Further, all expansions and setting up of new customer touch-points are undertaken only after a comprehensive feasibility study.

Tree planting/distribution initiatives

Marking World Environment Day on 05th June 2014, the Head Office together with nine branches, Wennappuwa, Horana, Wariyapola, Kalutara, Ja-Ela, Nuwara Eliya, Kuliapitiya, Minuwangoda, and Nittambuwa organised nine environment day programmes. The campaign costing Rs. 91,054 distributed 479 saplings whilst 70 were planted in schools and catchment area in Baddegama. Creating awareness on environmental issues, the campaign also distributed over 400 leaflets and

reached out to educate 660 members of the public. Further, 250 Kumbuk in upper catchment areas, 10 Na and 100 Teak and Mango planted at Adam's Peak.

 G4-EN13

PLC: a pioneer in protecting Adams Peak engaging multi-stakeholders
Ratnapura and Nuwara Eliya Branches of PLC organised and coordinated their Annual Environmental Campaigns at Adam's Peak for the 10th and 9th consecutive year respectively.

- Branch staff teaming with stakeholders collected non-biodegradable litter along Palabaddala and Hatton routes.
- They planted plants suitable for the area and distributed environmentally-friendly cloth bags amongst the pilgrims and visitors.
- Banners were exhibited with messages on environmental good habits to be followed on the path to the Peak.
- Nuwara Eliya branch installed a second drinking water tank in Indikatupana this season.
- This is a multi-stakeholder-engaged environmental initiative including Pradeshiya Sabha, armed forces, school children, community-based organisations, environmental interest groups and People's Bank staff.



Why Protect Adams Peak?

Importance: The sacred Mountain is revered by all religions in the country and is a world heritage site in the Central Highland in Sri Lanka

Visitors and Pilgrims: Approximately 20,000 people scale the Sacred Mountain during weekends at peak season - December to May

Biodiversity Features: A watershed and a hotspot for variety of species of fauna and flora, including endemic species.

Environmental Issues: Visitors and pilgrims littering routes and rest areas, throwing non-biodegradable polythene and plastic waste and other solid waste which pollute land, waters and eco system. Even the Castlereagh reservoir of the Laxapana hydropower system is impacted resulting in malfunction of turbines due to presence of litter in water.

Impact

Initiatives (Number):	2
Trees planted (Number):	110
Volume of Non-biodegradable Litter Collected (kg)	70
Staff volunteerism (Hours):	840
Total investment (Rs.):	299,572

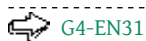
Beach Cleaning Programme

Collaborating with the Coast Conservation & Coastal Resource Management Department, Ministry of Defence and Urban Development Authority, employees of the Wattala branch organised a beach cleaning campaign along the Wattala coastal stretch. Volunteering 82.5 hours of their time, 11 employees from the Wattala Branch spearheaded the cleaning of the beach stretch of over 1 kilometres.



Wattala branch: Beach cleaning initiative

OVERALL



Environmental protection expenditure and investment by type

In the reporting year, the Company invested on following environmental measures and initiatives under the four-pillar strategy inclusive of energy conservation, food, paper and e-waste recycling, environment protection campaigns, staff awareness programmes and training.

Description	2014/15	2013/2014	% Change
	Expenditure (Rs.)		
Green Initiatives	1,173,982.34	10,064,613.09	(88.34)
Green Training	268,428	53,484	401.88
E-waste Disposal	416,984	77,850	435.62
Solid Waste Management	175,047	Not tracked	-


*Standards and methodology used for calculations:
 Since the majority of the staff who volunteer to implement CSR at branch level under the guidance of branch head are marketing/recovery officers, rupee value of their volunteered time is also itemised as a cost component

Conversion factors: The basic hourly salary of such officer multiplied by *numbers relevant



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COMPLIANCE

 G4-EN28, EN29, EN34

With the commitment to move towards a carbon-neutral organisation, PLC voluntarily gives precedence and seeks avenues to protect environment as a carbon conscious corporate. The Company in the year under review did not report any fines nor subjected to non-monetary sanctions or grievances for noncompliance with environmental laws and regulations.

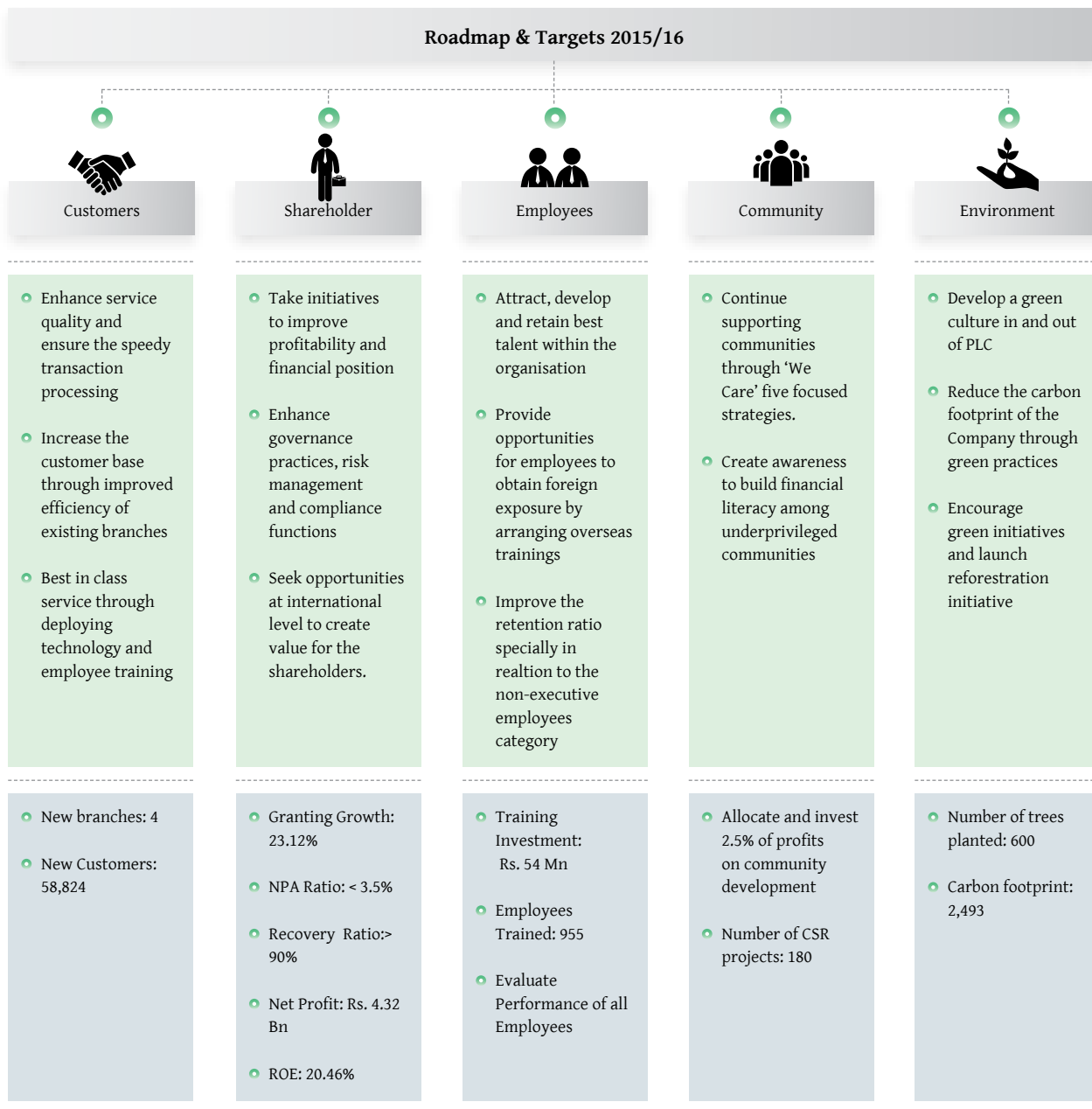
FUTURE FOCUS

With a structured four-pillar strategy in place, PLC in the ensuing year expects to be more definitive and decisive in its actions to be environmentally-sound. Intending to top the initiatives of 2014/15, key plans are set out below:

Key Plans 2015/16	<ul style="list-style-type: none">● Pillar 1: Green Culture Pursue a conducive “green culture” in and out of PLC, especially among employees, customers, suppliers and community at large to spearhead environmental responsibility in the 4 pillared strategic direction.
<ul style="list-style-type: none">● Pillar 2: Green Practices & Operations Reduce carbon footprint of the company through increased “green practices” and continue ICT-based “green initiatives” towards a greener workplace.	<ul style="list-style-type: none">● Pillar 3: Green Financing Continue to popularise “green financing” by promoting eco-friendly vehicles and support green businesses that positively impact the environment.
<ul style="list-style-type: none">● Pillar 4: Green Initiatives Implement more “green initiatives” including the launch of a reforestation initiative and planned tree planting in public areas to offset emissions island-wide engaging stakeholders and partnering with state institutions	



ROADMAP & TARGETS



365 DAYS OF BEST PRACTICES

CORPORATE STEWARDSHIP

“OUTLINES THE BEST PRACTICES, POLICIES AND PROCEDURES WITHIN THE COMPANY WHICH ENSURES THAT THE OBJECTIVES OF BOTH THE COMPANY AND ITS STAKEHOLDERS ARE ACHIEVED”

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BOARD OF DIRECTORS

Mr. Hemasiri Fernando *(Seated right)*

Non- Executive, Non- Independent Chairman

Possessing diverse experience in varied genres, Mr. Fernando's debut into the public sector was as Secretary to the Prime Minister. He later chaired Sri Lanka Telecom, Airport and Aviation Services and Telecom Services and has served as Secretary to the Ministry of Postal Services among other postings. His input as the longest serving President of the National Olympic Committee and in international office including as Vice President of the Olympic Council of Asia and Commonwealth Games Federation, in addition to representing Sri Lanka in rifle shooting as national champion, makes him the apt choice as Presidential Advisor on Sports to Sri Lanka.

With a B.A (Econ) from the University of Colombo, Associateship in the Institute of Travel and Tourism UK (A INST TT) and Fellowship of the British Institute of Management (FBIM), Mr. Fernando is also the present Chairman of People's Bank and the Honorary Consul for the Kyrgyz Republic in Sri Lanka. His tenure in the Sri Lanka Navy from which he retired with the rank of Commander having served in combat areas, deserves special mention. His association with Sri Lanka Railways led to the penning of two books, The Viceroy Special based on the steam locomotive he created for tourism in Sri Lanka and The Uva Railway. Mr. Fernando has been conferred with the OCA Award of Merit by the Olympic Council of Asia and the ANOC Award of Merit by the Association of National Olympic Committees.

Mr. Michael Pradeep Amirthanayagam

(Seated centre)

Non- Executive, Independent Deputy Chairman

Mr. Pradeep Amirthanayagam is a reputed advertising and media personality in Sri Lanka who counts over 30 years of experience in the advertising field. He is currently the Chairman and Managing Director of the leading advertising agency Holmes Pollard & Stott, which he was instrumental in setting up 25 years ago. He is the livewire that fuels the agency's creative and client management teams, while providing crucial direction and guidance on operations and finance.

Mr. Amirthanayagam is also a media icon. He has presented the news on TV and radio (Rupavahini, ITN and SLBC), and was also an interviewer and cricket commentator. He has the distinction of having trained at Bush House - the headquarters of the BBC in London, and was the CNN correspondent for Sri Lanka.



Showing great promise from his early days, he is an outstanding product of St. Joseph's College, Colombo. He has won gold medals for oratory and singing, and also excelled academically, winning final year prizes for economics, commerce and finance, and accountancy. He was a member of the all- island under 12 champion cricket team in 1975, and went on to become head prefect of the college. He also played an active role in drama and debating, and was placed first in the entire country in an oratory contest themed 'Rotary World Understanding and Peace' organised by Rotary International.

Having achieved success since his early days, Mr. Amirthanayagam went on to distinguish himself further. He became a member of the Chartered Institute of Marketing and an Associate of Trinity College of London (Speech and Drama).



Mr. Jehan Prasanna Amaratunga

(Seated left)

Non- Executive, Non- Independent Director

Mr. Jehan Amaratunga is the Group Executive Deputy Chairman of MTD Walkers PLC Sri Lanka, which is a leading infrastructure development company that is listed on the Main Board of the Colombo Stock Exchange and the Chairman of People's Insurance Ltd and also serves as a Director of People's Bank, People's Merchant Finance PLC and JAT Holdings (Pvt) Ltd. He is a Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow Chartered Management Accountant. He was awarded First in Order of Merit Prize at the final level examination of the Institute of Chartered Accountants of Sri Lanka.

Mr. Amaratunga has over 30 years of extensive experience in finance and management and has been a Consultant and Director to a large number of corporations and private entities. Amongst his many achievements, he has presented a paper titled "Value for Money Accounting" at the National Conference of the Institute of Chartered Accountants of Sri Lanka in 1987. He was also a Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka.

Respected for his philanthropic endeavours, Mr. Amirthanayagam has been active in the Rotary movement at the highest level. He is a Past President of the Rotary Club of Colombo West and was awarded the Rotarian of the Year in 2012. Over the years, he has made a notable contribution to the club, having been involved in almost every avenue of service.

Mr. Amirthanayagam is also the Vice President of SUROL (Society for the Upliftment and Rehabilitation of Leprosy Affected Persons) and a Director of the Anura Bandaranaike Foundation.

BOARD OF DIRECTORS CONTD.

Mr. N. Vasantha Kumar *(Standing second from left)*

Non- Executive, Non- Independent Director

Mr. Vasantha Kumar currently functions as the CEO/ General Manager of People's Bank. Mr. Vasantha Kumar also serves on the Boards 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 Limited, People's Travels (Pvt) Limited, People's Leasing Havelock Properties Limited and People's Leasing Property Development Limited. Prior to joining People's Bank, he served as the Treasurer at ANZ Grindlays Bank, Colombo.

Mr. Kumar holds a Master's Degree in Business Administration and counts over 32 years of experience in Treasury Management. He was the past President of the Association of Primary Dealers and of the Sri Lanka Forex Association.

Mr. Johnson Anthony Fernando *(Standing left)*

Non- Executive, Independent Director

Being one of the founder- directors and co- owners of Expo Industrial Products (Pvt) Ltd., established in 1992, Mr. Johnson Fernando is a veteran and widely travelled business professional counting over 25 years' experience in 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.

He presently serves as the President of the Sri Lanka Association of Printers, the APEX body of printers in Sri Lanka, Vice President of the Sri Lanka China Business Council Cooperation and an advisory Board Member of the Benedict XVI Cultural Institute.



Mr. Mohamed Anise Mohamed Rizwan

(Standing second from right)

Non- Executive, Independent Director

Mr. Rizwan, Chief Operating Officer of DCS International (Pvt) Ltd., is an accomplished senior marketing professional with over 18 years of experience in the field of Management and in particular Sales and Marketing in industries of IT, Pharmaceuticals, BPO, Apparel, Consumer Electronics, Shipping, Education and Mother & Baby Care. His experience and skills encompass management and operational insight, strategic planning, strategic marketing, brand development, portfolio management, public relations and sales management. During his career, Mr. Rizwan has held many senior management positions in public listed companies, as Vice President- Marketing, Group Head of Marketing, Head of Marketing and Manager Business Development/Marketing & Corporate Communications in diverse industries.



Mr. Rizwan holds a Masters in Business Administration from the University of Wales, UK, Diploma in Business Management and is a Member of the Chartered Institute of Marketing, UK and a Certified Member of Sri Lanka Institute Marketing. He is also an adjunct lecturer and examiner for the Marketing and Management undergraduate programs offered by the Northwood University of USA, Heilbronn University of Germany and a Dissertation Supervisor for University of West London MBA program.

Mr. Rathnayake Mudiyansele Jayasena (Standing right)

Non- Executive, Independent Director

Having commenced his career at the Land Reforms Commission in 1974, Mr. Jayasena has also served the National Institute of Management, Ministry of Industries and Scientific Affairs as a consultant (1975 to 1977) and Isura Development Centre as an Executive Director (1988 to 2008). Mr. Jayasena is well known for his contributions to philanthropic endeavours and has played an active role in the National Forum of People's Movement as the Vice Chairman from 1990 to 2009, Lanka Organic Agriculture Movement as a Director from 2000 to 2009, Green Movement, Sri Lanka as the Treasurer from 1999 to 2003 and Forest Garden Product Certification Limited as a Director from 2002 to 2005.

He is also widely travelled and has had the opportunity of participating in multifarious international study programs including, Project Management Study Program organised by I. D. R. C. Canada through the University of Manitoba (2002), Rural Development Study Programs in India and Bangladesh (1985), Micro Credit Management Program in Malaysia (1996), Self- Financing and Micro Credit Management Training in India (1999) and Small Enterprise Experience Exchange Program in India (2007).

Mr. Jayasena holds a Bachelor of Arts Degree from the University of Colombo and has extensive experience in project management and rural development.

Mr. Rohan Pathirage (Standing centre)

Company Secretary

Mr. Pathirage presently functions as the Secretary to the Board of Directors of People's Bank. He also serves as the Company Secretary of People's Travels (Pvt) Limited, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Insurance Limited, People's Leasing Havelock Properties Limited and People's Microfinance Limited.

Mr. Pathirage is an Attorney- at- Law with a Bachelor of Laws Degree from the University of Colombo. He holds a Postgraduate Diploma in Banking and a MBA in Bank Management from the Massey University in New Zealand.

CORPORATE MANAGEMENT



Mr. D.P. Kumarage (Seated)
Chief Executive Officer/GM

Appointed to the Present Designation: 1997

Qualifications: PGDip in Modern Banking, Passed Finalist CIMA UK

Service & Experience: 36 years of experience in Banking and Finance. Prior to joining PLC he served People's Bank and retired as a Deputy General Manager.

Other Appointments: He is the Managing Director of the other subsidiary companies of PLC and serves as a member of PLC's Integrated Risk Management Committee.

External Appointments: He serves as the Vice President of the Asian Leasing & Finance Association; a Non- Executive Director of SANASA Development Bank PLC and Lanka Ashok Leyland PLC. He was also the former Chairman of the Leasing Association of Sri Lanka.

Mr. Sanjeewa Bandaranayake
(Standing left)

Deputy General Manager - Finance & Administration

Appointed to the Present Designation: 2007

Qualifications: FCA, CMA (Australia), FCMA (Sri Lanka), Finalist CIMA (UK)

Service & Experience: Over 20 years of post-qualifying experience at a very senior level in the finance sector. Possesses five years' experience at Ernst & Young, Chartered Accountants.

Other Appointments: He serves as a member of PLC's Integrated Risk Management Committee.

External Appointments: He is a Director of the Credit Information Bureau of Sri Lanka and Leasing Association of Sri Lanka. He also functions as Vice President of the Asian Financial Services Association (AFSA). He was a former Chairman of the Leasing Association of Sri Lanka and a former Committee Member of the Ceylon Chamber of Commerce and a former council member of the Sri Lanka Institute of Credit Management (SLICM).

Mr. Lionel Fernando (Standing second from left)
Deputy General Manager - Operations

Appointed to the Present Designation: 2013

Qualifications: ACA, AIB (Sri Lanka), PGDip in Business & Financial Administration (ICASL)

Service & Experience: Joined the Company in 1995 and held various senior positions at the Company. Has over 26 years' experience in banking and finance sector.

Other appointments: He serves as a member of PLC's Integrated Risk Management Committee.

Mr. Rohan Tennakoon (Standing second from right)
Deputy General Manager - Business Development & Marketing

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: Over 25 years of experience in many diversified fields such as Accounting, Manufacturing, Exporting and Banking and leasing. He has served almost 18 years in various capacities at PLC.

Other appointments: He is the Head of Islamic Division (Al- safa) of PLC and a member of PLC's Integrated Risk Management Committee.

External Appointments: Represents the Company in the Council of Management of the Finance Houses Association of Sri Lanka, and serves as the Chairman of Sports Festival Committee. Also functions as the Company's Compliance Officer for the Credit Information Bureau of Sri Lanka.

Mr. Damith Malavithanbila
(Standing right)

Assistant General Manager - Branch Operations

Appointed to the Present Designation: 2013

Qualifications: Finalist (ICASL), Intermediate (IBSL)

Service & Experience: Joined the Company in 1996 and had been the Head of Recoveries since the inception of the Company for 10 years. He has over 26 years of experience in banking & finance, and several years of experience in auditing and accounting. He is in- charge of the branch operation in the entire Southern Province and a part of Western province in Sri Lanka.

Other Appointments: He overlooks the operations of People's Leasing Fleet Management Ltd., a fully owned subsidiary of PLC.





Mr. Laksanda Gunawardena
(Standing right)
Assistant General Manager - Branch Operations

Appointed to the Present Designation: 2013

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 Corporate Leasing for 09 years. He has over 20 years' experience in the field of corporate and SME Financing, covering the areas of Credit, Marketing, Recoveries, Branch Development and Operations.

Other Appointments: He overlooks the operations of People's Microfinance Ltd., a fully owned subsidiary of PLC.

Mr. Prabath Gunasena (Seated right)
Assistant General Manager - ICT (Group)

Appointed to the Present Designation: 2013

Qualifications: MBA (Western Sydney), Diploma in Computer System Design (NIBM Sri Lanka), Member of the British Computer Society.

Service & Experience: Joined the Company in 1999 and has been the Head of ICT for the past 16 years.

Other Appointments: Head of ICT for the entire PLC Group.

Mr. Udesh Gunawardena (Seated left)
Assistant General Manager - Internal Audit (Group)

Appointed to the Present Designation: 2013

Qualifications: ACA, ACMA (Sri Lanka), Associate of IPFM- UK, Member of IIA, Finalist CIMA (UK), Diploma in Treasury, Investments and Risk Management (IBSL), World prize winner of the Australian Computer Society.

Service & Experience: Joined the Company in 1999 as an Accountant and possesses over 20 years' experience in the field of finance, covering accounting, auditing, financial management and treasury operations at senior level.

Other Appointments: Currently serves as the Secretary to Board Audit Committees of the Company and People's Insurance Ltd. Head of Internal Audit for the entire PLC Group.

Mr. Ranil Perera (Standing left)
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 qualifications in CIM - UK & ICASL

Service & Experience: Has over 16 years of experience at People's Leasing Group.

Mr. Uresh Jayasekara (Standing second from left)
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- Osaka, Japan.

Service & Experience: Has over 16 years of experience in the field of Human Resources including Garments, Hospital, Insurance and Financial Sectors.

Other Appointments: Head of Human Resource for the entire PLC Group.

Mr. Saman Liyanage (Standing second from right)
Chief Manager - Deposits & Savings

Appointed to the Present Designation: 2013

Qualifications: Diploma holder and Associate Member of SLICM, MBA (University of Sikkim Manipal- India)

Service & Experience: Joined the Company in 2004 and counts over 29 years of experience in the financial industry covering Branch Operations, Credit & Recoveries.

External Appointments: He is a member of Panel of Resource personnel of Centre for Banking Studies, Central Bank of Sri Lanka.



CORPORATE MANAGEMENT CONTD.



Mr. Andy Ratnayake (Seated)
Senior Manager - Risk Management & Control

Appointed to the Present Designation: 2007

Qualifications: Bachelor's Degrees in Arts – Public Administration (J'pura), BCom (Peradeniya), Member of IIA- United States, FCMA (UK), Chartered Global Management Accountant, Member of the Chartered Institute of Ship Brokers & Chartered Institute of Transport, 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 38 years' experience in auditing, accounting, shipping and general management. He was the head of Internal Audit at Ceylon Shipping Corporation, General Manager at Central Freight Bureau and based in Riyadh Saudi Arabia as Audit Manager.

Other Appointments: He is functioning as the Secretary to the PLC's Integrated Risk Management Committee.

Mr. Hasantha De Silva (Standing Second from left)
Senior Manager - Branch Operations

Appointed to the Present Designation: 2011

Qualifications: Higher National Diploma in Accountancy from the Technical College, Galle, Intermediate Level (ICASL)

Service & Experience: Joined PLC in year 2000, as a Branch Executive and later promoted as a Senior Manager and possesses over 15 years of experience. Has over 13 years of work experience in fields of operations & audit.

Mr. P. D. C. S. Mahanama
(Standing second from right)
Senior Manager - Branch Operations

Appointed to the Present Designation: 2014

Service & Experience: Joined PLC in 2003, as a Branch Manager and possesses over 12 years' experience at PLC. Before joining PLC he has covered more than 20 years of experience in the marketing field within the Financial Sector.

Mr. Neil Thushantha (Standing left)
Senior Manager - Branch Operations

Appointed to the Present Designation: 2014

Qualifications: B.Sc. (Agri) 2nd Class- Upper (Peradeniya), Part qualification- CIMA (UK)

Service & Experience: Joined PLC in year 2005 as a Branch Manager and later promoted as a Senior Manager. He served as an Assistant Vice President at Vanik Incorporation Ltd., and Capital Reach Leasing Ltd. Counts over 17 years of managerial experience in the financial field covering Leasing, Hire Purchase, Recoveries, Fund Mobilisation and Marketing.

Mr. Chamil Herath (Standing right)
Senior Manager - Branch Operations

Appointed to the Present Designation: 2014

Qualifications: BSc. Business Administration (Special) Degree (J'pura), Licentiate Level (ICASL)

Service & Experience: Joined PLC in year 2005 as a Branch Manager and later promoted as a Senior Manager. Over 15 years' experience in leasing industry with several Leasing Companies covering the areas of Credit, Marketing, Recoveries, Branch Development and Administration.





Ms. Kamani Dematawewa (Standing left)
Senior Manager - Legal Recoveries

Appointed to the Present Designation: 2010

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: Over 28 years' experience in the financial sector as a Senior Manager - Legal Recoveries and as a Company Secretary.

External Appointments: She was a former Chairperson of the legal circle of the Finance Houses Association of Sri Lanka.

Ms. Inoka Jayawardhana (Seated)
Senior Manager - Group Corporate Affairs & Investor Relations

Appointed to the Present Designation: 2012

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, Sri Lanka.

Service & Experience: Has over 14 years' 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 Appointments: Compliance Officer of the Company.

Mr. Omal Sumanasiri (Standing second from left)
Senior Manager - Finance

Appointed to the Present Designation: 2014

Qualifications: B.B. Mgt (Accountancy) -1st Class (Kelaniya), ACA, ACMA (Sri Lanka)

Service & Experience: Has over 11 years of experience in the fields of Accounting and Auditing. Joined the PLC Group in September 2010 as the Deputy Manger - Finance and later promoted as the Senior Manager - Finance in PLC.

Mr. P. N. Nishantha Perera
(Standing second from right)
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 PLC. He joined John Keells Holdings PLC in 1991 and joined Nations Trust Bank in 2002.

Mr. A. J. A. Mohideen Maharroof
(Standing right)
Senior Manager - Islamic Finance

Appointed to the Present Designation: 2014

Qualifications: Completed the intermediate Examination (IBSL)

Service & Experience: Counts over 30 years of experience in many diversified fields such as Banking & Finance (over 24 years), Garments and Automobile Industries. He has 7 years' experience at Commercial Bank, 13 years' experience at LB Finance Ltd and quit his position as Deputy General Manager (Credit & Recoveries). Thereafter he switched his career to Garment Manufacturing. In late 2006 he took up an overseas assignment in Malawi in Africa to work as the General Manager for an automobile company. He also served at Amana Bank PLC and Seylan Bank PLC.



BRANCH MANAGERS



1. **Mr. Samantha Abeywickrama** - Branch Manager - Embilipitiya
2. **Mr. Janaka Wikramathilaka** - Asst. Manager/Actg.OIC - Ambalantota
3. **Mr. Chandika Jayaweera** - Dep. Manager/O.I.C - Bandarawela
4. **Mr. Ruwan Pradeep** - Dep. Manager/O.I.C - Matara
5. **Mr. Aruna Santha** - Dep. Manager/O.I.C - Neluwa
6. **Mr. Keshike Karunarathne** - Snr. Executive/O.I.C - Chilaw
7. **Mr. Dinesh Willarachchige** - Snr. Executive/Actg OIC - Ampara
8. **Mr. Rasika Senevirathne** - Snr. Executive/O.I.C - Vavuniya
9. **Mr. Chaminda Yapa** - Branch Manager - Badulla
10. **Mr. V.P. Saman** - Asst. Manager/O.I.C. - Akuressa
11. **Mr. Nishantha Weerasinghe** - Branch Manager - Galle
12. **Mr. Amila Wanniarachchi** - Snr. Executive/O.I.C - Deniyaya
13. **Mr. Roshan Madawala** - Asst. Manager/O.I.C. - Nuwara Eliya
14. **Mr. Ajith Senevirathna** - Dep. Manager/Actg OIC - Ambalangoda
15. **Mr. Shanaka Chaminda** - Snr. Executive/O.I.C - Thissamaharama
16. **Mr. Sumith Jayasinghe** - Dep. Manager/O.I.C - Wariyapola



1. **Mr. Y. Premarathne** - Snr. Manager - Ratnapura
2. **Mr. Sanjeeva Buthpitiya** - Snr. Executive/O.I.C - Minuwangoda
3. **Mr. Sisira Gamage** - Asst. Manager/O.I.C - City
4. **Mr. Kanchana Wariyapola** - Branch Manager - Grandpass
5. **Mr. Chandana Kumara** - Asst. Manager/O.I.C. - Wattala
6. **Mr. M. Kirupakaran** - Asst. Manager/O.I.C. - Trincomalee
7. **Mr. Duleepa Weerakoon** - Branch Manager - Ward Place
8. **Mr. Shiron Ranasinghe** - Snr. Manager - Battaramulla
9. **Mr. M.G.R. Priyankara** - Snr. Manager - Kelaniya
10. **Mr. Priyantha Jayasuriya** - Asst. Manager/O.I.C. - Maharagama
11. **Mr. Sumudu Fernando** - Dep. Manager/O.I.C - Havelock
12. **Mr. Tharaka Bellana** - Asst. Manager/O.I.C. - Kadawatha
13. **Mrs. Priyanka Wimalasena** - Senior Manager - Nugegoda
14. **Mr. K. Anantheraja** - Branch Manager - Jaffna
15. **Mr. Bernard Sutharsan** - Dep. Manager/O.I.C - Batticaloa
16. **Mr. Chaminda Dharmarathne** - Branch Manager - Colpity
17. **Mr. Niranjan Fernando** - Branch Manager - Kalutara





1. Mr. Sarath Agalla - Asst. Manager/O.I.C - Wennappuwa
2. Mr. Dushantha Samarajeewa - Snr. Executive/O.I.C - Nittambuwa
3. Mr. Nandana Weerakkody - Snr. Manager - Metropolitan
4. Mr. Upul Shantha - Snr. Executive/O.I.C - Nawalapitiya
5. Mr. Padmasiri Kumarasinghe - Snr. Executive/O.I.C - Kuliyaipitiya
6. Mr. Chamil Prabath - Snr. Executive/O.I.C - Balangoda
7. Mr. Susil Priyantha - Branch Manager - Kurunegala
8. Mr. Buddika Vidyaratna - Snr. Executive/Actg OIC - Kegalle

9. Mr. Imesha Nagodavithana - Executive/Actg OIC - Polonnaruwa
10. Mr. Ashley Warnakulasuriya - Jnr. Executive/OIC - Kirindiwela
11. Mr. Samantha Senavirathne - Branch Manager - Gampaha
12. Mr. Chandana Samantha - Asst. Manager/O.I.C - Mahiyanganaya
13. Mr. Asela Weerakoon - Asst. Manager/O.I.C - Matale
14. Mr. Sampath Hewawasam - Executive/Actg OIC - Elpitiya
15. Mr. Asela Bandara - Senior Manager - Kandy
16. Mr. Chamil Kumarapperuma - Snr. Executive/O.I.C - Monaragala



1. Mr. Nalaka Suresh - Snr. Executive/O.I.C - Dambulla
2. Mr. Thisa Danedra - Snr. Executive/O.I.C - Mathugama
3. Mr. Amila Walpitagama - Dep. Manager/O.I.C - Panadura
4. Mr. Ganesh Thushyanthan - Branch Manager - Pettah
5. Mr. Saminda Ratnayake - Dep. Manager/O.I.C - Avissawella
6. Mr. Mohamed Ameen - Executive/O.I.C - Kandy Al-Safa
7. Mr. Nalin De Silva - Branch Manager - Negambo
8. Mr. Buddika Hettiarachi - Snr. Executive/O.I.C - Horana

9. Mrs. Shamala Segarajasinghe - Asst. Manager/O.I.C - Wellawatte
10. Mr. Dulip Gomes - Deputy Manager/O.I.C - Ja-Ela
11. Mr. Jayaruk Kotalawala - Dep. Manager/Actg OIC - Kaduwela
12. Mr. Mahendra Amunugama - Dep. Manager/O.I.C - Anuradapura
13. Mr. Mohamed Aslam - Dep. Manager/O.I.C - Union Place
14. Mr. Bandula Samarajeewa - Dep. Manager/O.I.C - Homagama
15. Mr. Chrisantha Dias - Manager - Moratuwa
16. Mr. Chinthana Dissanayake - Snr. Executive/Actg OIC - Pilimathalawa



CORPORATE GOVERNANCE REPORT

CHAIRMAN'S OVERVIEW

“AT PLC, WE BELIEVE THAT SOUND GOVERNANCE BASED ON RELATIONSHIP AND TRUST UNDERPINS OUR ABILITY TO FUNCTION WITH INTEGRITY - CREATING ENDURING VALUE FOR ALL.”



DEAR SHAREHOLDER,

It is my pleasure to present to you, on behalf of my fellow Board members, the Corporate Governance Report of PLC for 2014/15.

This report sets out PLC's approach to corporate governance practices and the manner in which it has ensured adherence to the updated Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC); Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE); Finance Companies (Corporate Governance) Directions No. 3 of 2008, No. 4 of 2008 and No. 6 of 2013 issued by the Central Bank of Sri Lanka; and the emerging best practices being followed worldwide.

Level of compliance to applicable regulations and codes is set out on pages: 213-262

We have in place an internal governance structure with defined roles and responsibilities. Through this structure, the Board balances its role of providing oversight and guidance to the management in strategy implementation, risk management and meeting stakeholder expectations.

The governance structure provides for delegation of authority whilst enabling the Board to retain effective control. The Board delegates authority to relevant board committees and to

the management with clearly defined mandates and authorities.

The governance structure is set out in Corporate Governance Report on page: 198

The Board operates on the firm belief that sound governance practices are fundamental to earn stakeholder trust which is critical to sustaining performance and enhancing shareholder value. The Board perceives its role not only to ensure that the Group succeeds well beyond their term, but that it can prosper through economic cycles and changing market conditions and is sustainable into the future.

During 2014/15, the Board focused on identifying stakeholder needs and addressing their concerns. Accordingly, a stakeholder engagement exercise was commissioned with the assistance of an independent professional body.

Stakeholder engagement exercise is set out on page: 34

Further highlights during 2014/15 included:

- staying abreast of local and international corporate governance best practices through ongoing research;
- reviewing and revising the 'Related Party Transactions Policy' to best suit the regulatory requirements;
- revising the frequency of internal audit check on compliance from annual to bi-annual;

- initiating steps for all subsidiaries that have begun commercial operations to submit risk indicator reports to the Integrated Risk Management Committee (IRMC) on a quarterly basis for the assessment of group risks;
- reviewing the adequacy and effectiveness of management level committees such as Integrated Risk Management Operating Committee (IRMOC) and Assets and Liability Management Committee (ALCO) by the IRMC;
- reviewing the compliance of PLC's Information Security Management System (ISMS) to ISO/IEC 27001: 2005, the standard that governs the design, implementation, monitoring, maintenance, improvements and certification in the area of ISMS by the IRMC.

Activities of the Board Audit Committee and IRMC are set out on pages: 263-268

Reiterating that a strong corporate governance culture is pivotal to sustain growth and profitability, the Board will continue to focus on improving its effectiveness and that of its committees and responding appropriately and timeously to developments in the governance environment.

Hemasiri Fernando
Chairman

Colombo, Sri Lanka
29th April 2015

“WE ARE RESOLUTE IN OUR COMMITMENT TO OPERATING IN AN ETHICAL AND TRANSPARENT MANNER AND STAYING ACCOUNTABLE TO OUR STAKEHOLDERS. WE BELIEVE THAT CORPORATE GOVERNANCE IS NOT JUST A DESTINATION, BUT A JOURNEY TO PERSISTENTLY PROGRESS IN SUSTAINABLE VALUE CREATION.”

THIS REPORT INCLUDES:

Compliance Statement,
 Governance Philosophy,
 Governance Structure,
 General Meetings of Shareholders,
 Shareholders’ Rights,
 Ownership Structure,
 Role of the Board,
 Composition of the Board,
 Independent Non - Executive Directors,
 Senior Independent Director,
 Management of conflicts and other commitments,
 Board induction and ongoing training and education,
 Selection of Board members and succession planning,
 Board and its committees’ performance evaluation,
 Remuneration and Incentives
 Role of the Company Secretary,
 IT Governance,
 Internal control framework,
 Internal Audit,
 Compliance,
 External Audit
 Scope of the Board and its committees,
 Membership and attendance at Board and committee meetings during 2014/15,
 Board meetings,
 Management’s role in sustainable performance,
 Subsidiary monitoring,
 Connecting with stakeholders,
 Ethics and organisational integrity,

COMPLIANCE STATEMENT

PLC continues to be committed to highest standards of corporate governance and believes that such standards are vital to ensure high performance across all dimensions of operations and in relation to people and the communities in which it operates.

These standards are encapsulated in PLC’s governance charters, policies and documents, highlights of and compliance to which are detailed in the succeeding sections of this report.

The Board of Directors of PLC wishes to confirm that PLC has complied throughout the year with the provisions of the Finance Companies (Corporate Governance) Directions No. 3 of 2008 and No. 4 of 2008, Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC), Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE), to the extent hereinafter disclosed in this report.

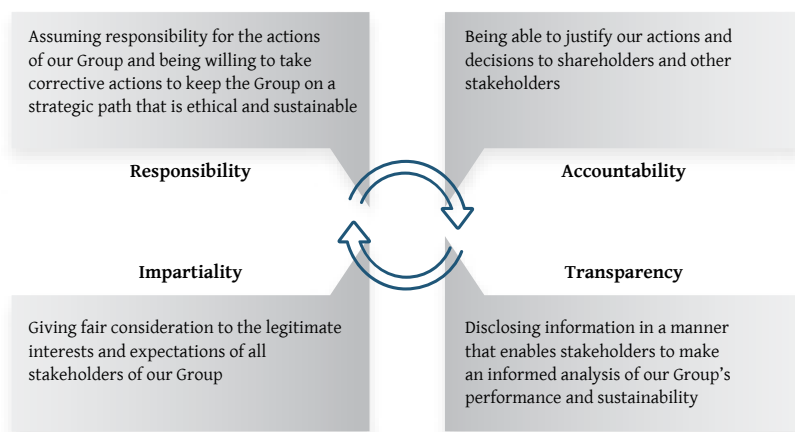
The Board of Directors also wishes to confirm that, to the best of their knowledge and belief, PLC has complied with all requirements under the Companies Act No. 7 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/regulatory bodies.

The detailed Directors’ Responsibility Statement is set out on pages: 331-332

Governance Philosophy

Good governance practices stem from the dynamic culture and positive mindset of the organisation and thus, remain integral to the way PLC Group operates. This is well demonstrated in the high credit ratings, shareholder returns, governance processes and the entrepreneurial performance focused work environment at PLC.

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.



CORPORATE GOVERNANCE REPORT CONTD.

GOVERNANCE STRUCTURE

Effective governance is, at its core, simply about doing the right things for stakeholders. It is enabled by having the right checks and balances throughout the organisation to ensure that the right things are always done. It comprises the processes and structures, which affect the way an organisation is directed, managed and monitored and its activities are reported, including: the elements of internal control, ethics, various risk functions, policies and procedures, internal audit, external audit and formal committees that promote greater transparency and facilitate efficient and effective management for the best interests of shareholders/stakeholders.

PLC operates within a clearly defined governance structure. Through this structure, 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 relevant Board Committees and the management with clearly defined mandates and authorities, while preserving its accountability.

The governance structure is set out on page: 198

Board Committees facilitate the discharge of Board responsibilities and provide in-depth focus on specific areas. Each Committee has a mandate setting out its role, responsibilities, scope of authority, composition, and procedures. The Committees report to the Board through their respective chairmen and minutes of all committee meetings are submitted to the Board.

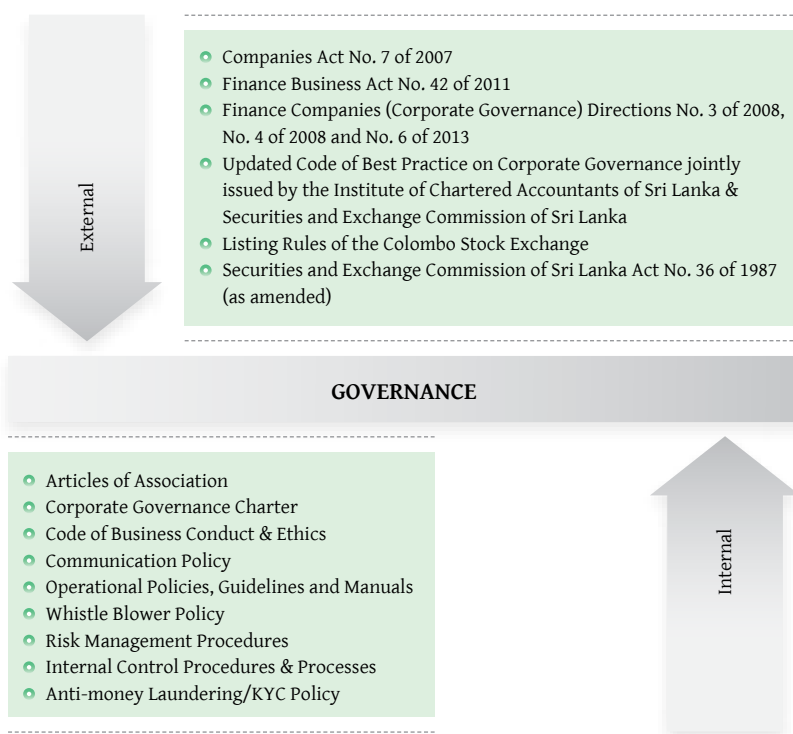
Summary of each Committee's scope of work and the composition is set out on page: 207

The Board of Directors sets strategic objectives of PLC, determines its operational policies and performance criteria and delegates authority to the Chief Executive Officer (CEO), who is also the Managing Director of the subsidiary companies. In turn, the CEO is responsible for detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The responsibilities entrusted to the CEO by the Board of Directors cascades down to the Senior Management and then to the heads of the respective business units and ultimately to individual employees with clearly defined job descriptions, authority levels and responsibilities. The Group Operating Committee comprising the heads of all operational units of companies and the Management Committees assist the CEO in the day-to-day management

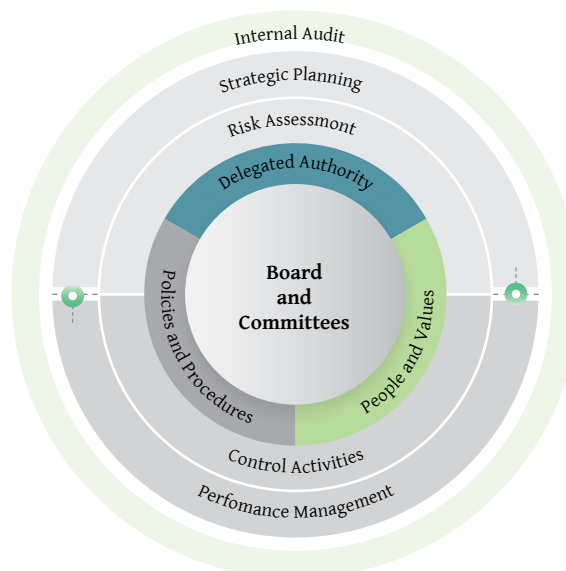
of affairs, subject to statutory parameters and matters reserved for the Board which are documented in the Company's Corporate Governance Charter.

The business plan and the annual budget which are focused on the core value triad of economic viability, environmental responsibility and social accountability are approved annually and achievement of the objectives set out therein is closely monitored by the Board of Directors. Affairs of the Company are reviewed and discussed by the Board at Board meetings on a monthly basis. At these meetings, the management is represented by the CEO who apprises the Board on the operations and performance of the Company against set targets.

The following internally and externally driven factors play a vital role in maintaining a robust governance structure within PLC:



“THE CLEARLY DEFINED GOVERNANCE STRUCTURE WITHIN WHICH PLC OPERATES PROVIDES FOR THE BOARD TO DELEGATE AUTHORITY WHILST RETAINING EFFECTIVE CONTROL THEREBY BALANCING IT’S ROLE OF PROVIDING RISK OVERSIGHT, STRATEGIC COUNSEL AND ENSURING ADHERENCE TO REGULATORY REQUIREMENTS ”



Web Links - Laws, Regulations & Practices on Governance

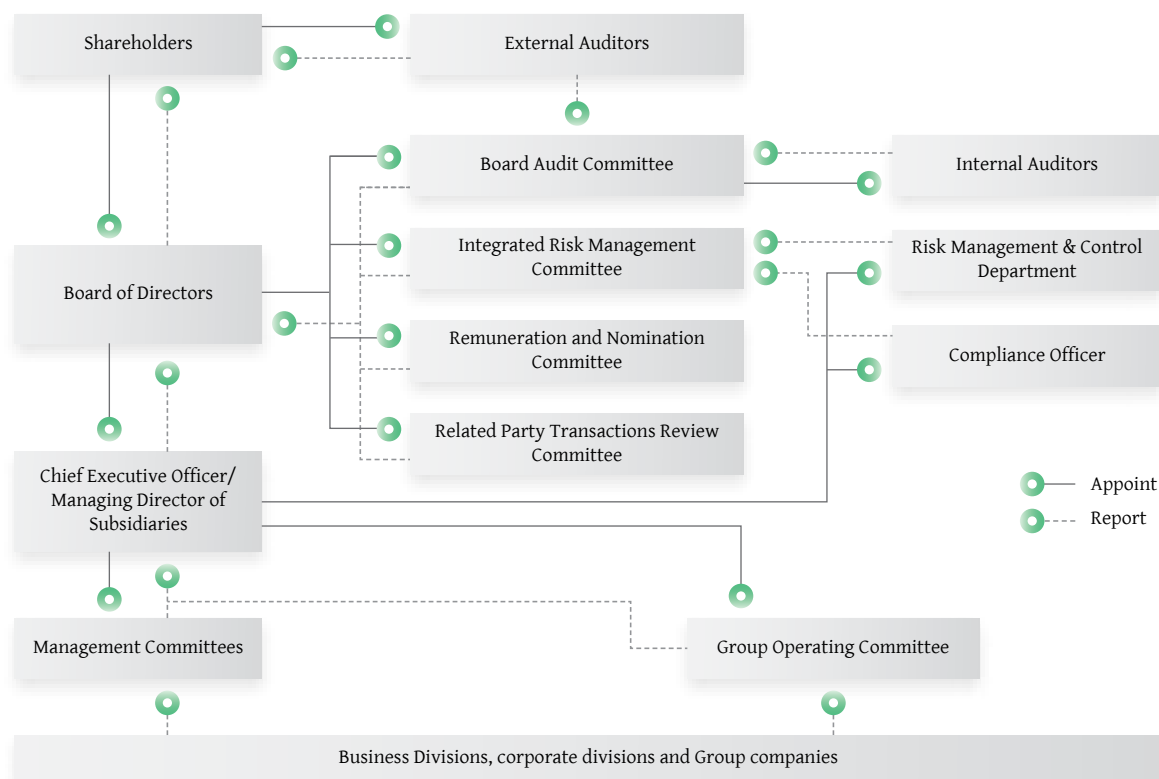
Applicable Law/Regulation/ Best Practice	Web Link References
Companies Act No. 7 of 2007	www.drc.gov.lk/App/comreg.nsf/200392d5acdb66c246256b76001be7d8/\$FILE/Act%207%20of%202007%20(English).pdf
Finance Business Act No. 42 of 2011	www.cbsl.gov.lk/pics_n_docs/09_lr/_docs/acts/finance_business_act_2011_42E.pdf
Finance Companies (Corporate Governance) Directions No. 3 of 2008, No. 4 of 2008 and No. 6 of 2013	www.cbsl.gov.lk/htm/english/09_lr/_popups/snbfi_fc.htm
Code of Best Practice on Corporate Governance jointly issued by the Securities & Exchange Commission of Sri Lanka and Institute of Chartered Accountants of Sri Lanka	www.cse.lk/pdf/Corporate_Governance_Code_2013_book.pdf
Listing Rules of the Colombo Stock Exchange	www.cse.lk/listing_rules.do
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)	http://www.sec.gov.lk/wp-content/uploads/SEC-Act-Revised-Edition-2009.pdf

Level of compliance to applicable regulations and codes is set out on pages: 213-262

CORPORATE GOVERNANCE REPORT CONTD.

GOVERNANCE STRUCTURE

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SHAREHOLDERS

General Meetings

Shareholders participate in the supervision and control of the Company and exercise their right to speak and vote at General Meetings of shareholders. The Annual General Meeting is held each year by the end of June on a date determined by the Board of Directors. Extraordinary General Meetings are held when the Board of Directors deems it necessary or when required by legislation.

The Annual General Meeting makes decisions on matters falling within its scope of responsibilities by virtue of the Companies Act No. 7 of 2007 and the Articles of Association of PLC.

The 18th Annual General Meeting (AGM) of PLC was held on 27th June

2014 with the participation of 171 shareholders who were present in person or by proxy at the said meeting. Shareholders having the right to attend the AGM were duly notified fifteen (15) working days in advance of the meeting as required by the Companies Act No. 7 of 2007. The agenda along with the relevant documentation were sent to all shareholders.

Resolutions relating to the following matters were passed by the shareholders at the aforesaid 18th AGM:

(i) approval of the Annual Report of the Board of Directors together with the financial statements of the Company for the year ended 31st March 2014 and the Report of the Auditors thereon;

- (ii) approval of the declaration of a final dividend of cents 50 per ordinary Share for the year ended 31st March 2014;
- (iii) re-election of Mr. Piyadasa Kudabalage and Mr. Heyara Hewage Anura Chandrasiri as Directors of the Company in terms of Article 27(2) of the Articles of Association;
- (iv) re-appointment of M/s. Ernst & Young, Chartered Accountants as the external auditors of the Company for 2014/15 at a remuneration to be agreed upon with them by the Board of Directors; and
- (v) authorisation of the Board of Directors to determine the contributions to charities and other donations for 2014/15.



“PLC STRIVES TO PROVIDE SHAREHOLDERS WITH SUFFICIENT INFORMATION TO ANALYSE THE COMPANY’S PERFORMANCE AND TO TAKE DECISIONS ON THE ELECTION OF BOARD MEMBERS AND SUCH OTHER MATTERS FALLING WITHIN THEIR PURVIEW”

Shareholders’ Rights

Transparent and effective communication entails integrity, timeliness and relevance of information provided, but ensures that the level of information disclosed does not negate the duty of the Board of Directors to protect the long-term sustainability of the Company or provide unfair advantage to certain shareholders over others.

In line with the Articles of Association and the Corporate Governance Charter, PLC maintains effective and candid communication with its shareholders, enabling them to understand the business, its financial condition, operating performance and trends. Apart from the Annual Report and formal shareholders’ meetings, the Company hosts an official website with a range of information for all stakeholders.

PLC strives to provide shareholders with sufficient information to analyse the Company’s performance and to take decisions on the election of Board members and such other matters falling within their purview which include the following, among others:

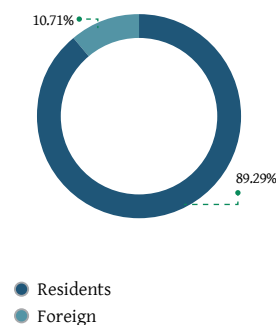
- Access to shareholders’ register, Articles of Association and other relevant documents/records/information as provided in applicable regulations on a timely manner;
- Equitable treatment of all holders of shares in the same class, and between holders of different classes of shares without prejudice to the rights of shareholders of those classes which have priority in ranking;
- Right to attend and vote at General Meetings personally or by proxy; and
- Review and approve dividend distributions endorsed by the Board.

Ownership Structure

As per the Share Register of the Company as at 31st March 2015, there were 8,871 shareholders and People’s Bank continued to be the major shareholder with a stake of 75 percent of the ordinary shares. As at that date, 89.29 percent of the total number of ordinary shares in the Company were held by residents (whether individuals or entities) and 10.71 percent of such shares by foreign investors.

The top 20 shareholders accounted for 92.71 percent of the ordinary shares whilst the balance was distributed amongst 8,851 shareholders. The Company’s public float as at 31st March 2015 was 24.85 percent.

Shareholding distribution



Further information of share ownership is set out on pages: 312-313

CORPORATE GOVERNANCE REPORT CONTD.

THE BOARD OF DIRECTORS

The Role of the Board

The Board provides entrepreneurial leadership within a framework of prudent and effective controls enabling risks to be assessed and managed whilst setting the Company's values and standards to meet obligations towards the shareholders and other stakeholders.

The Board is constituted in terms of the Articles of Association of PLC. The Board is the highest decision-making body and is responsible for overseeing its operations and providing effective governance over the Company's key affairs, setting the vision and mission, approving of business strategies and objectives, evaluation of performance and assessment of major risks, and ensuring compliance with related laws and regulations as well as with the Articles of Association.

The Board is collectively responsible for the long-term success of the PLC Group and is accountable to shareholders and other stakeholders for financial and operational performance.

In order to provide an organised and focused means of achieving PLC's goals and to properly address issues in a timely manner, the Board has set up Board Committees in accordance with global practices and applicable local governance regulations.

The Board's terms of reference are set out in a written charter – 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's key terms of reference are set out on page: 207



In setting the strategic direction of the Company, the Board of Directors has approved and adopted a three year strategic business plan which provides for marketing, operational and financial plan with overall risk management policy, procedures and mechanisms with measurable goals. This plan is prepared pursuant to a detailed consulting and brainstorming process where the views, suggestions and ideas of employees at all levels of the organisation are canvassed and submitted for review, further improvements and advice of the Board of Directors. The strategic business plan takes into account the economic, social and environmental impacts on the Company as well as opportunities that exists in the industry in which the Company operates.

The business plan is reviewed by the Board at Board monthly meetings with management updates on execution of the agreed strategy.

Composition of the Board

The Board understands that sound governance practices are fundamental to gain the trust of stakeholders which is critical to sustaining performance and preserving shareholder value. The Board members' collective experience and expertise provide a balanced mix of attributes to fulfill its duties and responsibilities.

The profiles of the Board of Directors including their experience and expertise are set out on pages: 184-187

Following the change in the directorate of the parent of PLC, People's Bank, in January 2015, the representatives of People's Bank on the Board of the Company namely, Mr. Gamini Sedara Senarath (Non-Executive, Non- Independent Chairman), Mr. Piyadasa Kudabalage (Non-Executive, Non-Independent Director) tendered their resignations from the office of Director of the Company during the last quarter of financial year 2014/15. Subsequently, Mr. H. H. Anura Chandrasiri (Non- Executive, Independent Director), Mr. Sidath Fernando (Non-Executive, Independent Director) and Mr. Nihal Jayawardene, PC (Non-Executive, Senior Independent Director) too tendered their resignations from the office of Director of the Company.

On receipt of approval from the Monetary Board of the Central Bank of Sri Lanka, the Board of PLC was reconstituted by accepting the resignations of the afore-named Directors and appointing the following Directors with effect from 8th April 2015:

THE BOARD CONSIDERS THAT THE KNOWLEDGE, SKILLS, EXPERIENCE, DIVERSITY AND ATTRIBUTES OF THE DIRECTORS AS A WHOLE ARE APPROPRIATE TO EFFECTIVELY DISCHARGE THEIR RESPONSIBILITIES

Mr. Hemasiri Fernando (Non-Executive, Non-Independent Chairman)
 Mr. Pradeep Amirthanayagam (Non-Executive, Independent Deputy Chairman)
 Mr. Jehan Amaratunga (Non-Executive, Non-Independent, Director)
 Mr. Johnson Fernando (Non-Executive, Independent Director)
 Mr. Mohamed Anise Mohamed Rizwan (Non-Executive, Independent Director)

Subsequently on 7th May 2015, Mr. Rathnayake Mudiyansele Jayasena was also appointed as a Non-Executive, Independent Director of the Company

Consequent to the above at present the Board comprises 7 Directors all of whom are Non- Executive Directors.

Composition of the Board

 **G4-38**

No. of members	Executive	Non-Executive	Independent	Non-Independent	Gender Representation		Age Distribution		
					Male	Female	Below 50	50 - 60	above 60
As at 31st March 2015									
06	Nil	06	03	03	06	Nil	01	05	Nil
As at present									
07	Nil	07	04	03	07	Nil	01	04	02

Independent Non- Executive Directors

 **G4-40**

Independence of Directors is determined against the criteria set out in the Finance Companies (Corporate Governance) Directions No. 3 of 2008 and No. 4 of 2008, Updated Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities & Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange (CSE). Self-declarations are obtained from each Independent Non-Executive Director both at the time of their first appointment and thereafter on a periodic basis, confirming that they fall within the said criteria.

Separation of Roles- Chairman and Chief Executive Officer

 **G4-39**

The roles of the Chairman and Chief Executive Officer of PLC continue to be distinct and separate, ensuring the balance of power and authority.

The Chairman, Mr. Hemasiri Fernando, is a Non-Executive, Non-Independent Director charged with the responsibility for providing leadership to the Board. The Chairman also sets the agenda, style and the tone of the Board deliberations and ensures that opinions of all Directors are appropriately considered in decision making.

The Chief Executive Officer, Mr. D. P. Kumarage is the apex executive of PLC and is responsible for the management of day-to-day operations with the support of the Senior Management. The Chief Executive Officer is responsible and 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.

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Board Composition				Directorships and Other Significant Positions Held					
Name of Director	Position	Independency Status	Knowledge/skills	Institutions within/ related to the finance sector	Other Institutions	Listed		Non- Listed	
						Executive Capacity	Non- Executive Capacity	Executive Capacity	Non- Executive Capacity
Present Board of Directors									
Mr. Hemasiri Fernando	Non-Executive Chairman	Non-Independent	Business Management	01	01	-	-	-	02
Mr. M. P. Amirthanayagam	Non-Executive Deputy Chairman	Independent	Marketing	-	03	-	-	01	02
Mr. J. P. Amaratunga	Non-Executive Director	Non-Independent	Finance and Audit	02	03	01	01	-	03
Mr. N. Vasantha Kumar	Non-Executive Director	Non-Independent	Finance and Treasury Management	07	04	-	-	01	10
Mr. J. A. Fernando	Non-Executive Director	Independent	Business Management	-	11	-	-	08	03
Mr. M. A. M. Rizwan	Non-Executive Director	Independent	Marketing	-	01	-	-	01	-
Mr. R. M. Jayasena	Non-Executive Director	Independent	Project Management and Rural Development	-	-	-	-	-	-
Board of Directors as at 31st March 2015									
Mr. G. S. Senarath	Non-Executive Chairman	Non-Independent	Information Communication Technology	02	10	-	-	-	12
Mr. P. Kudabalage	Non-Executive Director	Non-Independent	Finance and Audit	03	13	-	02	09	05
Mr. N. Vasantha Kumar	Non-Executive Director	Non-Independent	Finance and Treasury Management	07	04	-	-	01	10
Mr. H. H. A. Chandrasiri	Non-Executive Director	Independent	Legal	-	04	-	-	01	03
Mr. S. S. V. Fernando	Non-Executive Director	Independent	Business Management	-	05	-	01	01	03
Mr. K. V. N. Jayawardene, PC	Non-Executive Director	Independent	Legal	-	01	-	01	-	-

SENIOR INDEPENDENT DIRECTOR

In compliance with the requirements of Finance Companies (Corporate Governance) Direction No. 3 of 2008, the Board of Directors of PLC has designated an Independent Director as the 'Senior Independent Director' with Board approved terms of reference. During the year ended 31st March 2015, Mr. P. A. I. S. Perera and Mr. Nihal Jayawardene, PC served as Senior Independent Directors of PLC. Following the reconstitution of the Board of Directors referred to in page 200 of this report, Mr. Pradeep Amirthanayagam functions as the Senior Independent Director of PLC.

The role of the Senior Independent Director is to act as a support to the Chairman, to be a point of contact for shareholders to address their concerns and issues and to assist the other members of the Board as a whole in resolving issues in periods of stress.

CONFLICTS OF INTERESTS AND OTHER COMMITMENTS



G4-41

In terms of the Code of Business Conduct and Ethics of PLC (the Code), 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. The Code 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.

Further, 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 from decisions are duly recorded by the Company Secretary in the minutes.

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 for the purpose of identifying parties related to them.

The Company has 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 detailed report on related party transactions is submitted to the Board of Directors periodically and such transactions are also disclosed to stakeholders through the Company's financial statements.

The Board is aware of the other commitments of its Directors and is satisfied that all Directors allocate sufficient time to discharge their responsibilities effectively. The Company Secretary maintains a register of Directors' interests in compliance with the provisions of the Companies Act No. 7 of 2007.

Details of Related Party Transactions are provided in note 48 to the financial statements and details of Directors' interests in transactions and shares and Directors' remuneration are provided on pages: 323-324

BOARD INDUCTION, TRAINING AND EDUCATION



G4-43

On appointment, Directors are apprised comprehensively on the values and the

culture of PLC; business and operations of the Group and its strategy, policies, governance framework and processes; their responsibilities as a Director in terms of the applicable rules and regulations; and are provided with the required documentation containing all relevant governance information and significant reports and policies.

The Directors are kept abreast of applicable legislation and regulations, changes to rules, standards and codes, relevant sector developments that could affect the Group and its operations through written memoranda submitted at monthly meetings of the Board as well as periodical presentations made by the management to the Board.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

An ongoing engagement between the executive management and the Board exists at PLC, thereby enabling Directors to obtain information that is required for effective and efficient discharge of their responsibilities.

PLC has an established procedure that enables individual 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 PLC. No such advice was sought during the financial year 2014/15.

SELECTION OF BOARD MEMBERS AND SUCCESSION PLANNING



G4-40

Recognising that careful management of the Board's succession process is vital to the successful evolution of the Board, the Board plans for its own succession with the assistance of the Remuneration and Nomination Committee. The Corporate Governance



CORPORATE GOVERNANCE REPORT CONTD.

Charter and the Articles of Association of PLC provides for a comprehensive procedure applicable to the selection and appointment of Directors.

The key considerations that are taken into account by the Board in this process include the following,

- expertise and experience necessary to meet the strategic vision for the business;
- means by which Board performance could be enhanced, both at an individual Director level and at the composite level;
- gaps in expertise, experience and diversity within the Board's composition including that on economic, social and environmental aspects relevant to the operations of the Company; and
- process necessary to ensure the selection of a candidate who possesses those qualities.

Presently, the Directors of the Company, other than the Non-Executive Independent Directors, are recommended by the major shareholder, People's Bank and appointed by the Board in terms of the Articles of Association. In accordance with Article 27(2) of the Articles of Association of the Company, all members appointed to the Board are subject to retirement and re-election at the Annual General Meeting following their respective dates of appointments, thus affording an opportunity to the shareholders to take part in the selection of the Directors.

Details of Directors retiring in terms of Article 27(2) of the Articles of Association of the Company at the forthcoming Annual General Meeting are set out on page: 244

BOARD AND COMMITTEES' PERFORMANCE EVALUATION

 G4-44

The Corporate Governance Charter provides a comprehensive annual independent self-evaluation process by the Board and its sub-committees which enables them to appraise their own performance in order to ensure that their responsibilities are satisfactorily discharged. This process is generally spearheaded by the Chairman with the assistance of the Company Secretary towards the end of the relevant financial year.

The above assessment focuses, inter-alia, on the Board's effectiveness in the following areas:

- contribution to the development, monitoring and implementation of the strategy;
- contribution to ensuring robust and effective risk management and internal controls;
- quality of the relationships with the management, employees, shareholders and other stakeholders;
- contribution to ensuring proper functioning of Board Sub-Committees;
- awareness of the Board as a whole up-to-date with latest developments in the regulatory environment, laws and the market.

However, due to the reconstitution of the Board of Directors of PLC during the last quarter of the financial year 2014/15 as mentioned in page 200 of this report, self-evaluation of the Board and its committees could not be completed. As a measure to overcome impediments of similar nature, the Board intends to revise the frequency of the self-assessment process from

annual to bi-annual with necessary modifications to the process thereof specified in the Corporate Governance Charter.

Despite the reconstitution of the Board and the absence of its performance evaluations mentioned above, the day-to-day operations of the Company continued with no interruptions whatsoever, particularly due to the strong governance systems, internal controls and procedures in place within the Company.

REMUNERATION AND INCENTIVES

 G4-51- 55

The Board recognises that the existence of a formal and transparent remuneration procedure supports alignment of directors' interests with those of shareholders. Accordingly, the Board has established a Remuneration & Nomination Committee which operates within agreed terms of reference and is committed to the principles of accountability and transparency. Due to confidentiality reasons figures pertaining to G4-54 and 55 are not disclosed.

Composition of the Remuneration & Nomination Committee is set out on page: 207

The Company's 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. Thus, salaries and other benefits are reviewed periodically taking into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports/analysis from specialist consultants. All incentives and rewards of employees at all levels



of the organisation including that of the apex executive of the Company are determined based on the performance of the individual and contribution made to achieve the corporate objectives.

The following principles underpin the Company's remuneration strategy,

- Remuneration is commensurate with each employee's expertise and contribution made to achieve economic, social and environmental objectives set out in the Company's business plan.
- Remuneration is aligned with the business' performance and long term shareholder returns.
- There is no discrimination against employees based on diversity or physical difference.
- Remuneration structures encourage a focus on achieving agreed deliverables and behaviours.
- Individual performance appraisals identify talent at all levels in the organisation, enabling fair and competitive remuneration.

Human Capital Management Review on page 118 provides further details on types of remuneration and incentives and remuneration policy of the Company

The Board of the Company solely comprises Non- Executive Directors. As such, the Board as a whole decides the remuneration of the Non- Executive Directors on the recommendations made by the Remuneration & Nomination Committee. At present, 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.

The fees paid to the Directors during the year 2014/15 are disclosed on page 324. This includes fees for all the committees of the Company that they served on.

The Company's remuneration policies and procedures are not subject to shareholders' approval. However, the Company discloses its remuneration policies and other related information to the shareholders and other stakeholders through its financial statements, thus providing them an opportunity to express their views thereon at shareholder meetings.

ROLE OF THE COMPANY SECRETARY

The Board has appointed a Company Secretary who provides administrative support to the members of the Board, the Board Committees and the Chairman to facilitate their execution of all functions relating to the Board. The Company Secretary may only be appointed and removed by a Board resolution.

Under the direction of the Chairman, the Company Secretary is in charge of ensuring timely access to information and coordination amongst the Board Members as well as between the Board and other stakeholders including shareholders and management.

The incumbent Company Secretary possesses the requisite knowledge and skills required to fulfill the role. He has extensive experience in compliance and corporate governance matters for financial institutions.

The profile of the Company Secretary is set out on page: 187

IT GOVERNANCE

The Board is responsible for ensuring that prudent and appropriate steps have been taken with respect to IT governance, including aligning the IT strategy to the Group's strategic objectives.

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 Board Audit Committee (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.

The ICT Department of PLC was awarded the ISO/IEC 27001: 2005 certification by Det Norske Veritas (DNV) for conforming to the prestigious global benchmark of the ISO/IEC 27001:2005 Information Security Management System Standard. In March 2014, PLC renewed ISO 27001:2005 certification for another three years and carried out first periodic audit in November 2014. PLC is currently in the process of upgrading to ISO/IEC 27001:2013 standards where it will be aligned more with the principles and guidance given in ISO 31000 (Risk Management Standards) and this enhancement will further apply for the same risk assessment methodology across several disciplines.



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INTERNAL CONTROL FRAMEWORK



PLC 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 PLC's assets and to ensure the reliability of its financial recordkeeping and reporting.

The Board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness. Review and monitoring of economic, environment and social impacts on the Company's operations, risks and controls is delegated by the Board to the IRMC and BAC. IRMC and BAC regularly reviews and monitors these aspects for relevance and effectiveness and submit their reports thereon with recommendations for preventive or corrective measures where necessary to the Board. In addition, sound risk management practices are promoted by the risk management department, which is independent of operational management.

Impact of economic, environmental and social factors on the Company's operations are also identified through stakeholder engagement which enables the Company to identify, prioritise and manage key issues as well as opportunities that exists in the industry in which it operates.

Details of the stakeholder engagement exercise initiated by the Company during 2014/15 is set out on page: 34

Internal control is designed to mitigate significant risks faced by the Company. 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.

INTERNAL AUDIT

The 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 PLC.

To maintain its independence, the Internal Audit reports to the Board, through the Board Audit Committee.

Further details on the Internal Audit function is set out in the Board Audit Committee Report on page: 266

COMPLIANCE

Recognising its responsibility to conduct business in accordance with laws and regulations in the country in all its operations, PLC promotes a

robust compliance culture across the organisation and requires everyone, from the Board to staff, to consistently comply with applicable laws, regulations and standards.

The Compliance function at PLC ensures that the group continuously complies with existing and emerging regulations impacting on its operations and reports to the IRMC on quarterly basis.

Further details on Compliance is set out on page: 273

EXTERNAL AUDIT

External Audit Report enables the Board with necessary proof to determine the appropriateness, adequacy and effectiveness of the Company's internal controls which form an essential part of a sound corporate governance mechanism.

In addition to the audit at the financial year-end, PLC performs an interim audit to obtain assurance that the internal controls that are in place for the preparation and presentation of the financial statements are adequate and effective.

M/s. Ernst & Young, Chartered Accountants are the external auditors of PLC as well as its subsidiaries. In addition to the normal audit services, the external auditors also provide certain non-audit services to the Group. All such services have been provided with the approval of the BAC and in a manner to ensure that there are no adverse effects on the independence of their audit work or the perception of such independence. The external auditors also provide a certificate of independence on an annual basis.

SCOPE OF THE BOARD AND ITS COMMITTEES



The Board

The Board is responsible for ensuring:

- the formulation and implementation of an overall sound business strategy including an overall risk policy and establishing the Vision, Mission and Corporate Values of the Company.
- that the Chief Executive Officer (CEO) and Key Management Personnel (KMP) possess the skills, experience and knowledge to implement the strategy.
- the adoption of an effective CEO and KMP succession strategy.
- that meetings are held regularly with KMP to review policies, establish lines of communication and monitor progress towards corporate objectives.
- due diligence in the hiring and oversight of external auditors.
- reviewing the effectiveness of governance practices within and making changes as required.
- effective systems to secure integrity of information, internal controls, and risk management.
- compliance with laws, regulations and ethical standard.
- all stakeholder interests are considered in corporate decisions and such decisions are communicated amongst all stakeholders including depositors, creditors, shareholders and borrowers.
- that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; and fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.

Board Audit Committee

Scope:

Assist the Board of Directors in its general oversight on financial reporting, internal & external audit, compliance with legal and regulatory requirements, internal controls and governance.

Composition:

As at present:

Mr. J. P. Amaratunga^{1A}
Mr. M. P. Amirthanayagam^{3A}
Mr. M. A. M. Rizwan^{2A}

As at year ended 31st March 2015:

Mr. P. Kudabalage^{1R}
Mr. H. H. A. Chandrasiri^{2R}
Mr. S. S. V. Fernando^{2R}

Integrated Risk Management Committee

Scope:

Assist the Board of Directors in ensuring the adequacy and effectiveness of the Company's risk management framework and capabilities to achieve the strategic objectives.

Composition:

As at present:

Mr. M. P. Amirthanayagam^{3A}
Mr. N. Vasantha Kumar¹
Mr. D. P. Kumara^{KMP}
Mr. K. S. Bandaranayake^{KMP}
Mr. P. W. L. Fernando^{KMP}
Mr. R. M. A. Tennakoon^{KMP}

As at year ended 31st March 2015:

Mr. K. V. N. Jayawardene, PC^{3R}
Mr. N. Vasantha Kumar¹
Mr. H. H. A. Chandrasiri^{2R}
Mr. D. P. Kumara^{KMP}
Mr. K. S. Bandaranayake^{KMP}
Mr. P. W. L. Fernando^{KMP}
Mr. R. M. A. Tennakoon^{KMP}

Remuneration & Nomination Committee

Scope:

Assist the Board of Directors in ensuring that remuneration arrangements in the Company align reward with performance and support and advise the Board on selection of Board Members.

Composition:

As at present:

Mr. J. P. Amaratunga^{1A}
Mr. M. P. Amirthanayagam^{3A}
Mr. J. A. Fernando^{2A}

As at year ended 31st March 2015:

Mr. P. Kudabalage^{1R}
Mr. H. H. A. Chandrasiri^{2R}
Mr. S. S. V. Fernando^{2R}

Related Party Transactions Review Committee

Scope:

Assist the Board of Directors in implementing, reviewing and overseeing policies and procedures relating to related party transactions of the Company and avoidance of conflicts of interests.

Composition:

As at present:

Mr. M. P. Amirthanayagam^{3A}
Mr. J. A. Fernando^{2A}
Mr. M. A. M. Rizwan^{2A}

As at year ended 31st March 2015:

Mr. K. V. N. Jayawardene, PC^{3R}
Mr. P. Kudabalage^{1R}
Mr. H. H. A. Chandrasiri^{2R}

¹ Non-Executive, Non-Independent Director

² Non-Executive, Independent Director

³ Non-Executive, Senior, Independent Director

^A Appointed with effect from 8th April 2015

^R Resigned with effect from 8th April 2015

^{KMP} Key Management Personnel of the Company

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MEMBERSHIP AND ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS - 2014/15



Name of Director	Board Meetings attended during 2014/15	Board Committees attended during 2014/15			
		Board Audit Committee	Integrated Risk Management Committee	Remuneration & Nomination Committee	Related Party Transactions Review Committee
Mr. G. S. Senarath	9/9	N/A	N/A	N/A	N/A
Mr. P. Kudabalage	5/9	4/4	N/A	NM	NM
Mr. N. Vasantha Kumar	9/9	N/A	3/3	N/A	N/A
Mr. H. H. A. Chandrasiri	9/9	3/4	3/3	NM	NM
Mr. S. S. V. Fernando*	6/6	0/1	N/A	NM	N/A
Mr. K. V. N. Jayawardene, PC*	6/6	N/A	2/2	N/A	NM
Mr. P. A. I. S. Perera**	3/3	1/1	N/A	NM	NM

N/A – not a member of the Committee

NM – no meetings held during the year

* – appointed as a member of the Committee with effect from 6th August 2014

** – retired from the office of Director on 28th June 2014

BOARD MEETINGS



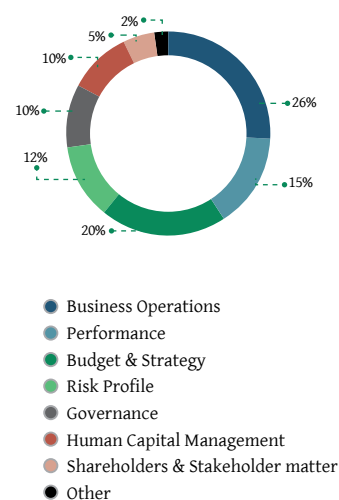
Unless the business exigencies demand the convening of additional special meetings, Board meetings are usually held on a monthly basis. At each of these meetings, the Board spends a substantial time in evaluating Company's strategy, performance, risk profile and compliance with governance and other statutory requirements. The Board receives reports on these areas from the CEO as well as Board Sub Committees.

Directors ensure that they are able to dedicate sufficient time and attention to the affairs of the Company.

Due to the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200 of this report, no Board meetings were held during that quarter and as a result only a total of nine (09) Board meetings

were held during that year. Total number of Sub Committee meetings held was seven (07). The key focus areas of the Board and its Committees during the year 2014/15 and the manner in which they allocated their time at scheduled Board and Committee meetings is presented in the diagram below.

Board and Its Committee's Time Utilisation - 2014/15



MANAGEMENT'S ROLE IN SUSTAINABLE PERFORMANCE

➔ G4-34, 36, 37, 42, 46, 49, 50

The CEO, the apex executive of PLC who is delegated by the Board with the authority of detailed planning and implementation of strategic objectives and policies in accordance with appropriate risk parameters, relies on a number of internal committees in the day-to-day management. Based on the governance requirements and broad nature of operations, seven (07) such committees are in place. These committees implement policies and strategies determined by the Board and manage the business and affairs of PLC with the main objective of improving on sustainable growth. A summary of their composition and key tasks are outlined below.

Internal Committees- Composition and Key Tasks			
Name of Committee	Composition	Key Tasks	Implementation Mechanism of Assigned Tasks
Group Management Committee	Heads of operational units of PLC and subsidiaries headed by the CEO	<ul style="list-style-type: none"> Review the performance of the Group including risk, governance and other critical issues impacting the Group. Implementing/recommending measures necessary to overcome risk, governance and other critical issues. Implementation of strategies to optimise Group synergies. 	Group Management Committee meets periodically to review and assess the performance of the Group and any critical issues identified at meetings together with appropriate corrective measures are communicated to the respective Boards of the Group through the CEO who is also the Managing Director of subsidiaries.
Senior Management Committee	Members of the Senior Management of PLC headed by the CEO	<ul style="list-style-type: none"> Develop the strategic business plan including the annual budget for PLC. Monitor performance against the approved strategic business plan and budget. Review overall policy matters and critical issues impacting PLC. Communicate policy decisions to employees. Communicate critical issues to the Board through the CEO with recommended corrective actions. 	Senior Management Committee meets frequently (at least monthly) to review and assess the operational performance as well as the subsidiary companies and takes corrective measures to address any critical issues identified at meetings which require immediate resolution and within its authority levels. All other issues together with recommended corrective measures are communicated to the Board through the CEO and/or via written memoranda at monthly Board meetings.
Assets & Liabilities Committee	CEO, Deputy General Managers, Head of Risk Management, Head of Finance, Head of Treasury	<ul style="list-style-type: none"> Review and assess the liquidity position of the Company/Group. Consider and make necessary adjustments to lending rates in line with market conditions and the Company policies. Analyse the product portfolio, with current market sentiments, competitor behaviour and determine the optimal loan to value ratio to mitigate market risk. Formulate policies on market, liquidity and interest rate risks and ensure that such risks are effectively assessed, controlled, monitored and managed. 	Assets & Liability Committee meets frequently (at least monthly) to review the matters that fall within its scope and all decisions taken by the Committee are communicated to the Board through the submission of minutes of the Committee.



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Internal Committees- Composition and Key Tasks			
Name of Committee	Composition	Key Tasks	Implementation Mechanism of Assigned Tasks
Assets & Liabilities Committee Contd.		<ul style="list-style-type: none"> Evaluate the funding requirements against the options available to decide on the optimum mode of borrowing. Assess and analyse the economy and implication to the Company/Group. Assess and analyse future trends in interest rates, liquidity, demand for products, deposit movements and the competitor behaviour. 	
Tender Review Committee	Deputy General Managers in charge of Operations and Heads of Branch Operations Department	<ul style="list-style-type: none"> Decide on tender frequency and dates for repossessed vehicles. Evaluation of tenders received and award of tenders. Evaluate and decide on tender pricing. 	Tender Review Committee meets as and when required and all decisions taken by the Committee and any critical issues arising at meetings are communicated to the Senior Management Committee.
Integrated Risk Management Operating Committee	Key Management Personnel and risk owners of each functional area headed by the CEO	<ul style="list-style-type: none"> Review of risk governance structure of the Company including, inter alia, operational risks, compliance risks, risks arising from economic, environmental and social factors. Identify areas in risk governance that requires improvements. Make recommendations to the IRMC on measures necessary to implement and strengthen the risk governance of the Company. 	<p>IROMC meets periodically to review the areas assigned to it and communicates its recommendations and issues of concern directly to the IRMC through the Head of Risk Management Department.</p> <p>IRMC in turn reviews and assess the recommendations made by IROMC and submit their views and recommendations thereon to the Board of Directors for implementation of necessary policies and procedures.</p>
Sustainability Governance Steering Committee	CEO, Deputy General Managers, Head of Human Resources, Head of Finance, Compliance Officer, CRM/ CSR Department	<ul style="list-style-type: none"> Internal and external stakeholder engagement. Review of sustainability performance in terms of economic, environmental and social aspects. Approve strategic sustainability initiatives including measures necessary to mitigate negative impacts of economic, environmental and social factors. 	Sustainability Governance Steering Committee meets periodically to review progress and update the Board on sustainability performance of the Company through the CEO and/or via written memoranda at Board meetings.
Branch Credit Committees	Branch Manager, Second in Command, Head of Marketing and Marketing Officer	<ul style="list-style-type: none"> Evaluation of credit disbursements at branch level. 	Branch Credit Committees meet frequently to assess credit proposals and the overall performance of the branch in credit disbursements. All credit proposals exceeding the branch authority levels are forwarded to the Branch Operations Department at the Head Office.



Other than the issues arising in the course of its ordinary business, there are no critical issues that arose during the period under consideration which was reported to the Board.

SUBSIDIARY MONITORING

The group has a monitoring framework for key operating subsidiaries to ensure consistent standards are achieved and they comply with applicable governance standards. All subsidiary companies are managed by their respective Boards under the rights and obligations as set out in the companies' Articles in the best interest of their stakeholders. The Board of Directors of PLC monitors performance of subsidiary companies, inter alia, by following means:

- financial and operational performance of subsidiaries are regularly reviewed at PLC Board level;
- the BAC, with the assistance of PLC's internal audit team who acts as the Group Internal Audit reviews internal controls that are in place within the subsidiaries;
- the risk management division through its risk management framework monitors the risk management activities of subsidiaries and reports to the IRMC who monitors group-wide risk management activities; and
- all transactions with subsidiaries are regularly reported to the Board.

The group structure is set out on page: 31

CONNECTING WITH STAKEHOLDERS

Stakeholder relationships provide a platform for the Board to take into account the concerns and objectives of PLC's stakeholders in its decision making which is fundamental to achieve long-term strategy. Building and maintaining good stakeholder

relationships help the Company to manage and respond to expectations, minimise reputational risk and form strong partnerships, all of which support commercial sustainability.

Recognising the importance of two-way communication with its stakeholders, PLC has adopted a comprehensive policy that governs communications with its different stakeholders which is based on the following 4 guiding principles:

- efficiency
- transparency
- clarity
- cultural awareness and feedback

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. PLC's corporate website: www.plc.lk has information for institutional and retail shareholders alike.

In addition, PLC has 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.

Shareholder information is set out on pages: 301-315

With a view to identifying stakeholder needs and prioritising them and addressing their concerns, a stakeholder engagement exercise was initiated by the Board during the year under review.

Further details on stakeholder engagement exercise are set out on page: 34

ETHICS AND ORGANISATIONAL INTEGRITY

G4-56, 57, 58

PLC has a strong organisational culture entrenched with values that form the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written statement which serves as PLC's Code of Business Conduct and Ethics (Code) and is continually reinforced.

PLC views all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such, all new employees are required to attend an induction programme at which the values, vision, mission, organisational culture, risk management and compliance procedures are explained and discussed in detail. In the year under review, PLC published an 'Employee Induction Handbook' setting out vital information for new recruits.

The HR Policy of the Company, which has been made available to all employees of the Company through the Company's intranet also communicates the values, vision and mission, acceptable business practices, conduct and behaviour. Further, values and ethics are incorporated in the Company's performance management approach, where team members hold themselves and each other accountable for following the required values-based behaviour.

The 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.

CORPORATE GOVERNANCE REPORT CONTD.

Code of Business Conduct & Ethics - Salient Features

- Avoid conflict of interest where individual's interest interferes with the interest of the Company and make timely disclosure of such situation
- Maintain confidentiality of information entrusted to them by the Company or its customers
- Ensure fair dealings with customers, suppliers, competitors and employees and refrain from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice
- Protect the Company's assets and ensure their efficient use
- Proactively promote ethical behavior

In addition to the above, the Company promotes an anti- fraud risk culture by adopting the following principles:

- commitment to the principles of integrity, and accountability and to an environment of sound governance which includes robust internal controls;
- commitment to a culture that safeguards public funds and property in order to protect stakeholder interest;
- zero tolerance approach to fraudulent and/or unethical conduct and holding all employees accountable for their actions; and
- consistent handling of all cases regardless of positions held, connections to authorities or length of service.

In addition, the Company's Whistleblower Policy also serves as a widespread informal channel for management of violations of laws, rules and regulations, unethical conduct and corporate frauds. The policy enables employees who observe or notice any improper or illegal activity or unethical practices in the Company

or receives credible information of the same, to report the same to the BAC. Information routed through the whistleblower channel is verified carefully and appropriate actions are taken by the BAC. 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.

As the employee conduct is governed by stringent policies aforementioned and the management continues to closely and strictly monitor no material violations of the Code or incidents of corruption have been reported during the year under review.

“CORPORATE GOVERNANCE ENCOMPASSES A SET OF RULES, PRACTICES AND PROCESSES TO ENSURE THAT THE COMPANY’S AFFAIRS ARE MANAGED IN A MANNER WHICH ENSURES THE ATTAINMENT OF STAKEHOLDER EXPECTATIONS.”

COMPANY’S COMPLIANCE WITH FINANCE COMPANIES (CORPORATE GOVERNANCE) DIRECTION NO. 3 OF 2008 AS AMENDED BY DIRECTION NO. 4 OF 2008 AND NO. 6 OF 2013 ISSUED BY THE CENTRAL BANK OF SRI LANKA (“CORPORATE GOVERNANCE DIRECTIONS”)

With the intent of improving on and sustaining corporate governance practices and processes across the finance industry, the Central Bank of Sri Lanka issued the Corporate Governance Directions in the year 2008. These Directions based on the following fundamental principles set out the corporate governance requirements to be adhered to by licensed finance companies,

- A. Responsibilities of the Board (see pages: 213-217)
- B. Meetings of the Board (see pages: 218-220)
- C. Composition of the Board (see pages: 220-222)
- D. Fitness and Propriety of Directors (see page: 222)
- E. Delegation of Functions (see page: 222)
- F. The Chairman and the Chief Executive Officer (see pages: 223-224)
- G. Board Appointed Committees (see pages: 224-231)
- H. Related Party Transactions (see pages: 231-232)
- I. Disclosures (see pages: 232-234)
- J. Transitional Provisions (see page: 234)

The Company’s compliance with the Corporate Governance Directions is tabulated below.

Rule Reference	Principle	Level of compliance
A. RESPONSIBILITIES OF THE BOARD		
The Board’s principal responsibilities and duties are clearly defined in the Company’s Corporate Governance Charter. The Board is collectively responsible for the long- term success of the PLC Group and is accountable to shareholders and other stakeholders for financial and operational performance.		
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>The Board of Directors is responsible for setting strategic objectives of the Company and the Group and for determining its operational policies and performance criteria. The Board has delegated the detailed planning and implementation of those objectives and policies to the management in accordance with appropriate risk parameters.</p> <p>The strategic objectives of the Company are predicated on the vision and mission statements of the Company and corporate values are embedded in the Code of Business Conduct and Ethics which have been communicated to employees at all levels.</p>

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Rule Reference	Principle	Level of compliance
	(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>Company's strategic business plan covering the period up to 2015/16 as approved by the Board in December 2013 provides for overall risk management policy, procedures and mechanisms with measurable goals.</p> <p>The Company is in the process of reviewing the aforesaid business plan vis-a-vis the performance of the Company and extending it up to 2017/18 with measurable goals.</p> <p>The business strategy is reviewed by the Board on a regular basis with management updates at Board meetings on execution of the agreed strategy.</p>
	(c) Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently	<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 report to the Board on a quarterly basis.</p>
	(d) Approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers	<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. The Communication Policy is based on four guiding principles namely, efficiency, transparency, clarity and cultural awareness and feedback aimed at ensuring timely and effective communication to all stakeholders.</p> <p>Page 302 contains further details on the Communication Policy.</p>
	(e) Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems	<p>The Board has overall responsibility for ensuring that the Company maintains an adequate system of internal control and for reviewing its effectiveness. The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring and reviewing of the internal controls and reports to the Board on its findings on a quarterly basis.</p> <p>The Management Information Systems (MIS) are reviewed by the Board through review of MIS Procedure Manual Outline/Guideline of the Company. Plans are underway to review the said Manual Outline/Guideline during the next financial year to assess the adequacy and the integrity of MIS of the Company and thereafter the Board to review the adequacy thereof.</p> <p>Further details on internal control framework of the Company are contained in the "Director's Statement on Internal Controls over Financial Reporting" on page 328.</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>The Company has identified the Board of Directors, Chief Executive Officer and Deputy General Managers as the Key Management Personnel of the Company.</p>



Rule Reference	Principle	Level of compliance
	(g) Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel	<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 (KMPs) 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>
	(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>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>Page 209 provides further details on the management's role in the supervision and management of the affairs of the Company.</p>
	(i) Periodically assessing the effectiveness of its governance practices, including:	The Corporate Governance Charter of the Company provides for a comprehensive annual independent self- evaluation process by the Board and its sub- committees which enables them to appraise their own performance including the effectiveness of their governance practices. This process is generally spearheaded by the Chairman with the assistance of the Company Secretary towards the end of the relevant financial year.
	(ii) the selection, nomination and election of directors and appointment of Key Management Personnel;	However, due to the reconstitution of the Board of Directors of the Company during the last quarter of the financial year 2014/15 as mentioned in page 200 of this report, the self- evaluation of the Board and its committees could not be completed. The Company has sought a waiver from the Central Bank of Sri Lanka from the application of this requirement to the Company for the financial year 2014/15 in response to which the Central Bank of Sri Lanka has confirmed that the same will not be considered a non-compliance.
	(iii) the management of conflicts of interests; and	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.
	(iv) the determination of weaknesses and implementation of changes where necessary;	
		<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 interests 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).</p>



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Rule Reference	Principle	Level of compliance
	(j) Ensuring that the Company has an appropriate succession plan for Key Management Personnel	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. However, going forward the Board intends to formulate a more detailed and defined succession plan for the Key Management Personnel.
	(k) Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives	The Key Management Personnel are represented at monthly meetings of the Board by the Chief Executive Officer of the Company who apprises the Board of any concerns 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.
	(l) Understanding the regulatory environment	<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>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 2014/15, 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>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> <p>Further details on the roles of the Chairman and the Chief Executive Officer are provided on page 201.</p>
2(3)	Availability of a procedure determined by the Board to enable directors, to seek independent professional advice at the Company's expense	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 2014/15.



Rule Reference	Principle	Level of compliance
2(4)	Avoidance of conflicts of interest	<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 interests 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).</p>
2(5)	Availability of a formal schedule of matters specifically reserved to the Board for decision	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	No such situation has arisen during the year 2014/15. Furthermore, on a weekly basis the Company reports to the Director of the Department of Supervision of Non- Bank Financial Institutions of the liquidity position of the Company.
2(7)	Inclusion of an annual corporate governance report on compliance with the Corporate Governance Directions in the Annual Report	This report from page 213 to page 234 serves this requirement.
2(8)	Adoption of an annual scheme of self- assessment by the Directors	<p>The Corporate Governance Charter of the Company provides for a comprehensive annual independent self-evaluation process by the Board and its sub-committees which enables them to appraise their own performance including the effectiveness of their governance practices. This process is generally spearheaded by the Chairman with the assistance of the Company Secretary towards the end of the relevant financial year.</p> <p>However, due to the reconstitution of the Board of Directors of the Company during the last quarter of the financial year 2014/15 as mentioned in page 200 of this report, the self-evaluation of the Board and its committees could not be completed. The Company has sought a waiver from the Central Bank of Sri Lanka from the application of this requirement to the Company for the financial year 2014/15 in response to which the Central Bank of Sri Lanka has confirmed that the same will not be considered a non-compliance.</p>



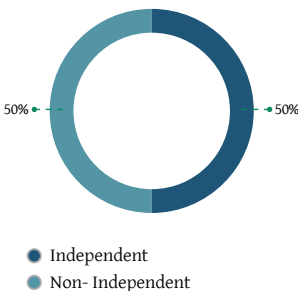
CORPORATE GOVERNANCE REPORT CONTD.

Rule Reference	Principle	Level of compliance
B. MEETINGS OF THE BOARD		
<p>The Board of Directors is the apex body constituted by shareholders for overseeing the Company's overall functioning. Thus, it is important that the Board meets periodically to evaluate the Company's strategic direction, management policies and their effectiveness, and to ensure that the interests of both the shareholders and other stakeholders are being served.</p>		
3(1)	Convening Board meetings at least twelve times a financial year at monthly intervals	<p>Due to the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200 of this report, no Board meetings were held during that quarter and as a result only a total of nine (09) Board meetings were held during 2014/15 all of which were held at monthly intervals. The Company has sought a waiver from the Central Bank of Sri Lanka from the application of this requirement to the Company for the financial year 2014/15 in response to which the Central Bank of Sri Lanka has confirmed that the same will not be considered a non-compliance.</p> <p>Obtaining the Boards' consent via circulation was kept to a minimum of seven (07) instances during the year.</p> <p>Page 208 provides further details on number of Board meetings held and the Director's attendance thereat.</p>
3(2)	Making arrangements to enable directors to include matters and proposals in the agenda for regular Board meetings	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	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.

Rule Reference	Principle	Level of compliance																								
3(4)	Attendance of Directors at Board meetings	<p>Board meetings are usually held at monthly intervals unless the business exigencies demand the convening of meetings at shorter intervals. Due to the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200 of this report, only a total of nine (09) Board meetings were held during 2014/15.</p> <p>All Directors, except Mr. P. Kudabalage, attended at least two-thirds of the meetings held in 2014/15. Mr. P. Kudabalage ceased to be a Director of the Company with the reconstitution of the Board as stated above.</p> <p style="text-align: center;">Attendance of Directors at Board meetings</p> <table border="1"> <caption>Attendance of Directors at Board meetings</caption> <thead> <tr> <th>Director</th> <th>Meetings attended</th> <th>Meetings not attended</th> </tr> </thead> <tbody> <tr> <td>Mr. P. A. I. S. Perera</td> <td>3</td> <td>0</td> </tr> <tr> <td>Mr. K. V. N. Jayawardene</td> <td>6</td> <td>0</td> </tr> <tr> <td>Mr. S. S. V. Fernando</td> <td>6</td> <td>0</td> </tr> <tr> <td>Mr. H. H. A. Chandrasri</td> <td>9</td> <td>0</td> </tr> <tr> <td>Mr. N. Vasantha Kumar</td> <td>9</td> <td>0</td> </tr> <tr> <td>Mr. P. Kudabalage</td> <td>5</td> <td>4</td> </tr> <tr> <td>Mr. G. S. Senarath</td> <td>9</td> <td>0</td> </tr> </tbody> </table> <p>Mr. P. A. I. S. Perera retired from the office of Director on 28th June 2014 Mr. S. S. V. Fernando and Mr. K. V. N. Jayawardene were appointed as Directors on 3rd July 2014 All Directors, except Mr. N. Vasantha Kumar, ceased to be Directors of the Company with effect from 8th April 2015</p>	Director	Meetings attended	Meetings not attended	Mr. P. A. I. S. Perera	3	0	Mr. K. V. N. Jayawardene	6	0	Mr. S. S. V. Fernando	6	0	Mr. H. H. A. Chandrasri	9	0	Mr. N. Vasantha Kumar	9	0	Mr. P. Kudabalage	5	4	Mr. G. S. Senarath	9	0
Director	Meetings attended	Meetings not attended																								
Mr. P. A. I. S. Perera	3	0																								
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Mr. P. Kudabalage	5	4																								
Mr. G. S. Senarath	9	0																								
3(5)	Appointment of a Company Secretary	<p>An Attorney-at-Law with adequate experience has been appointed by the Board as the Company Secretary.</p> <p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.</p> <p>Page 187 provides the profile of the Company Secretary whilst page 205 provides more information on the role of the Company Secretary.</p>																								
3(6)	Responsibility of preparing the agenda for a Board meeting	<p>The Chairman has delegated to the Company Secretary the function of preparing the Agenda for a Board meeting and accordingly, the Company Secretary is responsible for the same.</p>																								
3(7)	Directors' access to advice and services of the Company Secretary	<p>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.</p>																								
3(8)	Maintenance of minutes of Board meetings and inspection thereof by the directors	<p>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.</p>																								

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Rule Reference	Principle	Level of compliance										
3(9)	Recording of minutes of Board meetings in sufficient detail	The Company Secretary records the proceedings of the meetings and the decisions taken thereat in sufficient detail so as to satisfy all the requirements specified in this rule.										
C. COMPOSITION OF THE BOARD												
The Board functions effectively and efficiently and is considered to be of an appropriate size and composition for the Company, taking into account, among other considerations, the need to have sufficient Directors to structure Board Committees appropriately and regulatory requirements. Non-Executive Directors bring diverse perspectives to Board deliberations, and constructive challenging of the views of management is encouraged.												
4(1)	Number of directors on the Board	As at the end of 2014/15, there were six (06) Directors on the Board, thus complying with the requirement.										
4(2)	Period of service of a director	<p>The period of service of all the Directors during 2014/15 was below nine (09) years.</p> <p>Length of service of Directors as at 31st March 2015</p> <table border="1"> <caption>Length of service of Directors as at 31st March 2015</caption> <thead> <tr> <th>Length of Service</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>0-1 years</td> <td>50%</td> </tr> <tr> <td>1-3 years</td> <td>33%</td> </tr> <tr> <td>3-6 years</td> <td>17%</td> </tr> <tr> <td>Above 6 years</td> <td>1%</td> </tr> </tbody> </table>	Length of Service	Percentage	0-1 years	50%	1-3 years	33%	3-6 years	17%	Above 6 years	1%
Length of Service	Percentage											
0-1 years	50%											
1-3 years	33%											
3-6 years	17%											
Above 6 years	1%											
4(3)	Appointment, election or Nomination of an employee as a Director of the company	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	<p>The Board comprised at least (02) Non-Executive Independent Directors throughout the financial year 2014/15 who met the criteria for independence as specified in this rule.</p> <p>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.</p>										
4(5)	Alternate directors to meet the criteria for independency/executive status of the appointor	No alternate directors were appointed during the year.										
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>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>Pages 184 to 187 set out the profiles of the present Board of Directors, including their skills and experience.</p>										

Rule Reference	Principle	Level of compliance
4(7)	Presence of Non- Executive Directors to satisfy the quorum for meetings of the Board	Since all of the Directors of the Company during the year 2014/15 were Non-Executive Directors, the required quorum was met at all meetings of the Board convened for the year.
4(8)	Disclosure of Independent Non- Executive Directors, Board composition in corporate communications and in the annual corporate governance report	<p>Composition of the Board given on page 202 provides the details of Directors by category as at 31st March 2015 as well as at present. Pages 184 to 187 setting out the profiles of Directors also provides the required details.</p> <p>Directors by category as at 31st March 2015</p> 
4(9)	Availability of a formal, and transparent procedure for the appointment of new directors	<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 a 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>During the year 2014/15 two (02) Non-Executive Independent Directors namely, Mr. S. S. V. Fernando and Mr. K. V. N. Jayawardene, PC were appointed with effect from 3rd July 2015 and these appointments complied with the above procedure.</p> <p>“The Remuneration and Nomination Committee Report” on page 269 provides further details on the procedure applicable to selection and appointment of Directors of the Company.</p>
4(10)	Re- election of directors appointed to fill a casual vacancy at the first general meeting after their appointment	<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 2014/15 Mr. K. V. N. Jayawardene, PC was appointed as a Non-Executive, Independent Director of the Company on 3rd July 2014 to fill the casual vacancy created by the retirement of Mr. P. A. I. S. Perera. However, Mr. Jayawardene ceased to be a Director of the Company with effect from 8th April 2015 following the reconstitution of the Board of Directors as detailed on page 200 and therefore his re- election at the Annual General Meeting of the Company scheduled for 30th June 2015 will not arise.</p> <p>Except for Mr. N. Vasantha Kumar, all other members on the present Board of Directors of the Company, whose profiles are set out on pages 184 to 187, will offer themselves for re-election at the Annual General Meeting of the Company scheduled for 30th June 2015 in accordance with the aforesaid Article.</p>

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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	<p>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.</p> <p>No removals or resignations of Directors took place during the year 2014/15. However, on reaching the age of 70 on 28th June 2014, Mr. P. A. I. S. Perera retired from the office of Director of the Company and the same was duly disclosed to the shareholders after obtaining the approval of the Director of Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka as aforesaid.</p>
D. FITNESS AND PROPRIETY OF DIRECTORS		
The Board considers that the knowledge, skills, experience, diversity and attributes of the Directors as a whole are appropriate to effectively discharge their responsibilities		
5(1)	Directors over 70 years of age	<p>As at 31st March 2015 and at present, all Directors of the Company were below the age of 70 years.</p> <p>On reaching the age of 70 on 28th June 2014, Mr. P. A. I. S. Perera retired from the office of Director of the Company in compliance with this rule.</p>
5(2)	Holding office in more than 20 companies	<p>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.</p> <p>Details of other directorships/equivalent positions held by the Directors are set out in their profiles on pages 184 to 187 and on page 202.</p>
E. DELEGATION OF FUNCTIONS		
The governance framework of the Company provides for delegation of authority while enabling the Board to retain effective control. The Board has delegated authority to relevant Board committees and the Chief Executive Officer with clearly defined mandates and authorities, while preserving its accountability.		
6(1)	Delegation of Board functions	<p>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.</p> <p>Accordingly, the Board has delegated authority to the Board Committees and the management with clearly defined mandates and authorities, while preserving its accountability. Such delegation and the limits of authority is 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.</p> <p>Whilst page 196 on the Governance Structure details the manner in which the Board has delegated its authority, page 207 on Scope of the Board and its Committees explains the aspects delegated by the Board to its Committees.</p>
6(2)	Review of delegation of Board functions on a periodic basis	Please refer comment on rule 6(1) above.



Rule Reference	Principle	Level of compliance
F. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER		
The roles of the Chairman and Chief Executive Officer of the Company continue to be distinct and separate ensuring the balance of power and authority.		
7(1)	Division of the roles of the Chairman and Chief Executive Officer	During the year 2014/15, the posts of Chairman and the Chief Executive Officer (CEO) were held separately by Mr. Gamini S. Senarath and Mr. D. P. Kumarage respectively, thereby ensuring the balance of power and authority.
7(2)	Designation of an Independent Non-Executive Director as the Senior Director if the Chairman is not an independent non-executive Director	<p>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. During the year 2014/15, Mr. P. A. I. S. Perera and Mr. K. V. N. Jayawardene, PC served as Senior Independent Directors of the Company. Following the reconstitution of the Board of Directors referred to in page 200, Mr. Pradeep Amirthanayagam functions as the present Senior Independent Director of the Company.</p> <p>Page 203 contains a summary of the role of the Senior Independent Director as set out in the terms of reference approved by the Board.</p>
7(3)	Disclosure of relationship between the Chairman, Chief Executive Officer and members of the Board in the corporate governance report	As declared by them, there are no relationships whatsoever, including financial, business, family, or other material relationship between the Chairman/CEO and/or other members of the Board which will impair their respective roles.
7(4)	Role of the Chairman	<p>The Corporate Governance Charter of the Company sets out the responsibilities of the Chairman which includes leading the Board, ensuring its effective functioning.</p> <p>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.</p>
7(5)	Role of the Chairman in the preparation of the agenda for Board meetings	As stated in comment on rule 3(6) above, 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	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	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	<p>The Company does not have any Executive Directors.</p> <p>Nevertheless, the Chairman ensures that a constructive relationship exists between the Board as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs.</p> <p>This process is further strengthened through the annual self- evaluations of the Board where views of all Directors are canvassed in respect of the performance of the Board as a whole as well as of its committees.</p>



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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	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	<p>The Board attaches considerable importance to the maintenance of constructive relationships with the shareholders and considers the Annual General Meeting 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.</p> <p>To encourage shareholders to communicate their views and to seek assistance in matters that relate to them, a separate function at the Senior Management level on investor relations has been established.</p>
7(11)	Role of the Chief Executive Officer	<p>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.</p> <p>Page 209 on "Management's Role in Sustainable Performance" provides further details on the role of the CEO.</p>
G. BOARD APPOINTED COMMITTEES		
Board Committees facilitate the discharge of Board responsibilities and provide in- depth focus on areas delegated to them.		
8(1)	Presence of at least two Board committees reporting directly to the Board	<p>During the year 2014/15, there were four (04) Board appointed Committees directly reporting to the Board, namely the Board Audit Committee (BAC), Integrated Risk Management Committee (IRMC), Remuneration & 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.</p> <p>Page 207 provides the details of the scope and composition of the above Committees and pages 263 to 272 provides the reports of the respective committees.</p>

Rule Reference	Principle	Level of compliance
8(2)	Audit Committee	
	(a) The Chairman of Audit Committee	<p>During the year 2014/15, Mr. P. Kudabalage who was a Non- Executive Director served as the Chairman of the Board Audit Committee. Mr. Kudabalage is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a B.Com (Hons) Degree from the University of Kelaniya. He is also a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka.</p> <p>Following the reconstitution of the Board of Directors as mentioned in page 200 Mr. J. P. Amaratunga serves as the Chairman of the Board Audit Committee with effect from 8th April 2015. Mr. Amaratunga who is a Non- Executive Director, is a Member of the Institute of Chartered Accountants of Sri Lanka and 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.</p> <p>Page 185 provides the complete profile of the current Chairman of the Board Audit Committee, Mr. J. P. Amaratunga.</p>
	(b) Composition of the Audit Committee	<p>During the year 2014/15, all members of the Board Audit Committee were Non- Executive Directors, two of whom were Independent.</p> <p>Page 207 provides the composition of the Board Audit Committee as at 31st March 2015 as well as at present.</p>
	(c) Responsibility of the Audit Committee to recommend:	The Board Audit Committee has at its meetings recommended
	(i) the appointment of the external auditor;	(i) that M/s Ernst & Young, Chartered Accountants be reappointed as the external auditors of the Company for the financial year 2014/15;
	(ii) implementation of the Central Bank guidelines issued to auditors;	(ii) the implementation of Central Bank guidelines issued to auditors from time to time; and
	(iii) application of relevant accounting standards;	(iii) the application of International Financial Reporting Standards.
	(iv) the service period, audit fee and any resignation or dismissal of the auditor.	<p>However, due to the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200, a sufficient number of meetings of the Board Audit Committee could not be held and as a result the audit fee could not be taken up for discussion at the Board Audit Committee. The Company has sought a waiver from the Central Bank of Sri Lanka from the application of this requirement to the Company for the financial year 2014/15 in response to which the Central Bank of Sri Lanka has confirmed that the same will not be considered a non-compliance.</p> <p>No resignation or dismissal of the auditor has taken place during the year 2014/15. 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>



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Rule Reference	Principle	Level of compliance
	(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>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 2014/15, 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>
	(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>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>
	(f) Responsibility of the Audit Committee to discuss and finalise with the external auditors the nature and scope of the audit	<p>Due to insufficient meetings of the Board Audit Committee during the year 2014/15 arising from the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200, the Board Audit Committee could not meet with the external auditors to discuss the nature and scope of the audit. The Company has sought a waiver from the Central Bank of Sri Lanka from the application of this requirement to the Company for the financial year 2014/15 in response to which the Central Bank of Sri Lanka has confirmed that the same will not be considered a non-compliance.</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>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>
	(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	<p>During the year under review, the Board Audit Committee met the External Auditors without the presence of the Key Management Personnel.</p>
	(i) Responsibility of the Audit Committee to review the external auditor's management letter and the management's response thereto.	<p>During the year, the Board Audit Committee reviewed External Auditor's Management Letter for the year 2013/14 and the Management's responses thereto.</p>



Rule Reference	Principle	Level of compliance
	(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;	The Board Audit Committee has reviewed and approved the Internal Audit Plan for the year 2014/15 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.
	(ii) review the internal audit programme and results of the internal audit process;	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.
	(iii) review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	However, due to insufficient meetings of the Board Audit Committee during the year 2014/15 arising from the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200, the Board Audit Committee could not assess the performance of the Head of Internal Audit . The Company has sought a waiver from the Central Bank of Sri Lanka from the application of this requirement to the Company for the financial year 2014/15 in response to which the Central Bank of Sri Lanka has confirmed that the same will not be considered a non- compliance.
	(iv) recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Such a situation has not arisen during the year
	(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;	Three (03) members of the Internal Audit Department resigned during the year and the Board Audit Committee has been apprised of the same by the Head of the Department.
	(vi) ensure that the internal audit function is independent of the activities it audits	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;	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	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	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. "Board Audit Committee Report" on page 266 provides a summary of the Terms of Reference of the Committee.
	(n) Meetings of the Audit Committee	There were only four (04) meetings of the Board Audit Committee during the year 2014/15, all of which were held prior to the last quarter of the year. Page 267 provides the details of the meetings of the Board Audit Committee during 2014/15 and the members' attendance thereat.
	(o) Disclosure of activities of the Audit Committee and attendance of members at meetings thereof in the Annual Report	The "Board Audit Committee Report" on page 266 provides details of the activities of the Board Audit Committee and attendance of members at meetings of the Committee.
	(p) Recording and maintenance of detailed minutes of the Audit Committee meetings	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	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.



Rule Reference	Principle	Level of compliance
8(3)	Integrated Risk Management Committee	
	(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>During the year 2014/15, the Integrated Risk Management Committee comprised three (03) 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. The Composition of the Committee as at 31st March 2015 and as at present is disclosed on page 207.</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>
	(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>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>The 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>Steps will be initiated by the Company to strengthen the risk assessment process by implementing stress testing procedures and incorporating stress testing activities and the results into overall management decision making process.</p>
	(c) Responsibility of the Integrated Risk Management Committee to review the adequacy and effectiveness of all management level committees	<p>The 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. During the year 2014/15, the adequacy and effectiveness of management level committees including the Integrated Risk Management Operating Committee (IRMOC) and Assets & Liability Committee (ALCO) was reviewed by the Committee.</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>Further details on the scope of the Integrated Risk Management Committee and its activities during 2014/15 are set out in the “Integrated Risk Management Committee Report” on page 263.</p>
	(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	<p>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.</p>

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Rule Reference	Principle	Level of compliance
	(e) Responsibility of the Integrated Risk Management Committee to meet at least quarterly to assess all aspects of risk management	As a general practice and in compliance with this rule, Integrated Risk Management Committee of the Company meets at least quarterly every year. However, due to the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200, only three (03) meetings of the Committee could be convened. The Company has sought a waiver from the Central Bank of Sri Lanka from the application of this requirement to the Company for the financial year 2014/15 in response to which the Central Bank of Sri Lanka has confirmed that the same will not be considered a non-compliance.
	(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	Risks are identified collectively by the Integrated Risk Management Committee and Assets & 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	Risk assessment reports are submitted by the Integrated Risk Management Committee at the next immediate Board meeting following the Integrated Risk Management Committee meeting.

Rule Reference	Principle	Level of compliance
	(h) Responsibility of the Integrated Risk Management Committee to establish a compliance function at key management level to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations	<p>Committee has established a compliance function to assess the Company's compliance with laws, regulations and regulatory guidelines. Steps have been initiated during 2014/15 to expand the compliance function to also assess the Company's compliance with internal controls and approved policies on all areas of business operations and this will be fully implemented in the ensuing financial year.</p> <p>During the year 2014/15, the compliance function was handled 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. However, the compliance officer is not designated as a Key Management Personnel.</p> <p>Page 273 on "Compliance Management" sets out further details on the compliance framework within the Company.</p>
H. RELATED PARTY TRANSACTIONS		
The Code of Business Conduct and Ethics of the Company requires the Directors 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>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. This was further updated in the year 2014/15 to be in full compliant with this rule. 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>To further strengthen the above process, a Board Related Party Transactions Review Committee was established in early 2014 on a voluntary basis. Details of this Committee is presented in the Related Party Transactions Review Committee Report on page 271.</p> <p>A detailed report on the related party transactions is submitted to the Board of Directors periodically and such transactions are also disclosed to the stakeholders through the Company's Financial Statements.</p>
9(3)	Nature of transactions with related parties to which the Corporate Governance Directions apply	The Related Party Transaction Policy as updated during 2014/15 covers all transactions with related parties irrespective of their nature and value.

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Rule Reference	Principle	Level of compliance
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 favourable treatment” proprietary, confidential	<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 favourable treatment” as defined in this rule.</p> <p>The Company is in the process of implementing an on-line preventive system to ensure that on 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>
I. DISCLOSURES		
The Company has at all times ensured that relevant and accurate information is timely disclosed to its stakeholders demonstrating the Company’s accountability and transparency.		
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	<p>The Board ensured that the annual audited financial statements and periodical Financial Statements of the Company for the year 2014/15 were prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.</p> <p>Page 311 discloses the details of financial statements published by the Company as mentioned above.</p>
	(b) publication of abovementioned statements in the newspapers in an abridged form, in Sinhala, Tamil and English	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	Required confirmation on preparation of the annual audited Financial Statements in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is given in “Directors’ Responsibility for Financial Reporting” on page 331 and the “Independent Auditors’ Report” on page 333.

Rule Reference	Principle	Level of compliance
	(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.	The report by the Board on the effectiveness of the Company's internal control mechanism over financial reporting is given in "Directors' Statement on Internal Controls over Financial Reporting" on page 328.
	(c) External auditor's certification on the effectiveness of the internal control mechanism	The Board has obtained the Assurance Report from the External Auditor on the Internal Control over Financial Reporting and the same is disclosed on page 328.
	(d) Details of directors, including names, transactions with the Company	Details of the Directors are given on page 202 and Directors' transactions with the Company have been disclosed in note 48 to the Financial Statements on page 403.
	(e) Fees/remuneration paid by the Company to the directors in aggregate	The remuneration paid to the Board of Directors is disclosed in aggregate in note 48 to the Financial Statements on page 403.
	(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	Total net accommodation in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds is given on pages 403 to 407.

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Rule Reference	Principle	Level of compliance
	(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	The aggregate values of remuneration paid by the Company to its Key Management Personnel and the aggregate values of the transactions of the Company with its Key Management Personnel during the financial year have been disclosed on pages 403 to 404.
	(h) a report containing details of compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance	<p>The “Annual Report of the Board of Directors on the Affairs of the Company” on pages 320 to 327 and the “Corporate Governance Report” on pages 194 to 212 describes the manner in which the Company has complied with prudential requirements, regulations, laws and internal controls during the year 2014/15.</p> <p>Other than to the extent disclosed in this report and the “Annual Report of the Board of Directors on the Affairs of the Company” on pages 320 to 327, there was no material non-compliance to prudential requirements, regulations, laws and internal controls during 2014/15 affecting the Company.</p>
	(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	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 Finance Business Act and rules and directions issued by the Monetary Board	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 2015/16 as done previously.
J. TRANSITIONAL PROVISIONS		
11	The Company has complied with the transitional provisions contained in this rule.	

“GOOD CORPORATE GOVERNANCE REMAINS INTEGRAL TO THE WAY WE CONDUCT THE AFFAIRS AND BUSINESS OF OUR COMPANY AS WE BELIEVE THAT THERE IS A LINK BETWEEN HIGH-QUALITY GOVERNANCE AND THE CREATION OF LONG-TERM SHAREHOLDER VALUE”

COMPANY’S 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”)

The Code, issued in 2008 and last revised and updated in September 2013, provides for the prerequisites for the establishment and maintenance of a sound corporate governance environment. The updated Code encompasses the following seven fundamental principles that should be focused upon by companies in discharging their corporate governance responsibilities,

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|-----------------------------------------------------|---|--------------------------|
| A. Directors (see pages: 235-246) | } | SECTION 1 (THE COMPANY) |
| B. Directors’ Remuneration (see pages: 246-248) | | |
| C. Relations with Shareholders (see pages: 248-250) | | |
| D. Accountability and Audit (see pages: 250-254) | | |
| E. Institutional Shareholders (see pages: 254-255) | } | SECTION 2 (SHAREHOLDERS) |
| F. Other Investors (see page: 255) | | |
| G. Sustainability Reporting (see page: 255) | | |

The Company’s compliance with the updated Code is tabulated below.

Reference to the Code	Principle	Level of compliance
SECTION 1 – THE COMPANY		
A. DIRECTORS		
A.1 The Board		
<p>The Directors bring a range of skills and experience to the Board, including international business and operational experience, understanding of the economics of the sectors in which the Group operates, knowledge of the regulatory environments in which the Group operates and financial, accounting, and banking experience and knowledge, and their ability to leverage their collective skills and wisdom is considered to be the Board’s strength. The profiles of the Directors are given on pages 184 to 187.</p> <p>The Board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity for the Company and the Group as a whole.</p>		

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Reference to the Code	Principle	Level of compliance																																										
A.1.1	Board Meetings	<p>As a general practice, unless the business exigencies demand the convening of additional special meetings, the Board of Directors meet at least on a monthly basis to discharge their responsibilities. However, due to the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200, no Board meetings were held during that quarter and as a result only a total of nine (09) Board meetings were held during 2014/15, all of which were held at monthly intervals. At each of these meetings, the Board devoted a substantial time in evaluating Company's strategy, performance, risk profile and compliance with governance and other statutory requirements, ensuring 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 held during 2014/15</p> <table border="1"> <caption>Attendance at Board meetings held during 2014/15</caption> <thead> <tr> <th>Director</th> <th>Meetings attended</th> <th>Meetings not attended</th> </tr> </thead> <tbody> <tr> <td>Mr. P. A. I. S. Perera</td> <td>3</td> <td>0</td> </tr> <tr> <td>Mr. K. V. N. Jayawardene</td> <td>6</td> <td>0</td> </tr> <tr> <td>Mr. S. S. V. Fernando</td> <td>6</td> <td>0</td> </tr> <tr> <td>Mr. H. H. A. Chandrasri</td> <td>9</td> <td>0</td> </tr> <tr> <td>Mr. N. Vasantha Kumar</td> <td>9</td> <td>0</td> </tr> <tr> <td>Mr. P. Kudabalage</td> <td>5</td> <td>4</td> </tr> <tr> <td>Mr. G. S. Senarath</td> <td>9</td> <td>0</td> </tr> </tbody> </table> <p>Mr. P. A. I. S. Perera retired from the office of Director on 28th June 2014 Mr. S. S. V. Fernando and Mr. K. V. N. Jayawardene were appointed as directors on 3rd July 2014 All Directors, except Mr. N. Vasantha Kumar, ceased to be Directors of the Company with effect from 8th April 2015</p> <p style="text-align: center;">Board and its committee's time utilisation during 2014/15</p> <table border="1"> <caption>Board and its committee's time utilisation during 2014/15</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Business Operations</td> <td>26%</td> </tr> <tr> <td>Performance</td> <td>15%</td> </tr> <tr> <td>Budget & Strategy</td> <td>20%</td> </tr> <tr> <td>Risk Profile</td> <td>12%</td> </tr> <tr> <td>Governance</td> <td>10%</td> </tr> <tr> <td>Human Capital Management</td> <td>5%</td> </tr> <tr> <td>Shareholders & Stakeholder matter</td> <td>2%</td> </tr> <tr> <td>Other</td> <td>1%</td> </tr> </tbody> </table>	Director	Meetings attended	Meetings not attended	Mr. P. A. I. S. Perera	3	0	Mr. K. V. N. Jayawardene	6	0	Mr. S. S. V. Fernando	6	0	Mr. H. H. A. Chandrasri	9	0	Mr. N. Vasantha Kumar	9	0	Mr. P. Kudabalage	5	4	Mr. G. S. Senarath	9	0	Category	Percentage	Business Operations	26%	Performance	15%	Budget & Strategy	20%	Risk Profile	12%	Governance	10%	Human Capital Management	5%	Shareholders & Stakeholder matter	2%	Other	1%
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Reference to the Code	Principle	Level of compliance
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 is charged with the responsibility for overseeing the Company's operations and providing effective governance over its key affairs, setting the Company's vision and mission, approving of business strategies and objectives, evaluation of performance and assessment of major risks facing the Company, and ensuring compliance with related laws and regulations as well as the Company's Articles of Association.</p>
	(i) Ensure formulation and implementation of a sound business strategy	<p>The Board of Directors is responsible for setting strategic objectives of the Company and the Group and for determining its operational policies and performance criteria. The Board has delegated the detailed planning and implementation of those objectives and policies to the management in accordance with appropriate risk parameters.</p> <p>The Company's strategic business plan covering the period up to 2015/16 as approved by the Board in December 2013 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 on a regular basis with management updates at Board meetings.</p> <p>In order to provide an organised and focused means of achieving the Company's goals and to properly address issues in a timely manner, the Board has set up Board Committees in accordance with global practices and applicable local governance regulations.</p> <p>Page 207 provides a summary of the scope of the Board and its committees.</p>
	(ii) Ensure CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy	<p>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 in accordance with appropriate risk parameters and he is assisted by an able senior management team who have extensive knowledge and experience in their respective fields.</p> <p>The profiles of the CEO and the Senior Management are presented on pages 188 to 191.</p>
	(iii) Adopt effective CEO and senior management succession strategy	<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.</p>

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Reference to the Code	Principle	Level of compliance
	(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>Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Integrated Risk Management Committee (IRMC) and the Board Audit Committee (BAC) assist the Board in this regard. Sound risk management practices are promoted by the risk management department, which is independent of operational management. The Board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.</p> <p>"Director's Statement on Internal Controls over Financial Reporting" on page 328 provides further details on the above.</p>
	(v) Compliance with laws, regulations and ethical standards	<p>The Company has established a separate compliance function whose task is 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 organisational 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>Page 273 on "Compliance Management" sets out 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>With the objective of identifying stakeholder concerns and priorities and realigning them with the strategy of the Company, a stakeholder engagement exercise was initiated by the Company during the year 2014/15.</p> <p>"Management Discussion and Analysis" on pages 33 to 181 sets out 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	<p>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.</p> <p>The Company's activities relating to sustainable business development is detailed in the "Management Discussion and Analysis" on pages 33 to 181.</p>
	(viii) Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	<p>The Company's accounting policies are reviewed annually so as to be current with new developments, changing business requirements and best practices in the industry.</p> <p>An affirmation that the Company's Financial Statements are in line with the applicable standards and regulations is contained in the "Directors' Statement on Internal Controls over Financial Reporting" on page 328 and the "Independent Auditor's Report" on page 333.</p>
	(ix) Fulfilling other Board functions as are vital, given the scale, nature and complexity of the organisation	<p>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.</p>
A.1.3	Compliance with laws and access to independent professional advice	<p>The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. The 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. Page 273 on "Compliance Management" provides further information on the compliance framework of the Company.</p> <p>The Company has an established procedure set out in its Corporate Governance Charter that enables the individual 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 during the financial year 2014/15.</p>
A.1.4	Access to advice and services of the Company Secretary	<p>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.</p> <p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.</p> <p>The removal of the Company Secretary is a matter to be considered by the Board as a whole.</p>
A.1.5	Independent Judgment of Directors	<p>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.</p>



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Reference to the Code	Principle	Level of compliance
A.1.6	Dedication of adequate time and effort by the Board and Board Committees	<p>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.</p> <p>The number of Board and Board Committee meetings held during 2014/15 and the attendance of each Director thereat is presented on page 208 whilst their commitments to other institutions are detailed on page 202.</p>
A.1.7	Training for new and existing Directors	<p>On appointment, Directors are apprised 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 and are provided with the documentation containing all relevant governance information and significant reports and policies.</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>A.2 Chairman and the Chief Executive Officer (CEO) During the year 2014/15, the roles of the Chairman and Chief Executive Officer of the Company continued to be distinct and separate, ensuring the balance of power and authority. The Chairman was charged with the responsibility for providing leadership to the Board, whilst the Chief Executive Officer as the apex executive of the Company was responsible for the management of day to day operations of the Company with the support of the Company's Senior Management.</p>		
A.2.1	Decision to combine the posts of Chairman and CEO	<p>The roles of Chairman and CEO have not been combined. The CEO is delegated by the Board with the authority of detailed planning and implementation of the strategic objectives of the Company.</p>
<p>A.3 Chairman's Role The Chairman is responsible for ensuring the proper functioning of the Board in an appropriate and effective manner including timely receipt by the Directors of complete and accurate information. The comprehensive responsibilities of the Chairman are defined in the Company's Corporate Governance Charter, which are in line with applicable laws and regulations.</p>		
A.3.1	Role of the Chairman in conducting 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 by</p> <ul style="list-style-type: none"> ● providing leadership to the Board; ● ensuring that the Board works effectively and discharges its responsibilities; ● ensuring that all key and appropriate issues are discussed in the Board, in a timely manner; ● drawing up and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda; ● ensuring that all Directors are properly briefed on issues arising at Board meetings and ensure that Directors receive adequate information in a timely manner; ● encouraging all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company; and ● facilitating the effective contribution of Non-Executive Directors in particular and ensure constructive relationship between Executive and Non-Executive Directors.

Reference to the Code	Principle	Level of compliance												
A.4 Financial Acumen														
The Board comprises members with academic and professional qualifications in diverse fields who have sufficient financial acumen and knowledge gained through experience gained from both private and public sector entities.														
A.4	Availability of sufficient financial acumen and knowledge	<p>During the year 2014/15, the Board comprised members with academic and professional qualifications in Finance, Accounting Management and Law. The following Directors in particular provided the Board with guidance on matters of finance,</p> <p>Mr. P. Kudabalage Mr. P. A. I. S. Perera Mr. N. Vasantha Kumar</p> <p>In addition, all members of the Board had experience in various aspects of financial management.</p> <p>Page 202 sets out a summary of the knowledge and skills of the members of the Board as at 31st March 2015 and as at present.</p>												
A.5 Board Balance														
All Directors on the Board of the Company are Non- Executive and are therefore independent of the management thereby making a creative contribution to the Board by providing objective criticism.														
A.5.1	Presence of Non- Executive Directors	The Board comprises only Non-Executive Directors who bring a wealth knowledge and experience covering a wide spectrum of topics and their views carry a significant weight in the Board’s decisions.												
A.5.2	“Independence” of Non- Executive Directors	<p>Of the six (06) Non-Executive Directors of the Company as at 31st March 2015, three (03) Directors namely, Mr. H. H. A. Chandrasiri, Mr. S. S. V. Fernando and Mr. K. V. N. Jayawardene, PC were independent.</p> <p>Consequent to the reconstitution of the Board of Directors during the last quarter of 2014/15 as stated on page 200, the current Board comprises seven (07) Non-Executive Directors of whom four (04) Directors namely, Mr. M. P. Amirthanayagam, Mr. J. A. Fernando, Mr. M. A. M. Rizwan and Mr. R. M. Jayasena are independent.</p>												
<p>Directors by Category</p> <table border="1"> <caption>Directors by Category Data</caption> <thead> <tr> <th>Category</th> <th>Independent</th> <th>Non-Independent</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>As at 31st March 2015</td> <td>3</td> <td>3</td> <td>6</td> </tr> <tr> <td>As at present</td> <td>4</td> <td>3</td> <td>7</td> </tr> </tbody> </table>			Category	Independent	Non-Independent	Total	As at 31st March 2015	3	3	6	As at present	4	3	7
Category	Independent	Non-Independent	Total											
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Reference to the Code	Principle	Level of compliance
A.5.3	Criteria to evaluate “independence” of Non – Executive Directors	All of the Independent Non- Executive Directors of the Company during 2014/15 and subsequently 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.
A.5.4	Annual declaration of Non- Executive Directors	<p>Independence of Directors is determined against the criteria set out in the Finance Companies (Corporate Governance) Directions No. 3 of 2008 and No.4 of 2008, Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and Institute of Chartered Accountants of Sri Lanka (Code) and the Listing Rules of the Colombo Stock Exchange. Self- declarations are obtained from each Non-Executive Director in terms of each of the said criteria both at the time of their first appointment and thereafter at least annually, declaring the status of their independency</p> <p>Accordingly, all Non- Executive Directors during 2014/15 and subsequently have submitted a signed and dated declaration that meets the criteria set out in the Schedule H of the Code of his/her independency or non- independency.</p>
A.5.5	Annual determination of ‘Independence’ of Non- Executive Directors by the Board	<p>Based on the declarations submitted by them as mentioned in the comment on principle A.5.4 above, the Board determined that the following Directors who were in office during 2014/15 were independent,</p> <p>Mr. P. A. I. S. Perera (retired from office of Director on 28th June 2014) Mr. H. H. A. Chandrasiri Mr. S. S. V. Fernando Mr. K. V. N. Jayawardene, PC</p>
A.5.6	Alternate Directors to meet the criteria for independency/ executive status of the appointor	No alternate directors were appointed during the year 2014/15
A.5.7	Appointment of Senior Independent Director	<p>Although the requirement to appoint a Senior 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.</p> <p>During the year 2014/15, Mr. P. A. I. S. Perera and Mr. Nihal Jayawardene, PC served as Senior Independent Directors of the Company. Following the reconstitution of the Board of Directors as mentioned in page 200, Mr. Pradeep Amirthanayagam functions as the present Senior Independent Director of the Company.</p> <p>Page 203 provides details on the role of the Senior Independent Director.</p>

Reference to the Code	Principle	Level of compliance
A.5.8	Availability of Senior Independent Director for confidential discussions with other Directors	<p>The Terms of Reference adopted by the Board 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.</p> <p>It also empowers the Senior Independent Director to call a meeting of the Non- Executive Directors if, in his opinion, it is necessary.</p> <p>However, no such situation has arisen during the year under review.</p>
A.5.9	Chairman's meetings without the presence of the Executive Directors at least once each year	<p>The Board comprises only Non- Executive Directors and therefore this requirement does not apply to the Company.</p>
A.5.10	Recording in Board Minutes Directors' concerns that cannot be unanimously resolved	<p>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.</p> <p>However, no such issues arose during the year under review.</p>
A.6 Supply of Information		
<p>The Company believes that reliable and timely information increases confidence among decision- makers within the Company and enables them to make good business decisions directly affecting business growth, profitability and sustainability.</p>		
A.6.1	Management's obligation 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 where necessary.</p> <p>Further, the Chairman ensured that all Directors were adequately briefed on issues arising at Board meetings.</p>
A.6.2	Adequate time for effective Board meetings	<p>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.</p>
A.7 Appointments to the Board		
<p>A formal, transparent and a comprehensive procedure applicable to the selection and appointment of new Directors to the Board are provided in the Company's Articles of Association and the Corporate Governance Charter.</p>		
A.7.1	Presence of a Nomination Committee	<p>During the year under review the Remuneration & Nomination Committee of the Company comprised the following Directors,</p> <p>Mr. P. Kuadabalage (Chairman) Mr. H. H. A. Chandrasiri Mr. S. S. V. Fernando (appointed as a member with effect from 28th July 2014) Mr. P. A. I. S. Perera (ceased to be a member with effect from 28th June 2014)</p> <p>Further information on the Remuneration & Nomination Committee including its Terms of Reference is set out in the "Remuneration & Nomination Committee Report" on page 269.</p>



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Reference to the Code	Principle	Level of compliance
A.7.2	Assessment of Board composition	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 into consideration in the appointment of new Directors.
A.7.3	Disclosure of details of new Directors to 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> <p>Page 323 provides details of new appointments of Directors.</p>
A.8 Re- election		
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	Appointment of Non- Executive Directors	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 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	Election of Directors by the shareholders	<p>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.</p> <p>During the year 2014/15 Mr. K. V. N. Jayawardene, PC was appointed as a Non- Executive, Independent Director of the Company on 3rd July 2014 to fill the casual vacancy created by the retirement of Mr. P. A. I. S. Perera. However, Mr. Jayawardene ceased to be a Director of the Company with effect from 8th April 2015 following the reconstitution of the Board of Directors as detailed on page 200 and therefore his re- election at the Annual General Meeting of the Company scheduled for 30th June 2015 will not arise.</p> <p>Except for Mr. N. Vasantha Kumar, all other members on the present Board of Directors of the Company, whose profiles are set out on pages 184 to 187, will offer themselves for re- election at the Annual General Meeting of the Company scheduled for 30th June 2015 in accordance with the aforesaid Article.</p>

Reference to the Code	Principle	Level of compliance
A.9 Appraisal of Board Performance		
The Board believes that periodically appraising their performance provides them with an important opportunity to review whether they are meeting their fiduciary responsibilities and adding value to stakeholders. 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	Annual appraisal of Board performance	<p>The Corporate Governance Charter of the Company provides for a comprehensive annual independent self- evaluation process by the Board and its Sub- Committees which enables them to appraise their own performance, including the effectiveness of their governance practices. This process is generally spearheaded by the Chairman with the assistance of the Company Secretary towards the end of the relevant financial year.</p> <p>The above assessment focuses, inter-alia, on the Board's effectiveness in the following areas:</p> <ul style="list-style-type: none"> ● contribution to the development, monitoring and implementation of the strategy; ● contribution to ensuring robust and effective risk management and internal controls; ● quality of the relationships with the management, employees, shareholders and other stakeholders; ● contribution to ensuring proper functioning of Board Sub-Committees. ● awareness of the Board as a whole up- to- date with latest developments in the regulatory environment, laws and the market. <p>However, due to the reconstitution of the Board of Directors of the Company during the last quarter of the financial year 2014/15 as mentioned in page 200 of this report, the self- evaluation of the Board and its committees could not be completed.</p>
A.9.2	Annual self- evaluation of the Board and its Committees	Please refer comments on Principle A.9.1 above.
A.9.3	Disclosure of evaluation process	Please refer Page 204 and comments on Principle A.9.1 above for the process followed in the evaluation of the Board performance.
A.10 Disclosure of Information in respect of Directors		
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	Disclosures of information on Directors in the Annual Report	<p>The following information in relation to Directors is disclosed in the Annual Report,</p> <p>The profiles including qualifications, expertise, experience and directorships of all Board members and their status of independence are provided on pages 184 to 187, whilst page 202 provides details on other Board seats or equivalent positions held by the Directors.</p> <p>Details of related party transactions are provided in note 48 to the Financial Statements.</p> <p>Details of Directors' Interests in transactions and shares and Directors' remuneration are provided on pages 323 to 324.</p> <p>Directors' attendance at Board meetings their membership in and attendance at Sub- Committee meetings is provided on page 208.</p>



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Reference to the Code	Principle	Level of compliance
A.11 Appraisal of Chief Executive Officer (CEO)		
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.		
A.11.1	Setting financial and nonfinancial targets to be achieved by the CEO	<p>The Board of Directors sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates authority to the Chief Executive Officer (“CEO”), the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters.</p> <p>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.</p> <p>The main corporate goals and objectives emanating from the Company’s Corporate Plan and the Budget are incorporated as personal goals of the CEO.</p>
A.11.2	Evaluation of the performance of the CEO against the targets set by the Board	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		
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	Non- Executive, Non- Independent Director	<p>The Board has established a Remuneration Committee with written terms of reference. However, during the year 2014/15 there were no Executive Directors on the Board of the Company.</p> <p>“Remuneration & Nomination Committee Report” on page 269 provides further details on composition and functions of the Committee.</p>
B.1.2	Non- Executive, Non- Independent Director	As prescribed by the Code, all members of the Remuneration Committee are Non- Executive Directors and the Chairman of the Committee is appointed by the Board.
B.1.3	Disclosure of Chairman and members of the Remuneration Committee	<p>During the year under review the Remuneration & Nomination Committee of the Company comprised the following Directors,</p> <p>Mr. P. Kuadabalage (Chairman) – Non-Executive, Non-Independent Director Mr. H. H. A. Chandrasiri - Non-Executive, Independent Director Mr. S. S. V. Fernando- Non-Executive, Independent Director (appointed as a member with effect from 28th July 2014) Mr. P. A. I. S. Perera-Non-Executive, Independent Director (ceased to be a member with effect from 28th June 2014)</p> <p>The current composition of the Remuneration & Nomination Committee is given on page 207.</p>



Reference to the Code	Principle	Level of compliance
B.1.4	Determination of remuneration of Non-Executive Directors	<p>The Board as a whole decides the remuneration of the Non- Executive Directors, including the members of the Remuneration & 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.</p> <p>Page 324 provides details of the remuneration paid to the Directors during the year under review.</p>
B.1.5	Access to professional advice	<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>However, during the year 2014/15 there were no Executive Directors on the Board of the Company.</p>
B.2 The level and make up of Remuneration		
The remuneration framework of the Company supports a philosophy that motivates and rewards performance while at the same time meeting regulatory requirements and stakeholder expectations.		
B.2.1	Remuneration for Executive Directors	<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 personnel needed to run the Company.</p>
B.2.2	Competitiveness of levels of remuneration	<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>
B.2.3	Comparison of remuneration with other companies in the 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>
B.2.4	Performance- based remuneration of Executive Directors	<p>There were no Executive Directors on the Board of the Company during the year under review.</p>
B.2.5	Executive share options	<p>The Company does not have any share option scheme for the Directors or employees at present.</p>
B.2.6	Designing performance- based remuneration of Executive Directors	<p>There were no Executive Directors on the Board of the Company during the year under review.</p> <p>Nevertheless, the performance related element of remuneration applicable to the CEO is based on achieving the set targets referred to in principle A.11.1 above.</p>
B.2.7 & B.2.8	Compensation commitments on early termination of Directors' contracts	<p>There were no Executive Directors on the Board of the Company during the year under review.</p>
B.2.9	Level of remuneration of the Non- Executive Directors	<p>Non- Executive Directors are paid only on their attendance at Board meetings and Sub-Committee meetings as stated in comment on principle B.1.4 above.</p>



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Reference to the Code	Principle	Level of compliance
B.3 Disclosure of Remuneration		
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	Disclosure of Remuneration	<p>Page 207 provides the composition of the Remuneration & Nomination Committee.</p> <p>“Remuneration & Nomination Committee Report” on page 269 provides, inter alia, the remuneration policy and details on aggregate remuneration paid to the Directors of the Company all of whom are Non- Executive.</p>
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings		
The Company understands the importance of communicating effectively with shareholders and are committed to the constructive use of the AGM for the Board, Chairman and Directors to meet with shareholders, hear their views and to answer their questions.		
C.1.1	Use of proxy votes	<p>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.</p> <p>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.</p>
C.1.2	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> <p>The resolution relating to the adoption of the Annual Report of the Board of Directors for the financial year ended 31st March 2015, the Financial Statements of the Company for the said financial year and the Report of the Auditors thereon is included as a separate resolution in the Agenda to the Notice of Meeting of the Annual General Meeting scheduled for 30th June 2015 on page 484.</p>
C.1.3	Availability of Board Sub Committee Chairmen 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 year’s AGM held on 27th June 2014 and no queries were raised by the shareholders to them.</p>
C.1.4	Adequate notice of the AGM	<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 2013/14 was submitted to the Colombo Stock Exchange on 4th June 2014 and was dispatched to all shareholders on the same day. The AGM was held on 27th June 2014.</p> <p>Page 484 contains the Notice of Meeting of the 19th AGM to be held on 30th June 2015.</p>

Reference to the Code	Principle	Level of compliance
C.1.5	Summary of procedures governing voting at General Meetings	<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 2014 containing the procedure governing voting was sent to the shareholders 15 working days prior to the date of the AGM.</p>
C.2 Communication with Shareholders		
<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, minimise reputational risk and form strong partnerships, all of which support its commercial sustainability.</p>		
C.2.1	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>Page 301 on "Investor Relations" provides a complete list of communication channels at the Company that ensures timely dissemination of information to shareholders.</p>
C.2.2	Disclosure of 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>Page 302 provides a summary of the Communication Policy.</p> <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>
C.2.3	Implementation of the Communication Policy and methodology of such implementation	<p>The Communication Policy of the Company provides for the manner of implementation thereof and points of responsibility for the same.</p> <p>Page 302 provides a summary of the Communication Policy.</p>
C.2.4	Disclosure of Contact person for communication	<p>Contact persons for communications with different stakeholders of the Company are specified in the Communication Policy.</p> <p>Page 302 provides a summary of the Communication Policy.</p>
C.2.5	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>

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Reference to the Code	Principle	Level of compliance
C.2.6	Person to be contacted on shareholder matters	<p>Shareholders can contact the Company Secretary, whose details are given below, on matters relating to 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	The process responding to shareholder matters	Please refer comment on Principle C.2.5 above
C.3 Major and Material Transactions		
The Board recognises that strong transparent disclosure regime is central to shareholder ability to exercise ownership rights.		
C.3.1	Disclosure of 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.
D. ACCOUNTABILITY AND AUDIT		
D.1 Financial Reporting		
The directors are aware of their responsibility for monitoring and reviewing the preparation, integrity and reliability of the Company's financial statements, accounting policies and the information contained in other reports submitted to the public and regulatory authorities and to ensure that the financial statements are fair, balanced and understandable.		
D.1.1	Board's responsibility 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 2014/15, 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. Dates of releasing information to the Colombo Stock Exchange during 2014/15 are disclosed on page 308 and the Board's responsibility for financial reporting is given on page 331.</p>
D.1.2	Declarations by Directors in the Directors' Report	The Directors have made all required declarations in the "Annual Report of the Board of Directors on the Affairs of the Company" which is given on pages 318 to 327.



Reference to the Code	Principle	Level of compliance
D.1.3	Statements by Directors and Auditors on responsibility for financial reporting	<p>The Statement of Directors' responsibility for the preparation and presentation of Financial Statements is disclosed in the "Statement on Directors' Responsibility for Financial Reporting" on page 331 and the Auditors' responsibility over Financial Statements is set out in the "Independent Auditors' Report" on page 333.</p> <p>The "Directors' Statement on Internal Controls over Financial Reporting" is given on page 328.</p>
D.1.4	Management Discussion and Analysis	"The Management Discussion and Analysis (MD&A)" is presented as an integrated report covering all aspects referred to in the Code on pages 33 to 181.
D.1.5	Declaration by the Board on the going concern of the Business	The required information is provided in the "Annual Report of the Board of Directors on the Affairs of the Company" on pages 318 to 327.
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 2014/15 and the likelihood of such a situation is remote. However, should such a situation arise, an EGM would be convened to keep the shareholders informed thereof.
D.1.7	Adequate and accurate disclosure of Related Party Transactions	<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. This was further updated in the year 2014/15 to be in full compliant with applicable rules and regulations. 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 PLC ("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. Details of this Committee is presented in the "Related Party Transactions Review Committee Report" on page 271.</p> <p>A detailed report on the related party transactions is also submitted to the Board of Directors periodically and such transactions are also disclosed to the stakeholders through the Company's Financial Statements.</p> <p>Note 48 to the financial statements sets out details on related party transactions.</p>

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Reference to the Code	Principle	Level of compliance
D.2 Internal Controls		
The Board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness. Risks and controls are reviewed and monitored regularly for relevance and effectiveness. Sound risk management practices are promoted by the risk management function, which is independent of operational management.		
D.2.1	Directors 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 (IRMC) and the Board Audit Committee (BAC) 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 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.</p> <p>Functions of the Board Audit Committee and the Integrated Risk Management Committee and the work carried out by them during the year 2014/15 to ensure the effectiveness of the internal control systems are detailed in their respective reports, appearing on pages 263 and 266.</p>
D.2.2	The need for an internal audit function	The Company has its own in-house Internal Audit Department. Page 110 provides more details on the internal audit function.
D.2.3	Review of the process and effectiveness of risk management and internal controls by the Audit Committee	<p>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, which then, on behalf of the Board, undertakes a detailed monitoring and reviewing of the said controls and risk management measures.</p> <p>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.</p> <p>"Directors Statement on Internal Controls over Financial Reporting" on page 328 provides more details on the above.</p>
D.2.4	Responsibilities of Directors in maintaining a sound system of internal control and content of Statement of Internal Control	Directors' responsibility for maintaining a sound system of internal control is given in the "Directors Statement on Internal Controls over Financial Reporting" on page 328.



Reference to the Code	Principle	Level of compliance
D.3 Audit Committee		
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	Composition of the Audit Committee	<p>The Board Audit Committee comprises three Directors, all of whom are Non-Executive. Two Directors of the Committee are Non- Executive Independent Directors.</p> <p>During the year 2014/15, the following Directors served as members of the Board Audit Committee,</p> <p>Mr. P. Kuadabalage (Chairman) – Non- Executive, Non- Independent Director Mr. H. H. A. Chandrasiri - Non- Executive, Independent Director Mr. S. S. V. Fernando- Non- Executive, Independent Director (appointed as a member with effect from 28th July 2014) Mr. P. A. I. S. Perera-Non- Executive, Independent Director (ceased to be a member with effect from 28th June 2014)</p> <p>The current composition of the Board Audit Committee is given on page 207.</p>
D.3.2	Duties of the Audit Committee to review the objectivity of the External Auditor	<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 2014/15, 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>
D.3.3	Terms of Reference of the Audit Committee	<p>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.</p> <p>A summary of the Terms of Reference of the Committee is contained in the “Board Audit Committee Report” on page 266.</p>
D.3.4	Disclosure of names of the members of the Audit Committee and report of the Audit Committee	<p>Names of the members of the Board Audit Committee are given on page 207.</p> <p>Company’s External Auditors for 2014/15, 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>



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Reference to the Code	Principle	Level of compliance
D.4 Code of Business Conduct and Ethics		
The Company has a strong organisational 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.		
D.4.1	Disclosures on presence of Code of Business Conduct & Ethics	<p>The Company has in place a comprehensive Code of Business Conduct & 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>Page 212 provides a summary of the Company's Code of Business Conduct & Ethics.</p> <p>The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct & 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	The required affirmation is provided in the "Annual Report of the Board of Directors on the Affairs of the Company" on page 325.
D.5 Corporate Governance Disclosures		
The Company is resolute in its commitment to operating in an ethical and transparent manner and staying accountable to its stakeholders. The Company believes that corporate governance is not just a destination, but a journey to persistently progress in sustainable value creation.		
D.5.1	Inclusion of a Corporate Governance Report in the Annual Report	This report from pages 235 to 262 sets out the manner in and the extent to which the Company has complied with the Code.
SECTION 2 – SHAREHOLDERS		
E. INSTITUTIONAL INVESTORS		
E.1 Shareholder Voting		
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	Communication with shareholders	<p>Developing the two- way communication theme further, 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>



Reference to the Code	Principle	Level of compliance
E.2 Evaluation of Governance Disclosures		
Disclosure is an essential element of a robust corporate governance framework as it provides the base for informed decision making by shareholders, stakeholders and potential investors in relation to capital allocation, corporate transactions and financial performance monitoring.		
E.2.	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		
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		
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.
G. SUSTAINABILITY REPORTING		
G.1 Principles of Sustainability Reporting		
Corporate sustainability reporting aims to deliver information in such a way that it provides decision making value to investors, customers, employees and other relevant groups who have a stake in the Company or who are in some way affected by the Company's actions. Sustainability reporting therefore is a reflection of how the Company has performed and achieved long-term economic value, assumed corporate responsibility and contributed to sustainable development. 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	Please refer pages 41 to 48.
G.1.2	Reporting on the Environment	Please refer pages 166 to 181.
G.1.3	Reporting on Labour Practices	Please refer pages 118 to 137.
G.1.4	Reporting on Society	Please refer pages 140 to 165.
G.1.5	Reporting on Product Responsibility	Please refer pages 140 to 151.
G.1.6	Reporting on stakeholders identification, engagement and effective communication	Please refer pages 34 to 37.
G.1.7	Formalising sustainable reporting as part of the Company's reporting process	Please refer pages 4 to 5 and pages 38 to 40.



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“GOOD CORPORATE GOVERNANCE IS ESSENTIAL TO THE EFFECTIVE OPERATION OF A FREE MARKET, WHICH ENABLES WEALTH CREATION AND FREEDOM FROM POVERTY” (FINANCIAL REPORTING COUNCIL OF THE UK)

REPORT ON 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)

The Listing Rules of the Colombo Stock Exchange which aim to secure the confidence of investors by ensuring that companies publish timely and accurate information so as to provide a reliable basis for evaluating a company, sets out in it the reports and disclosures that a listed company must include in its Annual Report. The Listing Rules also sets out the certain corporate governance rules that must be followed by listed companies.

The table below provides reference to the relevant sections in the Annual Report where the aforementioned reports and disclosures required is found and the information on the level of compliance by the Company with the corporate governance 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	Annual Report Section Reference	Page
7.6(i)	Names of persons who during the financial year were directors of the Company	Please refer “Annual Report of the Board of Directors on the Affairs of the Company”	318
7.6(ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	Please refer “Annual Report of the Board of Directors on the Affairs of the Company”	318
		“Note 1” in “Notes to the Financial Statements”	341
		“Management Discussion and Analysis”	33
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	Please refer “Investor Relations” section for the 20 largest holders of voting shares. The Company has not issued any non-voting shares.	313
7.6(iv)	The public holding percentage	Please refer “Investor Relations” section	312
7.6(v)	Directors’ and Chief Executive Officer’s holding in shares of the Company at the beginning and end of the financial year	Please refer “Annual Report of the Board of Directors on the Affairs of the Company”	318
		“Investor Relations” section	313
7.6(vi)	Information pertaining to material foreseeable risk factors	Please refer “Integrated Risk Management Committee Report”	263
		“Management Discussion and Analysis”	33



Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
7.6(vii)	Details of material issues pertaining to employees and industrial relations	During the year 2014/15, 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	Please refer Note 27 to the "Financial Statements"	376
7.6(ix)	Number of shares representing the stated capital	Please refer "Note 40" to the "Financial Statements" on 'Capital'	396
7.6(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Please refer "Investor Relations" section	312
7.6(xi)	Ratios and market price information on:		
	Equity		
	1. Dividend per share	Please refer "Investor Relations" section	309
	2. Dividend pay out		
	3. Net asset value per share		
	4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year)		
	Debt	Please refer "Investor Relations" section	309
	1. Interest rate of comparable government security		
	2. Debt/equity ratio		
	3. Interest cover		
	4. Quick asset ratio		
	5. The market prices & yield during the year		
	6. Changes in credit rating		
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	Please refer "Note 27" to the "Financial Statements" on 'Property, Plant & Equipment'	376
7.6(xiii)	Details of funds raised through a public issue, Rights Issue and a private placement	Please refer "Note 33.1.1" to the "Financial Statements" on 'Listed Debentures'	387
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	This Report provides the disclosures referred to in Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	194 to 262
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 2014/15.	-



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COMPLIANCE WITH REQUIREMENTS ON CORPORATE GOVERNANCE REQUIREMENTS IN RULE 7.10 OF THE LISTING RULES

Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
7.10.1 Non- Executive Directors			
	All Directors on the Board are Non-Executive and are therefore independent of the management, thereby promoting critical review and control.		
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non- Executive Directors	Compliant	The Board of Directors of the Company comprises only Non- Executive Directors.
7.10.1 (b)	The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Compliant	All of the Directors who were in office as at the conclusion of the immediately preceding Annual General Meeting were also Non- Executive Directors.
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Compliant	No change in the ratio of Non- Executive Directors took place during the year 2014/15.
7.10.2 Independent Directors			
	The Company is committed towards a balanced and diversified Board, leading to a culture of leadership that provides a long- term vision and policy thinking and thereby improving the quality of governance		
7.10.2 (a)	Two or one third of Non- Executive Directors, whichever is higher, should be independent	Compliant	Of the six Non- Executive Directors of the Company as at 31st March 2015, three were Independent Non- Executive Directors.
7.10.2 (b)	Each Non- Executive Director should submit a declaration of independence/ non-independence in the prescribed format	Compliant	All Non- Executive Directors submitted the requisite declarations during the year under review.
7.10.3 Disclosures Relating to Directors			
	The Board places considerable importance to the timely disclosure of all relevant information to the shareholders, enabling them to make informed decisions.		
7.10.3 (a)	Names of Independent Directors should be disclosed in the annual report	Compliant	The Company's Independent Directors as at 31st March 2015 were, Mr. H. H. A. Chandrasiri Mr. S. S. V. Fernando Mr. K. V. N. Jayawardene, PC Following the reconstitution of the Board of the Company on 8th April 2015 as mentioned in page 200 of this Annual Report, the current Board includes four Independent Directors whose names and profiles are disclosed in pages 184 to 187.



Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
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	Compliant	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	Compliant	Please refer pages 184 to 187 for the profiles of the members of the current Board of Directors.
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	Compliant	The appointments of Mr. S. S. V. Fernando and Mr. K. V. N. Jayawardene during the year 2014/15 were announced to the Exchange on 7th July 2014 together with their profiles. The reconstitution of the Board of Directors of the Company on 8th April 2015 referred to in page 200 of this Annual Report was also announced to the Exchange on 9th April with brief resumes of all new Directors appointed pursuant to such reconstitution.
7.10.4 Criteria for determination of independency of directors			
The Independent Directors play the crucial role of bringing objectivity to the decisions made by the Board of Directors by playing a supervisory role.			
7.10.4 (a-h)	Requirements for meeting criteria to be independent	Compliant	All of the Independent Directors of the Company met the criteria for independency specified in this rule.
7.10.5 Remuneration Committee			
The Board recognises that the existence of a formal and transparent remuneration procedure supports alignment of Directors' interests with those of shareholders.			
7.10.5	A listed company shall have a Remuneration Committee	Compliant	The Company has a Remuneration & Nomination Committee the details of which are provided on page 269.



CORPORATE GOVERNANCE REPORT CONTD.

Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
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	Compliant	During the year 2014/15, the Remuneration & Nomination Committee comprised at least two Independent Directors. Please refer "Remuneration & Nomination Committee Report" on page 269 for the present composition thereof as well as the composition during 2014/15.
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board	Compliant	Both the Directors who served as Chairmen of the Remuneration & Nomination Committee during year 2014/15, namely, Mr. P. A. I. S. Perera and Mr. P. Kudabalage were Non- Executive Directors. Please refer "Remuneration & Nomination Committee Report" on page 269 for further details on the above.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	The functions of the Remuneration & Nomination Committee is set out in the Committee's Report on page 269.
7.10.5 (c)	The annual report shall set out: The names of the Directors that comprise the Remuneration Committee	Compliant	Please refer page 207 for the composition of the Remuneration & Nomination Committee.
	A statement of remuneration policy	Compliant	Remuneration Policy of the Company is set out in the "Remuneration & Nomination Committee Report " on pages 269.
	Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	The aggregate remuneration paid to Executive and Non-Executive Directors is disclosed in the "Annual Report of the Board of Directors on the Affairs of the Company" on page 324.
7.10.6 Audit Committee			
The Board Audit Committee, on behalf of the Board undertakes the detailed monitoring of the controls and reports to the Board on its findings.			
7.10.6	A listed company shall have an Audit Committee	Compliant	The Company has an Audit Committee, the details of which are provided on page 266.



Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
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	Compliant	The Audit Committee comprises a majority of Non-Executive Independent Directors. "Board Audit Committee Report" on page 266 provides the details of the composition thereof.
	One Non- Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Compliant	During the year 2014/15, Mr. P. Kudabalage, a Non- Executive Director of the Company functioned as the Chairman of the Audit Committee. At present, Mr. J. P. Amaratunga, who is also a Non- Executive Director functions as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both the Chief Executive Officer and the Chief Financial Officer attend the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	Mr. P. Kudabalage, who functioned as the Chairman of the Audit Committee during 2014/15 is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL). The present Chairman of the Committee, Mr. J. P. Amaratunga is a Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow Member of Chartered Management Accountants.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	Compliant	The "Board Audit Committee Report" on page 266 provides a brief description of its functions.



CORPORATE GOVERNANCE REPORT CONTD.

Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
7.10.6 (c)	The annual report shall set out; The names of the Directors who comprise the Audit Committee	Compliant	Please refer page 207 for the composition of the Audit Committee.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination	Compliant	Please refer the "Board Audit Committee Report" on page 266 for the required disclosure.
	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	Compliant	Please refer page 266 for the "Board Audit Committee Report".

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of People's Leasing & Finance PLC which is primarily responsible for 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 Committee proceedings were based on the Terms of Reference (TOR) of Integrated Risk Management Committee adopted by the Board of Directors for the functioning of the Committee.

TERMS OF REFERENCE (TOR) OF IRMC

The TOR clearly sets out the Purpose, Policy and Framework, Authority/ Delegations, Composition, Meeting Frequency & Quorum, Agenda & Minutes, Responsibilities and Reporting Procedures of the Committee.

A detailed approach to the Company's key Integrated Risk Management process has been dealt with in pages from 276 to 300 of this report.

COMPOSITION OF IRMC

During the year ended 31st March 2015, Mr. Nihal Jayawardene, PC- Non-Executive, Senior Independent Director was appointed as the Chairman of IRMC consequent to the reconstitution of the Committee by the Board at its meeting held on 28th July 2014. Integrated Risk Management Committee for the financial year 2014/15 comprised of the following members:

Mr. H. H. Anura Chandrasiri	Committee Chairman (Non- Executive, Independent Director) <i>Ceased to hold the office as the Committee Chairman w.e.f. 28.07.2014 and reappointed as a Committee Member on 28.07.2014</i>
Mr. Nihal Jayawardene.PC	Committee Chairman (Non-Executive, Senior Independent Director) <i>Appointed w.e.f. 28.07.2014</i>
Mr. N. Vasantha Kumar	Committee Member (Non-Executive, Non-Independent Director)
Mr. D. P. Kumarage	Committee Member (Chief Executive Officer/ General Manager)
Mr. Sanjeewa Bandaranayake	Committee Member (DGM-Finance & Administration)
Mr. Lionel Fernando	Committee Member (DGM-Operations)
Mr. Rohan Tennakoon	Committee Member (DGM-Business Development & Marketing)

COMMITTEE MEETINGS

The attendance of the members of the Committee was as follows.

Name of the Directors/ KMPs	Designation	Total Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. H. H. Anura Chandrasiri	Non- Executive, Independent Director	3	3*
Mr. Nihal Jayawardene. PC <i>w.e.f. 28.07.2014</i>	Non-Executive, Senior Independent Director	2	2
Mr. N. Vasantha Kumar	Non-Executive, Non-Independent Director	3	3
Mr. D. P. Kumarage	Chief Executive Officer/General Manager	3	2
Mr. Sanjeewa Bandaranayake	DGM (Finance & Administration)	3	3
Mr. Lionel Fernando	DGM (Operations)	3	3
Mr. Rohan Tennakoon	DGM- Business Development & Marketing	3	2

*Mr. H. H. Anura Chandrasiri- Non- Executive, Independent Director chaired only one meeting as the Chairman and attended other two meetings as a Committee Member.

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT CONTD.

As per the TOR of IRMC, the Committee Meetings should be held on a quarterly basis. During the year under review, the Committee held only three meetings in assessing risk profile of PLC Group. For the period from January 2015 to March 2015 there were no IRMC meetings held since Mr. Nihal Jayawardene, PC-Committee Chairman (Non- Executive, Senior Independent Director) and Mr. Anura Chandrasiri- Committee Member (Non- Executive, Independent Director) tendered resignations from the Board of PLC within the said period. Please refer the detail note given on page 230 explaining the compliance status of the Integrated Risk Management Committee in this regard.

The Board of Directors of PLC was reconstituted and consequently the Chairman and Members to the IRMC were re-appointed on 8th of April 2015. Accordingly, the current composition of the IRMC with effect from 8th of April 2015 is as follows.

Mr. M. P. Amirthanayagam	Committee Chairman (Non- Executive, Independent Deputy Chairman)
Mr. N. Vasantha Kumar	Committee Member (Non- Executive, Non- Independent Director)
Mr. D.P. Kumaraage	Committee Member (Chief Executive Officer/ General Manager)
Mr. Sanjeewa Bandaranayake	Committee Member (DGM-Finance & Administration)
Mr. Lionel Fernando	Committee Member (DGM-Operations)
Mr. Rohan Tennakoon	Committee Member (DGM-Business Development & Marketing)

Please refer pages 184 to 188 for the profiles of the Board Members and the Corporate Management.

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. Minutes of IRMC meetings held were also submitted to the Board seeking their views, concurrence and/or specific directions.

Officers who participated in IRMC meetings on invitation are listed below.

- Compliance Officer
- Secretary to the Assets and Liability Management Committee
- Key Management Personnel from PLC Subsidiaries
 - Chief Operating Officer- People's Insurance Limited (PIL)
 - AGM - Branch Operations/Coordinator of People's Microfinance Limited (PML)
 - AGM – Branch Operations/Coordinator of People's Leasing Fleet Management Limited (PLFML)
 - Accountant- People's Leasing Property Development Limited (PLPDL)

Risk tolerance levels

Risk tolerance is the acceptable level of variation relative to achievement of a specific objective, and often is best measured in the same units as those used to measure the related objective. PLC has determined tolerable ranges for the purpose of assessing risk. Risk tolerance levels help to ensure appropriate reporting and monitoring processes that can put in place for the effective management of identified risks. The risk tolerance levels are required to be 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 PLC is reviewed against the risk tolerance levels by IRMC at the quarterly meetings.

Assessing the risk profile of Subsidiary Companies

People's Leasing Property Development Limited (PLPDL) is a wholly owned subsidiary of People's Leasing & Finance PLC which was incorporated on 15th of August 2008. PLPDL mainly engages in property development projects for People's Bank and the PLC Group. PLPDL has identified its growth potential and was able to complete many property development projects of People's Bank and PLC during the year under review.

During the year under review, in line with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, Section 8 (3) (b), a Key Risk Indicator Report covering the risk profile of PLPDL was submitted to the IRMC at its quarterly meetings from June 2014 onwards. All the subsidiary companies that are in operation, i.e. PIL, PML, PLFML and PLPDL are submitting

their risk dashboard reports/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. People's Leasing Havelock Properties Limited (PLHPL) which is also a wholly owned subsidiary of PLC has not commenced its commercial operations.

ACTIVITIES OF THE COMMITTEE

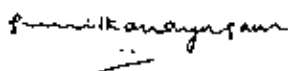
The Committee focused on the following activities during the year under review.

- Reviewing the credit risk strategy based on detail reports submitted to the Committee and assessing the effectiveness of the recovery strategies in minimising credit risk.
- Continuous monitoring of non-performing assets and giving rigorous attention to the credit quality.
- Overseeing the procedures of Integrated Risk Management responsibilities pertaining to risk management strategies, policies and processes.
- Assessing all broad risk categories such as credit, market, liquidity, operational, strategic and regulatory risks of PLC through appropriate risk indicators and reviewing against the risk tolerance limits.
- Reviewing the risk indicators of the risk dash board reports designed to monitor the level of specific risks at any given time, with a view of determining the adequacy and the appropriateness of such indicators.
- Reviewing the risk dash board reports of PLC and all subsidiaries as mentioned above and take prompt corrective action(s) to mitigate the negative effects of specific risks, in case such risks are exceeding the prudent thresholds.

- Reviewing the adequacy and effectiveness of management level committees such as Integrated Risk Management Operating Committee (IRMOC) and Assets and Liability Management Committee (ALCO).
- Reviewing the compliance on PLC's Information Security Management System (ISMS) to ISO/IEC 27001:2005, the standard that governs the design, implementation, monitoring, maintenance, improvements, and certification in the area of ISMS.
- Ensuring risk assessment decisions are taken within the framework of the authority and responsibility assigned to the Committee.
- Reviewing of the ALCO highlights during each quarter submitted by the Secretary to ALCO in assessing the effectiveness of liquidity and market risk management.
- Commenced the risk review of operations pertaining to People's Leasing Property Development Limited, a wholly owned subsidiary of PLC.
- Reviewing the compliance report submitted by the Compliance Officer to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of Company operations.

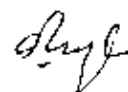
The Risk Management & Control Department co-ordinated with all subsidiaries of PLC and briefed the Committee with the relevant information through various risk indicators and additional information.

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 emphasising the upside and downside risks which can have an impact on the Company.



M. P. Amirthanayagam
Chairman
Integrated Risk Management
Committee

29th April 2015
Colombo



A. Ratnayake
Secretary
Integrated Risk Management
Committee

BOARD AUDIT COMMITTEE REPORT

THE COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee is appointed by the Board of Directors of People's Leasing & Finance PLC and as at end of the year comprised of the following Non- Executive Directors of the company,

Mr. Piyadasa Kudabalage (Ceased to hold office w.e.f. April 8, 2015)

Mr. H. H. Anura Chandrasiri (Ceased to hold office w.e.f. April 8, 2015)

Mr. Sidath Fernando (Ceased to hold office w.e.f. April 8, 2015)

During the year Mr. P. A. I. S. Perera ceased to be a member of the Committee on his retirement from the office of Director on June 28, 2014 and Mr. Sidath Fernando was appointed on July 28, 2014 to the Board Audit Committee.

Following the reconstitution of the Board of Directors of the Company on 8th April 2015 (details provided in Corporate Governance section of this report, pages 194 to 262) the Board Audit Committee was also reconstituted and presently it comprises of the following Non- Executive Directors of the Company;

Mr. Jehan P. Amaratunge (Committee Chairman)

Mr. M. Pradeep Amirthanayagam
Mr. M. A. M. Rizwan

The present Chairman of the Committee, Mr. Jehan P. Amaratunge is a Non- Executive Director, who is a Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow Member 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.

Mr. M. Pradeep Amirthanayagam and Mr. M. A. M. Rizwan are Independent Non- Executive Directors.

The Profiles of the Board Audit committee members are set out on pages 184 to 187.

Mr. Udesch Gunawardena, Head of the Internal Audit functions as the Secretary to Board Audit Committee.

CHARTER OF THE COMMITTEE

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.

MEMBERSHIP

Members of the Committee are appointed by the Board. The Committee is made up of at least three members. All members of the Committee are Non- Executive Directors. The Board appoints the Committee Chairman who shall be a Non- Executive Director and possesses adequate qualification and experience in accountancy and/or audit.

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.

MEETINGS

The Committee held four 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. Piyadasa Kudabalage	4	4
Mr. P A I S Perera	2	1
Mr. H H Anura Chandrasiri	4	3
Mr. Sidath Fernando	1	0

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, 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 shall assess 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 M/s. Ernst & Young during the year and provided the opportunity to discuss the issues, problems and reservations arising from audits including those matters that may need to be discussed in the absence of Key Management Personnel.

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 and monitor and review the effectiveness of the company's internal audit function in the context of the Company's overall risk management system. The Committee ensured that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;

The Committee 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 scrutinises 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 and approving 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 whistle-blowing or identified through other means.

Application of Sri Lanka Accounting Standards

With the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRS) and the mandatory implementation with effect from

BOARD AUDIT COMMITTEE REPORT CONTD.

January 2012, the company has complied with the requirements of new Sri Lanka Accounting Standards (SLFRS/LKAS).

The Board Audit Committee monitors the progress, the review process and keeps the Board of Directors informed at regular intervals.

Whistle blowing and fraud

The company's whistleblower policy intends serving a wide- spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee.

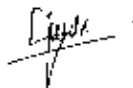
The policy has been published in all three languages in the Company intranet. The policy guarantees the maintenance of strict confidentiality of the whistle- blowers.

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 2016, subject to approval by the shareholders at the next AGM.



J. P. Amaratunge
Chairman - Board Audit Committee



Udesh Gunawardena
Secretary - Board Audit Committee

29th April 2015
Colombo.

REMUNERATION & NOMINATION COMMITTEE REPORT

The Remuneration Committee of the Company which was established on 22nd August 2011 was renamed as the Remuneration & Nomination Committee on 6th August 2013 and was duly reconstituted.

COMPOSITION OF THE COMMITTEE

The Remuneration & Nomination Committee is appointed by the Board of Directors of the Company. As at 31st March 2015 it comprised the following Directors,

Mr. P. Kudabalage- Chairman (Non-Executive, Non-Independent Director)
Mr. H. H. A. Chandrasiri (Non-Executive, Independent Director)
Mr. S. S. V. Fernando (Non-Executive, Independent Director)

Until his retirement from the office of Director of the Company on 28th June 2014, Mr. P. A. I. S. Perera (Non-Executive, Independent Director) served as the Chairman of the Committee and thereafter Mr. P. Kudabalage was appointed as a member and the Chairman of the Committee on 28th July 2014. Mr. S. S. V. Fernando was also appointed as a member of the Committee on 28th July 2014.

Following the reconstitution of the Board of Directors of the Company on 8th April 2015 as mentioned in page 200 of the Corporate Governance Report, the Remuneration & Nomination Committee was also reconstituted and it presently comprises the following members,

Mr. J. P. Amaratunga – Chairman (Non-Executive, Non-Independent Director)
Mr. M. P. Amirthanayagam – (Non-Executive, Independent Director)
Mr. J. A. Fernando – (Non-Executive, Independent Director)

At present, the Committee comprises only of Non-Executive Directors two of whom are independent.

Brief profiles of the members of the Remuneration & Nomination Committee are given on pages 184 to 187.

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 support and advise 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 authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

REMUNERATION POLICY

The Company's 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 salaries and other benefits are reviewed periodically taking into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants. The skills, experience of the individual and his/ her level of responsibility are also taken into account in deciding on the remuneration. The Human Capital Management Review on pages 118 to 137 provides further details on remuneration policy of the Company.

PRINCIPLES THAT UNDERPIN THE COMPANY'S REMUNERATION STRATEGY ARE,

- Remuneration is commensurate with each employee's expertise and contribution and is aligned with the business' performance and long term shareholder returns.
- There is no discrimination against employees based on diversity or physical difference.
- Remuneration structures encourage a focus on achieving agreed deliverables and behaviours.
- Individual performance appraisals identify talent at all levels in the organisation, enabling fair and competitive remuneration.

REMUNERATION & NOMINATION COMMITTEE REPORT CONTD.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

Fees

The Board as a whole decides the remuneration of the Non-Executive Directors. 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.

The fees paid to the Directors during the year 2014/15 are disclosed on page 324. This includes fees for all the committees of the Company that they served on.

SHARE OPTION FOR DIRECTORS

The Company does not have a share option scheme for Directors.

DIRECTORS' SHAREHOLDING

The shareholdings of Directors are provided in page 313.

PERSONAL LOANS FOR DIRECTORS

None of the Directors have taken loans from the Company.



J. P. Amaratunga
Chairman

Remuneration & Nomination
Committee

29th April 2015
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

With the voluntary adoption by the Company of the Code of Best Practices on Related Party Transactions – December 2013 issued by the Securities and Exchange Commission of Sri Lanka, which was subsequently incorporated into the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee was established by the Board in early 2014 to ensure strict compliance with the rules and regulations governing Related Party Transactions for Listed Entities and thus improve its internal control mechanisms.

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,

Mr. K. V. N. Jayawardene, PC – Chairman (Non-Executive, Independent Director)
Mr. P. Kudabalage (Non-Executive, Non-Independent Director)
Mr. H. H. A. Chandrasiri (Non-Executive, Independent Director)

Until his retirement from the office of Director of the Company on 28th June 2014, Mr. P. A. I. S. Perera (Non-Executive, Independent Director) served as the Chairman of the Committee and thereafter Mr. Jayawardene, PC was appointed as a member and the Chairman of the Committee on 28th July 2014.

Following the reconstitution of the Board of Directors of the Company on 8th April 2015 as mentioned in page 200 of the Corporate Governance Report, the Related Party Transactions Review Committee was also reconstituted and it presently comprises the following members,

Mr. M. P. Amirthanayagam – Chairman (Non-Executive, Independent Director)
Mr. J. A. Fernando - (Non-Executive, Independent Director)
Mr. M. A. M. Rizwan - (Non-Executive, Independent Director)

At present, the Committee comprises only of Non-Executive Directors all of whom are independent.

PURPOSE OF THE COMMITTEE

The purpose of the Committee as set out in its written Terms of Reference (TOR), 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. Accordingly, except for transactions mentioned therein, all other Related Party Transactions are required to be reviewed by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

SCOPE 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 reviewing 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 Shareholders of the Company;
- If Related Party Transactions are ongoing (Recurrent Related Party Transactions) the Committee establishes guidelines for senior

management to follow in its ongoing dealings with the relevant related party.

- 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 concerning the Related Party Transaction to the Committee.
- If there is any potential conflict in any Related Party Transaction, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.
- 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 Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as “related parties” has been identified. This was further updated in the year 2014/15 to be in full compliant with the rules and regulation applicable to related party transactions as set out in the Finance Companies (Corporate Governance) Direction No.3 of 2008 (as amended) and the Listing Rules. 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. 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.



RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT CONTD.

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.

As per the existing practice, a detailed report on the related party transactions is submitted to the Board of Directors periodically and such transactions are also disclosed to the stakeholders through the Company's financial statements. Going forward, the Committee intends to further strengthen its functions by revisiting the TOR of the Committee and RPT Policy and re-aligning the internal procedures and policies with the requirements thereof.

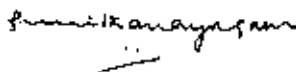
RELATED PARTY TRANSACTIONS DURING 2014/15

During the year 2014/15, 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.

Details of other related party transactions entered into by the Company during the above period is disclosed in note 48 to the financial statements.

DECLARATION

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2014/15 is given on page 325 of the Annual Report.



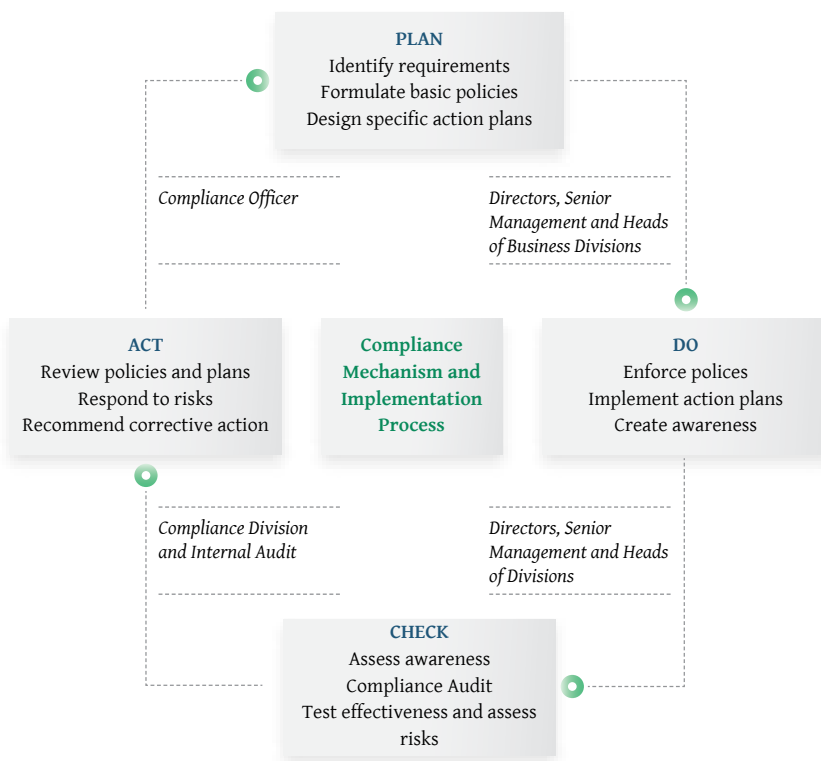
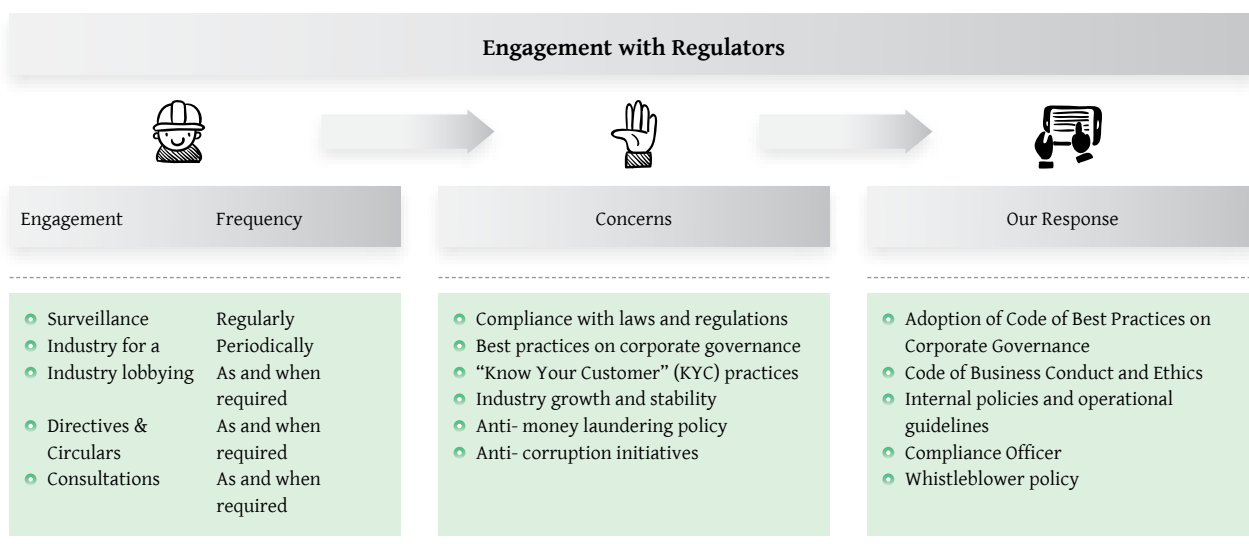
M. P. Amirthanayagam
Chairman

Related Party Transactions Review
Committee

29th April 2015
Colombo

COMPLIANCE MANAGEMENT

G4 - 26, 27



Recognising that ethical business conduct plays a key role in achieving sustainability and maintaining good governance at all levels of the organisation, PLC is committed to prevent corruption, fraud and other similar practices and instill integrity as a permanent component of its corporate culture. An essential element of integrity is compliance: adherence to all applicable laws, rules, regulations, internal policies and procedures. Thus, PLC promotes a robust compliance culture across the organisation and requires everyone, from the Board to staff, to consistently comply with applicable laws, regulations and standards and has established a separate compliance function to ensure the achievement of this objective.

COMPLIANCE FUNCTION

The Compliance Officer of PLC is an integral part of its internal control structure whose tasks, inter alia, include,

- developing compliance policies and procedures (including best practices);

COMPLIANCE MANAGEMENT CONTD.

“THE APPROACH ADOPTED BY PLC TOWARDS COMPLIANCE IS A PREVENTIVE APPROACH WHICH AIMS TO CREATE A CORPORATE CULTURE THAT STOPS POTENTIAL BREACHES BEFORE THEY OCCUR”

- 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 three (03) meetings.

PREVENTIVE APPROACH

Compliance forms an important part of governance and risk management. Therefore, the basis of PLC’s compliance management mechanism is a comprehensive analysis of the compliance risks to which the Company is exposed. The Company and its business activities are examined in terms of potential compliance risks that can arise, including from its structures, processes and market conditions. Thus, the approach adopted by PLC 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 this end, 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 priorities in 2014/15

Compliance priorities in 2014/15 focused on further strengthening the compliance function and the role of the Compliance Officer for consistent tracking and monitoring compliance to statutory and regulatory requirements as well as internal policies and procedures and developing compliance standards for dealings with suppliers. In the reporting year, PLC developed a self-assessment questionnaire which was given to prioritise suppliers and other business partners of various divisions to assess their sustainability practices including compliance to applicable laws and regulations, advocacy of ethical and fair labour and human rights practices, compliance and availability of certifications and standards, among other things.

TRAINING

One focus of the preventive measures under the compliance system of PLC is to provide adequate training to employees. The training plan which includes a combination of internal and external training opportunities as well as foreign exposure is structured by the HR Department. During the year 2014/15, 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 2014, over 250 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. In addition, the new members of the Board of Directors were provided with copies of all policies that govern the Company including the Code of Business Conduct and Ethics which sets out in detail their responsibility towards promoting an ethical business environment.



INTEGRITY INITIATIVES

PLC employs a range of measures to foster a culture of integrity at the Company and prevent corruptive practices, the key measure being, the Code of Business Conduct and Ethics (the Code).

Business ethics at PLC 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.

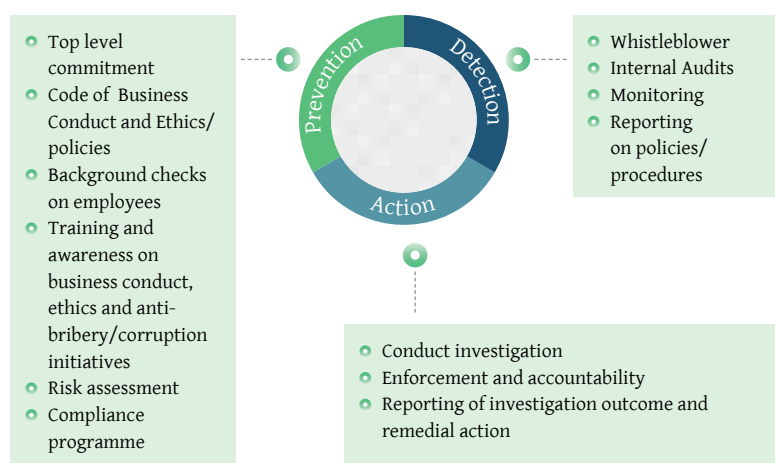
Accordingly, the Code is well internalised amongst the employees through training, employee meetings, staff circulars, emails and the intranet. The induction programme for new recruits also entails a session on the Code. In addition, the members of the Board are also provided with a copy of the Code and apprised of their responsibility to promote anti-corruptive, ethical business environment within the organisation. A summary of the Code is set out on page 212.

The Whistle Blower policy of the Company approved by the Board also seeks to proactively promote ethical behaviour in all business activities of the Company and serves as a valuable source of information on possible risks and specific violations of rules. It provides for a mechanism to report illegal or unethical behavior 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.

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.

The Company's 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.



RISK MANAGEMENT REVIEW

OVERVIEW

With widespread uncertainties present in today's business environment, both externally and internally, the Company is called upon to address risks that may erode the value creation process whilst taking on opportunities innate therein. The risk management framework which is in place supports the Company to effectively detect and deal with such emerging risks, enabling to avail the associated opportunities to gain a competitive advantage.

The latest developments that are taking place globally, from a corporate governance perspective, lays explicit responsibilities on boards and corporate management to ensure that they understand and manage their risk exposures. The strong tone set at the top on risk management has led to an effective risk culture within the Company, thus ensuring that all strategic, tactical and operational decisions are aligned with the risk appetite framework.

The risk management capabilities of the Company have created opportunities to derive competitive advantages, enabling long-term profitability. Risk management is a matter of balance between the Company's risk appetite and its ability to manage them. These capabilities effectively support the Company to adjust its capacity or risk appetite, enabling prudent and successful business decision making. The Company in the reporting year continued to reinforce its capabilities and thereby seek to manage or mitigate any down-side risks amidst a challenging business backdrop.

RISK HIGHLIGHTS - 2014/15

Credit Risk

- Credit growth reached 9.08%
- Company's NPL accommodations at 2.72% - well within the tolerance limits and much below the industry average
- Stringent recovery strategies implemented, limiting the exposure to the selected asset categories

- Interest rates continued to be maintained at lowest rates
- Interest rate movements regularly monitored and **net interest margin (NIM)** maintained at 8%-9% range

Market Risk

Liquidity Risk

- Liquid assets maintained well above the regulatory requirement
- Most of the short-term liabilities were settled
- Noticeable deduction in maturity mismatch
- Contingent funding lines were adequately maintained

- Staff turnover ratio maintained at 10.24% (13.77%-2013/14)
- ICT systems complied with ISO 27001:2005 certification, updating process for ISO 27001:2013 already commenced
- Mitigating action to reduce data link break downs in branches ensuring continuous business operations
- Development of KPIs to identify potential operational risks

Operational Risk

Strategic Risk and Business Risk

- Strategy implementation followed by internal and environmental analysis
- Necessary changes made to product and market strategies
- Credit disbursements grew by 28%
- Company's ROA is 4.75% and ROE is 18.61% - well above the industry average

- Complied with directions issued by the Central Bank of Sri Lanka and other applicable regulations issued by SEC
- Continuously monitored internal controls, policies and procedures for the compliance by employees

Regulatory/ Compliance Risk

Reputational Risk

- Company won many awards and certifications (Refer page 11)
- Company was listed in S&P index
- Improved brand recognition
- Invested Rs. 72.85 Mn in CSR activities
- Further strengthened customer grievance handling procedures

RISK MANAGEMENT OBJECTIVES

Risk management is vital in driving PLC towards its strategic goals. The primary objective of this function is to provide PLC a competitive advantage by fully integrating risk management into the day-to-day business activities and Company's broader business strategy.

Objectives of risk management can be listed as follows:

- identify and understand emerging risks' to which the Company is exposed
- determine risk appetite/tolerance levels aligned with the strategic objectives of the Company
- 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

Regular risk information and risk updates are made available to relevant authorities seeking to reach risk management objectives.

RISK APPETITE FRAMEWORK

Board is responsible for setting the risk appetite and implementation thereon comes under the purview of the senior management. Integrated Risk Management Committee (IRMC), with delegated authority of the Board, is responsible to establish effective risk appetite framework within the Company.

The risk appetite is determined on the level of risk, on a broad basis, that the Company is willing to accept in reaching for its business objectives. At PLC, setting objectives which are derived from the mission is an integral part of the strategic planning process. The Risk Management Department

contributes to the strategic planning sessions - in setting strategic objectives, functional and operational strategies and determining required resources to achieve those objectives.



In setting the risk appetite, factors such as mission, stakeholder expectations, risk capacity, business model including strategy, earning goals, competitive positioning and macro environmental factors are considered. This also involves understanding the Company's current risk profile, trends and monitoring the Company's ongoing performance against its desired risk appetite.

Risk tolerance levels, which are derived from risk appetite, represent the application of risk appetite to specific objectives. Operating within risk tolerances ensures that the Company remains within its risk appetite and, in turn, that the Company will achieve its objectives. These risk tolerance levels are linked to the performance indicators and embedded in the risk monitoring process. These indicators are reported by way of a risk dash board presentation to the IRMC on a quarterly basis to review. The Risk Department regularly monitors the compliance on risk tolerance limits for any potential downside risks. In the event of a tolerance limit breach, necessary management action is taken immediately to address downside risk

and bring the risk levels back within the risk tolerance limit.

The risk appetite framework of PLC covers following major categories of risks:

- Credit Risk
- Credit Concentration Risk
- Market Risk
 - Interest rate risk
 - Foreign exchange risk
 - Equity risk
- Liquidity Risk
- Regulatory/Compliance Risk
- Operational Risk
- Strategic Risk

Notwithstanding uncertainties and volatility within the marketplace, PLC remained firm in its growth aspirations. To this end, the Company consistently monitors the economic and regulatory environment to ensure that the risk appetite is well internalised with the changing demands on our business venture. The risk tolerance ranges set for major categories of risks can be depicted as follows:

RISK MANAGEMENT REVIEW CONTD.

Risk Category	Risk Indicator	Tolerance limit range (Low to High)
Credit Risk	Non Performing Ratio (Gross)	3%- 5%
	Three Months Overdue Ratio	5%- 10%
	NPL/Provision Cover	90%- 75%
	P&L Charge Ratio	2%- 5%
Credit Concentration Risk	Industry Concentration Ratio	30%- 50%
	Single Borrower Limit (Individual)	As per CBSL
	Single Borrower Limit (Group)	As per CBSL
Liquidity Risk	Liquid Asset Ratio	115%- 100%
	Maturity Mismatch Ratio (up to 1 year)	-35% to -45%
Market Risk	Interest Rate Sensitivity	5%- 10%
	Net Interest Margin	6%- 4%
Operational Risk	Frauds Detected - Value as a % of Operational Expenses	0.25% - 0.5%
	Unsatisfactory Audits as a % of Total Audit Reviews	0%- 15%
	Cost to Income Ratio	40%- 50%
	Staff Turnover Ratio	5%- 15%
Regulatory Risk	Capital Adequacy	
	Core Capital Ratio	10%- 5%
	Total Risk Weighted Capital Ratio	15%- 10%
	Gearing Ratio	5times- 7times
	Capital Funds Ratio	15%- 12.5%
Strategic Risk	Return on Equity Ratio	12%- 10%
	Return on Assets Ratio	4%- 3%

RISK MANAGEMENT PROCESS

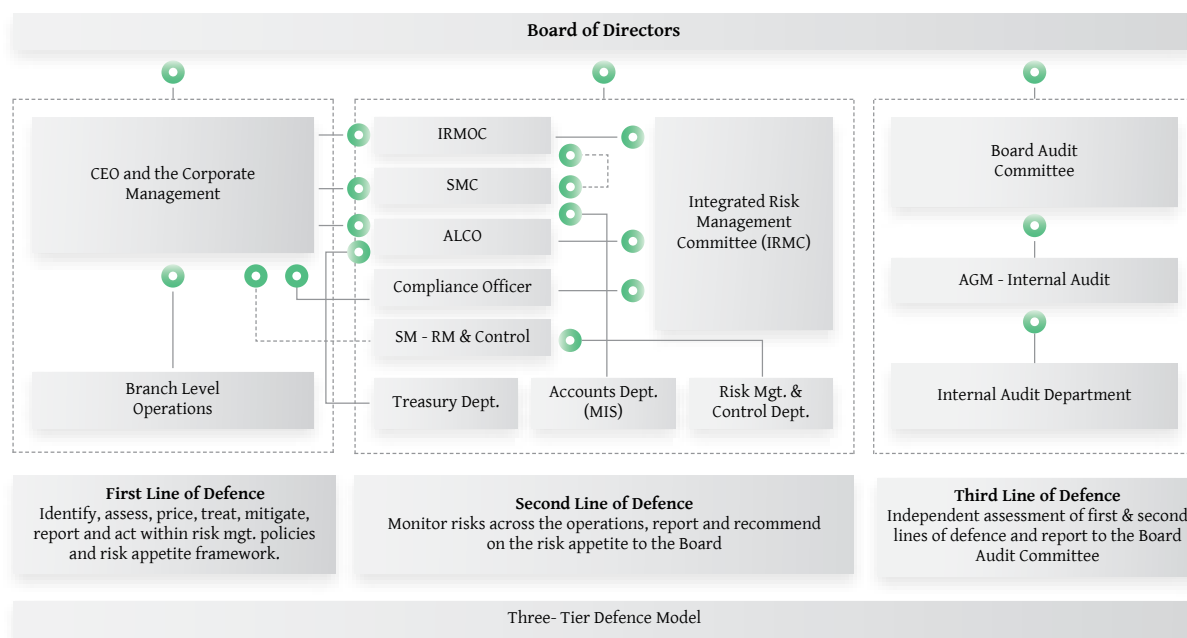
Achieving corporate objectives, both strategic and operational, is subject to external events which are not always within the Company's control. Therefore, an effective risk management framework can provide reasonable assurance for the management and the Board in its oversight role, and are made aware, in a timely manner, of the extent to which the entity is moving towards achievement of its objectives.

The risk management process at PLC encompasses the steps of establishing the context, risk assessment, risk control, risk monitoring & reporting on the risk profile of the Company on a regular basis. The risk assessment entails risk identification, analysis and evaluation and risk treatment. This is an iterative process in which almost any component can influence another.



Process Element	Description
Establish the Context	This is the process of defining the scope for the risk management process. The scope is primarily determined within the context of the Company's strategic objectives. Clearly-defined objectives help to identify risks that affect the achievement of those objectives. For this purpose, the Company assesses the macro environmental factors and strengths, weaknesses, opportunities and threats and their influence on objectives. In this regard, the Company has a clear understanding of internal and external stakeholders who have an interest and power over the activities of the Company.
Risk Events Identification	Potential risks arising from internal and external events which affect achieving the Company's objectives are identified in a timely manner. Risk identification is performed through brainstorming sessions, internal audit report findings, using tools such as PEST analysis, Scenario Analysis, etc.
Analysing and Evaluating Risk	Risk analysis involves the assignment of an overall rating, likelihood and consequence of risk events and evaluating existing controls and determining the effectiveness of these controls in design and operation. Identified risks need to be analysed for dependencies to address risk in an integrated manner. Quantitative tools and qualitative information are used to effectively analyse and evaluate risks.
Risk Assessment	This process involves assessing risks in terms of the likelihood and impact on Company earnings and capital to mitigate any potential risks. Stress tests are performed for major categories of risks to gain understanding of impact on earnings and capital in the case of risk materialisation.
Risk Treatment	Risk avoidance, risk reduction, risk acceptance and risk sharing/transferring are the risk treatment options available and appropriate risk responses are selected align with the risk appetite. In selecting the most appropriate risk response, the cost of implementing each activity and benefits are considered.
Risk Control	This element includes establishing key control processes and practices including limit structures, provisioning requirements and reporting standards.
Monitoring & Reporting	Monitor controls and adherence to risk tolerance limits and risk appetite provide early warning of control or appetite breaches. Reports are made available to IRMC and the corporate management on potential risk exposures, concentrations and risk-taking outcomes.
Effective Communication	This involves effectively communicating information in a broader sense, flowing down, up and across the Company. Also, the Company ensures that information flows amongst above activities in the risk management process. Relevant information that was identified or captured is communicated, enabling employees to effectively perform their roles and responsibilities.

RISK GOVERNANCE



RISK MANAGEMENT REVIEW CONTD.

Responsibilities of Three- Line Defence

FIRST LINE	The first line of defence is the business management which has day-to-day ownership, responsibility and accountability for assessing, controlling and managing risk. At PLC, business operations are carried out at branch level and their operations and activities are shaped by risk management policies and risk appetite framework of the Company.
SECOND LINE	The risk management function works as second line of defence, providing guidance to branches and determine on adequacy of risk mitigation. IRMC and other managerial level committees such as Integrated Risk Management Operating Committee (IRMOC), Asset and Liability Management Committee (ALCO) and Senior Management Committee (SMC) review on the risk management at branch level and recommend action based on reviews. Details of committees are set out below.
THIRD LINE	The third line of defence is provided by Internal Audit Department which independently reports to the Board Audit Committee. The Internal Audit Department is responsible for providing independent assurance on the first and second lines and determining the appropriateness and effectiveness of policy implementation and internal control.

The Board of Directors is assisted by the Board sub-committee and management level committees to ensure the adequacy and effectiveness of the Company's risk management framework and capabilities to achieve strategic objectives. At PLC, Board level committees and management level committees make an integral part of risk governance. Details are set out below:

Committee	Key Objectives	Representation	Chaired By
Integrated Risk Management Board Sub-Committee (IRMC)	<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 companies 	<ul style="list-style-type: none"> Non-Executive, Independent Deputy Chairman Non-Executive, Non-Independent Director Chief Executive Officer/General Manager Deputy General Managers Compliance Officer Senior Manager - Risk Management Control Key risk owners of subsidiary companies 	Non-Executive, Independent Deputy Chairman
Board Audit Committee (BAC)	<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"> Three Non-Executive Directors Key management personnel External Auditors 	Non-Executive Director
Asset and Liability Management Committee (ALCO)	<ul style="list-style-type: none"> Review the treasury; 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

Note: This is the current composition of IRMC which was appointed on 8th of April 2015. For more details please refer the Integrated Risk Management Committee Report on pages 263 to 265

Committee	Key Objectives	Representation	Chaired By
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

Integrated Risk Management Committee (IRMC)

Integrated Risk Management Committee
Chairman: Non-Executive, Independent Deputy Chairman
Committee Members
Non-Executive, Non-Independent Director
Chief Executive Officer/General Manager
Deputy General Manager - Finance & Administration
Deputy General Manager - Operations
Deputy General Manager - Business Development & Marketing
By Invitation
Compliance Officer
Chief Operations Officer - People's Insurance Limited
Assistant General Manager - Branch Operations/Coordinator- People's Microfinance Ltd
Assistant General Manager - Branch Operations/Coordinator- People's Leasing Fleet Management Ltd
Accountant - People's Leasing Property Development Limited
Secretary - Asset & Liability Management Committee

Integrated risk management function of the Company has been assigned to the IRMC, which is a Board sub-committee with a delegated authority of the Board as required by Finance Companies (Corporate Governance) Direction No. 3 of 2008, issued by the Central Bank of Sri Lanka. IRMC reports to the Board of Directors on a quarterly basis.

IRMC forms an integral part of 2nd Line of Defence as the Committee is responsible for developing and monitoring the Company's risk management policies. The IRMC is held responsible for the review of risks on a quarterly basis based on the Risk

dash-board reports forwarded by the Risk Management Department. The risk dash-board report is presented with key risk indicators relating to credit, market, liquidity, operational and strategic risks. The Committee ensures that the risk profile of the Company has been managed in line with risk appetite framework of the Company.

IRMC assesses the risk profile of PLC subsidiary companies, i.e. People's Insurance Limited, People's Microfinance Limited, People's Leasing Fleet Management Limited and People's Leasing Property Development Limited. Further details have been given on page 299 under the heading Group Risk.

The ALCO reports to IRMC on a quarterly basis, highlighting risk exposures related to assets and liabilities within that quarter. The Compliance Officer reports on the Company's compliance with laws, regulations, rules and regulatory guidelines, internal controls and Board approved policies to IRMC on a quarterly basis.

A detailed report on the IRMC is presented on pages 263 to 265 of this Annual Report.

RISK MANAGEMENT REVIEW CONTD.

INTEGRATED RISK MANAGEMENT OPERATING COMMITTEE (IRMOC)

The main objective of establishing this Committee is to manage the risks associated with the Company on a regular basis strengthening the risk governance structure. The IRMOC is accountable to the IRMC. The Risk Management & Control Department coordinates the meetings and reports directly to IRMOC.

The Committee consists of risk owners of all functional areas including Key Management Personnel. IRMOC is responsible for maintaining the awareness of any changes in the Company's overall risk profile in an integrated manner and monitoring the areas of risk management and compliance.

IRMOC is authorised to identify, review and monitor all risk exposures and risk related policies/procedures affecting credit, market, liquidity, strategic and operational areas. The Committee is also responsible to identify and apply risk mitigation techniques based on the severity of impact.

ASSET & LIABILITY MANAGEMENT COMMITTEE (ALCO)

ALCO is chaired by Chief Executive Officer/General Manager of the Company and consists of corporate management and key decision makers in the areas of finance and treasury. The Committee regularly meets to assess pricing, liquidity position and market risk of PLC.

The ALCO focuses on PLC's sources of funds and its lending strategy with an aim to meet profitability objectives. ALCO decides the competitive lending rates and deposit rates considering main factors such as cost of funds and interest rates prevailing in the market. ALCO regularly monitors the information such as asset & liability

maturities, movement of deposits over the financial year and equity investment portfolio of the Company.

A comprehensive internal reporting system relating to PLC's liquidity position and funding lines is in place to provide detailed information to the ALCO. This allows the ALCO to apply and, if necessary, amend the asset and liability management policies, analyse the maturity profile of various components of on/off balance sheet items and review monthly lending and borrowing rates and competitor behaviour. The ALCO also monitors any relevant policies or rules issued by regulators viz. the Central Bank of Sri Lanka and Securities Exchange Commission of Sri Lanka. Based on its assessment and directions, the ALCO recommends to the Board on any action it deems necessary to limit or mitigate and to manage liquidity and market risks. The ALCO reports to the IRMC which reviews factors affecting market risk and liquidity risk.

ROLE OF THE TREASURY

Treasury plays a key role in managing market risk and liquidity risk in day to day business activities of the Company. Treasury is responsible for preparing comprehensive reports on assets and liability profile and interest rate movements, enabling ALCO to assess market and liquidity risks.

The treasury projects cash flow needs based on scenario analysis and determines the level of liquidity required in response to the test results. Depending on its assessment of the current risks and the funding needs, it proposes necessary changes to the Company's capital structure, including the availability of alternative lines of funding. Also, the treasury carries out treasury related regulatory and management reporting functions.

The treasury will create an appropriate capital ratio of debt and equity in order to fund the business, ensuring the optimum balance between cost and risk. Ultimately, it attempts to ensure the availability of liquidity and cash to meet obligations as and when they fall due and obtain funds to fulfill any deficiency in liquidity. Treasury reports to the ALCO which assesses factors in relation to liquidity risk and market risk and in response, implement necessary policy changes as corrective measures.

SENIOR MANAGEMENT COMMITTEE (SMC)

SMC which consists of senior management forms a part of risk management process of the Company. SMC meets regularly to address risks faced by the Company and discuss the current affairs, changes in the environment and future course of action. The Company policy matters are taken up at the Committee and decided on any amendments required to address risk. The Committee will make the awareness among senior management about the overall impact to the risk profile of the Company. This will enable the senior management to make better decisions in day-to-day business of the Company.

BOARD AUDIT COMMITTEE (BAC)

As part of third line of defence, the BAC is mainly responsible for the oversight of financial reporting, internal controls including risk management systems of the Company. BAC monitors the integrity of the financial statements including annual and half-yearly reports and interim management statements. The committee reviews the Company's internal controls and risk management systems for its effectiveness. The whistle blower policy is in place and it provides opportunity for employees to raise their concerns, in confidence, about possible wrong doing in financial reporting or other matters. The committee ensures the independent investigations of such matters and appropriate follow up action. The Committee is responsible to review the adequacy of the scope, functions and resources of the internal audit department. BAC reviews, assesses and approves the annual internal audit plan and internal audit programme. The Committee monitors and reviews the effectiveness of the Company's internal audit function in the context of the Company's overall risk management framework. A detailed report on the BAC is presented on pages 266 to 268 of this Annual Report.

INTERNAL AUDIT

The Internal Audit Department provides an independent risk-based oversight to the BAC on the processes and controls that help to mitigate major weaknesses. The Internal Audit Department is responsible for independent and objective assurance on the internal control mechanism, in order to systematically evaluate and propose improvements for more effective internal control processes and governance. Internal Audit carries out independent reviews of compliance with risk policies and procedures to ensure effectiveness of risk management procedures.

MAPPING RISKS

In an attempt to mitigate the risk associated with the Company, a risk map depicting the severity and frequency of each risk element is prepared. This provides the management with a comprehensive view on the associated risk which will enable them to manage the risk better. This risk mapping exercise of the Company is carried out as a brainstorming session supported by quantitative and qualitative information. The guiding map used in arriving risk position of each risk is as follows:

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

MANAGEMENT OF RISK

CREDIT RISK

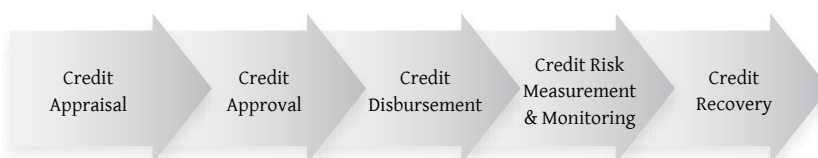
Risk Rating		
Frequency	High	Risk Position:
Severity	Low	Moderate 3

Description

Credit risk is that the counter party to a financial transaction will fail to discharge an obligation, resulting in financial loss. Credit risk may result in the loss of the principal amount and interest and adverse implications on profits due to the impairment provisions or write-offs of non-performing facilities. Credit risk can arise from on-balance sheet items such as leases, loans and hire purchases and off-balance sheet items such as letter of credits, guarantees, etc.

Assessment

PLC is exposed to credit risk mainly with respect to facilities of leases, hire purchases and loans. PLC manages its credit risk focusing on the following key areas:



RISK MANAGEMENT REVIEW CONTD.

Credit Appraisal

Leases, hire purchases and loans are originated at the branch level. Credit proposals are evaluated based on the credit policy and guidelines of the Company. When evaluating, the customer criteria such as the purpose of the proposed facility, vehicle/equipment category, second hand market value of the vehicle/equipment, credit history and repayment capacity are considered. Then, the marketing officer/risk owner is able to identify and assess the credit risk pertaining to a credit proposal, acting within the risk management policies and risk appetite framework.

Credit Approval

The credit approval hierarchy can be depicted as follows:



Branch Credit Committee

Objectives	To further strengthen the credit evaluation process of the Company in line with the credit policy
Composition	Branch Manager Second Officer Branch Recovery Head Branch Marketing Head Marketing Officer who is forwarding the credit facility
Main Responsibility	To evaluate and recommend credit facilities within the credit limit prescribed for branches

The Branch Credit Committees which have been established at branch level evaluate credit proposals collectively in mitigating credit risk. Apart from the Branch Credit Committee, the Branch Manager is the highest authority level within the branch to approve credit facilities subject to prescribed credit limits. Depending on the requirement, credit facility files may also be submitted to the next authority levels for approval. The Board of Directors is the highest authority

to approve credit facilities that are of highest value or exposure.

In addition to the delegated authority, other controlling mechanisms are also in place to mitigate credit risk. Manual controls require additional documentation relating to the customer and the asset underlying lease, 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 minimise the credit risk which derives from the materialisation of operational risk.

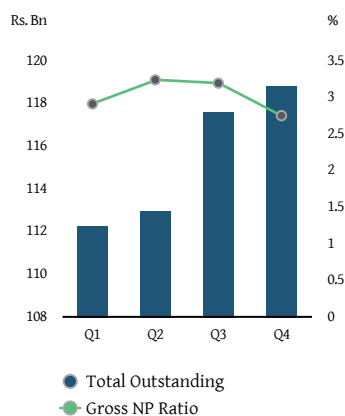
Credit Disbursement

The Documentation Department which operates centrally at the head office ensures all security documents related to credit facilities are completed while the Finance Department is entrusted to release all disbursements to minimise any related risks.

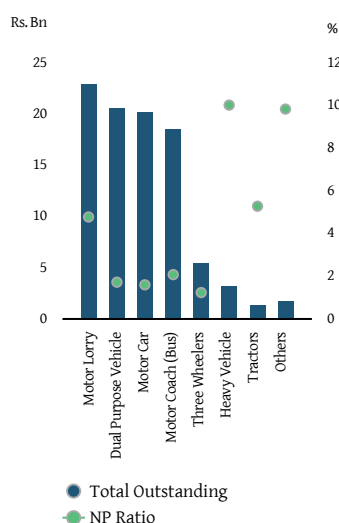
Credit Risk Measurement and Monitoring

DGM - Operations and DGM - Business Development & Marketing oversee branch operations and track the status of the credit portfolio, undertake impact studies and detect early warning signals pointing to deterioration in the credit quality of the facility. Comprehensive management information reports are prepared on a monthly basis and submitted to the senior management. IRMC assesses the credit portfolio performance against risk tolerance levels and reviews risk dash-board papers to capture negative trends in the credit portfolio, on a quarterly basis. The Company is committed to improve its capabilities on credit risk management through investing in people, processes and IT infrastructure.

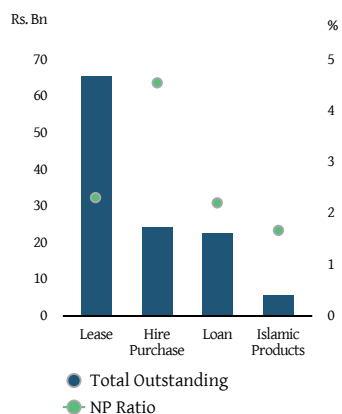
NP Ratio and Total Outstanding*-2014/15



Asset-wise NP Ratio and Total Outstanding* (Leasing & HP)



Product-wise NP ratio and Total Outstanding*



During the year under review, demand for HP product was reduced mainly due to the tax reforms of Budget 2015. Apart from the low demand, asset maturities take place from the existing portfolio also reduced the total HP portfolio. Therefore, NP ratio for HP is comparatively high as the non-performing advances are compared with a low asset base.

Industry-wise segmentation of NPA Portfolio as at 31st March 2015

Industry Sector	Outstanding* Value (Rs.)	Impairment (Rs.)	Disposal Losses Charged (Rs.)
Services	1,014,024,200	651,444,040	231,785,627
Trading	939,816,385	602,213,382	289,755,087
Transport	508,485,133	379,961,279	175,411,822
Others	177,681,671	157,734,447	38,829,563
Constructions	394,905,429	205,097,882	53,114,665
Agriculture	135,806,294	79,054,208	59,655,752
Fisheries	544,384	749,139	767,592
Industry	50,325,695	33,309,992	3,262,335
Tourism	15,655,184	15,247,183	2,616,240
Total	3,237,244,375	2,124,811,552	855,198,683

Province-wise segmentation of NPA Portfolio as at 31st March 2015

Province	Outstanding* Value (Rs.)	Impairment (Rs.)	Disposal Losses Charged (Rs.)
Western	1,790,730,550	1,160,135,029	317,142,666
Southern	274,339,644	207,610,679	94,907,383
Central	236,115,604	145,285,850	98,266,030
Uva	163,624,029	128,531,495	50,786,282
Sabaragamuwa	106,305,674	100,932,245	32,689,262
Eastern	156,346,157	89,268,141	66,067,010
North Western	240,484,191	142,449,466	77,266,950
North Central	189,662,948	97,643,967	54,489,876
Northern	79,635,578	52,954,680	63,583,224
Total	3,237,244,375	2,124,811,552	855,198,683

* Outstanding Value = future rentals + arrears rentals

NPL Stress Test

Different NPL stress scenarios were carried out to determine the impact on Company's Capital Adequacy Ratio.

Scenario	1	2	3
Magnitude of Shock	10%	15%	20%
Capital Adequacy Ratio	20.11%	20.05%	19.99%

RISK MANAGEMENT REVIEW CONTD.

Credit Recovery

The Company has a well-established post-sanction monitoring process coupled with a continuous review process at branch level. Recovery officers at the branches are geared to monitor the collection of rentals and identify any post-disbursement problem credits. Special recovery and legal recovery units are established at the head office to facilitate recovery action for the identified problem credits. The Legal Recovery Unit is responsible to take required legal action complying with laws and regulations, thereby making an attempt to reduce the negative impact arising from credit exposures. As the last resort, the Company will repossess assets underlying leases to recover credit losses arising from default facilities.

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:

- significant financial difficulty of the customer
- a breach of payment, such as default or delinquency 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 reorganisation
- loss of an active market for the financial asset because of financial difficulties.

Individual Impairment Assessment

The Company determines allowances appropriate for each significant loan or advance, individually, if there is

any objective evidence of loss events mentioned above. The impairment allowance is evaluated on a monthly basis. Factors that are considered when determining individual impairment allowance are:

- 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

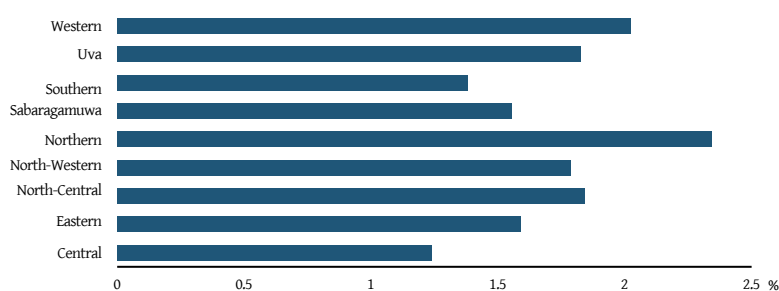
- The realisable value of collateral and the timing of the expected cash flows

Collective Impairment Assessment

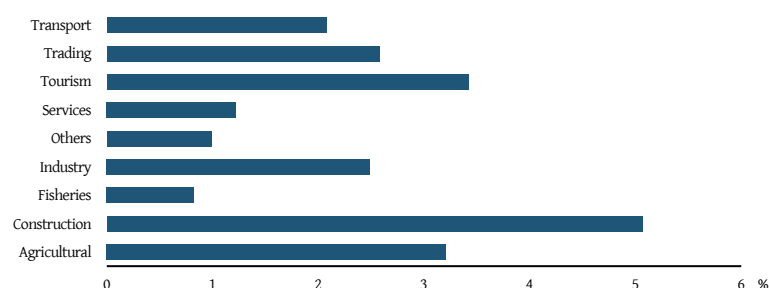
Collective impairment assessment is performed considering both portfolio factors and macro environmental factors. Portfolio factors relate to information at the credit portfolio level that suggests adverse changes in the payment status of the borrowers. Macro factors also should be considered for the assessment where direct correlation has been established between/conditions and the incidents of defaults in a particular grouping.

Portfolio Factors	Macro Environmental Factors
• Credit utilisation	• Unemployment in a specific geographical location
• Loan to collateral ratio	• Interest rates
• Death of borrower	• Inflation
• Risk-profile of borrower	• Significant decrease in the price of a commodity that is the revenue source of the customer
• Age of loan portfolio	• Significant adverse change affecting borrowers in group

Province-Wise Impairment Ratio* as at 31.03.2015



Sector-Wise Impairment Ratio* as at 31.03.2015



*Impairment Ratio- Impairment/Total Outstanding

Mitigation

The Company has well-established credit policies, processes and procedures relating to credit operations as a measure to curb credit risk. All credit exposure limits are approved within a defined credit approval authority framework including single borrower limit. Suitable exposure limits for borrowers, credit approving officers and sectors are established and monitored regularly.

During the period under review, the credit growth of PLC reached 9.08 percent and the Company experienced increasing trend of non-performing level. Branch operations initiated immediate credit risk mitigatory measures through continuous monitoring of trend and aligned with the risk tolerance levels and risk appetite.

Despite the increasing trend in the Non-Performing (NP) ratio, PLC managed to maintain the ratio below the risk tolerance level and also well below that of the industry average. The Company closely monitored and analysed the credit portfolio regularly. The Company strengthened the recovery function at the branch level and the functions in the special recovery and the legal recovery units for effective recovery process, thereby managed the disposal losses and write-offs during the year to minimise the negative impact. Measures were taken to limit credit granting to identified asset categories to mitigate the credit risk. Recovery officers were urged to take up their responsibilities effectively to follow-up on problem credits as a continuous process. One of the purposes of setting up branch credit committees is to identify such possible problem credits in advance and avoid any deterioration of credit quality in the credit portfolio.

In addition, marketing officers who are considered to be the front-line risk owners were adequately educated on credit granting to identify possible problem credits in advance. As a precautionary measure, the Company considers vehicle category and second-hand value and maintains healthy loan to value ratio at inception to minimise the exposure at risk.

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, to reduce the overall credit risk. Collateral include personal/corporate guarantees, vehicle or any other moveable asset.

During the period under review, the Company launched new lending products marking the 18th anniversary of PLC. The Risk Department evaluated the proposed products from a risk perspective prior to approval of such products. The potential risks associated with new products were identified, especially emphasising credit risk and operational risk.

Social and Environmental Risk in Lending



Improper operation or maintenance of the vehicle/equipment financed by the Company may impact community or worker safety and result in potential environmental contamination and pollution; especially emissions from leased assets will contribute to climate change and air pollution. The Company may also be impacted by legal issues from unethical activities which could have a social impact.

The lending facilities granted by PLC are mainly channelled to the SME sector. SMEs play a critical role in job creation, income generation through self-employment, 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, job-creating enterprises.

The Environmental & Social Policy of PLC explains the commitment to environmental & social risks it might be exposed to as a result of the operations of customers in the lending portfolio. Accordingly, the Company will refrain from financing customers who are engaging in certain types of unethical activities which have adverse environmental & social impacts. 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.

RISK MANAGEMENT REVIEW CONTD.

CREDIT CONCENTRATION RISK

Risk Rating

Frequency	Low	Risk Position:	
Severity	Low	Low	1

Description

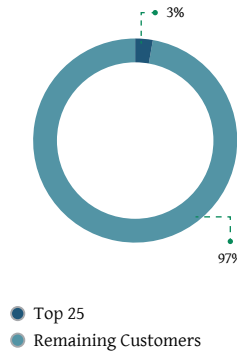
Concentration risk arises from uneven distribution of exposures to particular sectors. The Company provides lending facilities to several sectors in the economy, which carries peculiar risk characteristics. Therefore, the Company will be exposed to the risk of dependence by over-concentrating on few 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 the favourable movement of the other.

Assessment

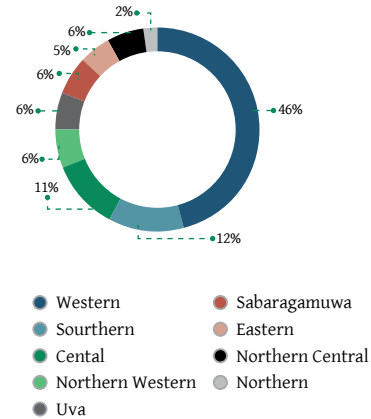
Industry exposure on disbursement is prepared on a monthly basis to identify the level of exposure to each sector in the economy. This is reported to the IRMC on a quarterly basis. Additionally, the report on sector concentration is submitted to the Central Bank of Sri Lanka on a monthly basis.

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.

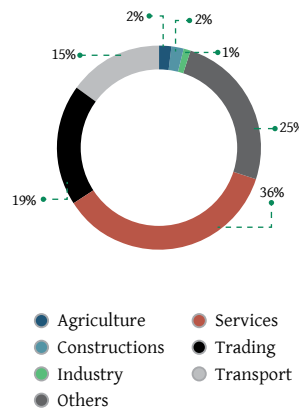
Customer Concentration as at 31.03.2015



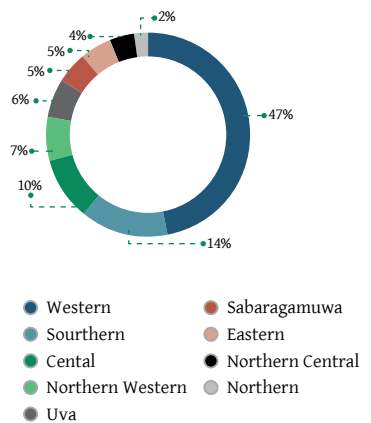
Geographical Concentration (Disbursements) - 2013/14



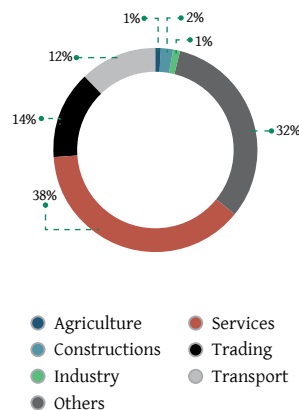
Sector Concentration (Disbursements) - 2013/14



Geographical Concentration (Disbursements) - 2014/15



Sector Concentration (Disbursements) - 2014/15



Mitigation

Ensuring prudent portfolio management, the IRMOC sets concentration limits to manage credit risk based on current market condition, future trends, PLC's risk appetite, etc. The concentration limits have been set under different criteria to support prudent portfolio management such as industrial/service sectors and product. The concentration limits are continuously monitored by the Risk Management Department on a monthly basis.

LIQUIDITY RISK

Risk Rating

Frequency	Low	Risk Position:	
Severity	High	Moderate	3

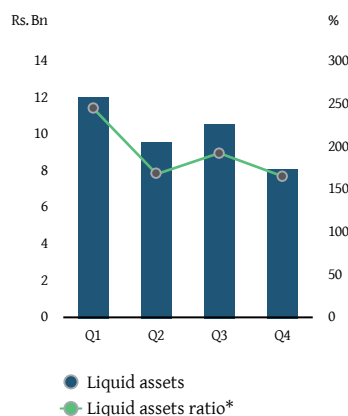
Description

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. It indicates that the cushion provided by the Company's liquid assets is insufficient to meet its obligations. Effective management of liquidity is very important to ensure confidence and smooth functioning of the Company operations to generate working capital under any circumstance.

Assessment

A variety of key liquidity risk indicators are used by the Company to assess the adequacy of the liquidity position namely, liquid asset ratio, liquidity gap analysis, capital adequacy ratios and funding concentration. Key liquidity risk indicators are regularly monitored by ALCO to ensure that assets and liability portfolios of the Company are geared to maintain a healthy liquidity position. ALCO reviews interest rate environment and analyses competitors, lending rates, maturity gap and deposit movements to manage liquidity and interest rate risks. The Treasury is entrusted with the task of monitoring the daily liquidity requirement and is responsible for managing and controlling the overall liquidity position of the Company.

Liquid Assets and Liquid Assets Ratio - 2014/15

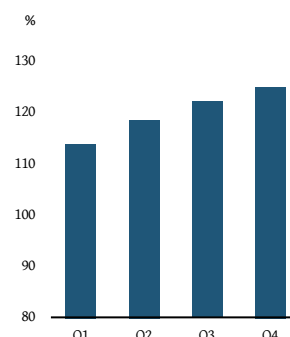


*Liquid asset ratio: Liquid assets available/ Liquid assets required as per CBSL Directions.

The Company maintained adequate liquid assets through out the year, above the regulatory requirement. The liquid asset ratio is monitored regularly and reported to IRMC on a quarterly basis.

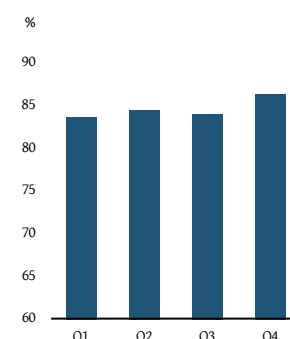
During the period under review, in view of reducing the maturity mismatch, fixed deposits below 1 year were discouraged.

Advances to Stable Funding Sources - 2014/15

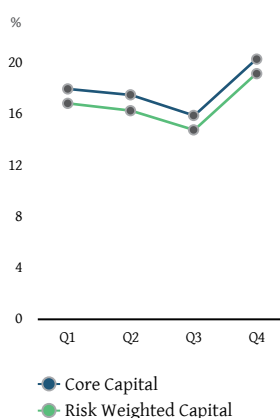


Note: Stable Funding Sources include free capital and funding sources over 1 year

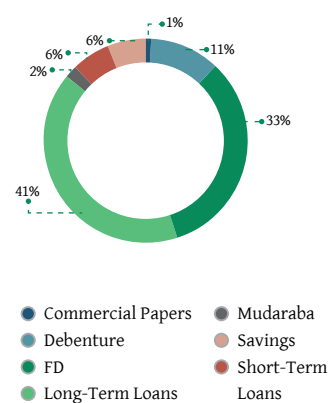
Net Loans to Asset Ratio - 2014/15



Capital Adequacy 2014/15



Funding Concentration as at 31.03.2015 (Based on Capital Outstanding)



RISK MANAGEMENT REVIEW CONTD.

Stress Test

Immediate withdrawal of deposits

Scenario	1	2	3
Magnitude of Shock (%)	10	15	20
Liquid Asset Ratio* (%)	111.25	76.34	38.33
Liquid Asset Ratio*-after adjusting contingent funds (%)	221.58	191.36	158.46

*Liquid asset ratio: Liquid assets available/
Liquid assets required as per CBSL Directions.

Mitigation

The Company maintains adequate unutilised facilities as a safety cushion to honour all cash outflow commitments as and when they fall due at acceptable levels as a strategy to mitigate the liquidity risk. The Treasury negotiates for favourable rates when raising short-term funds and thereby expects to reduce the interest cost. Short-term loans with high interest cost were settled with the loan proceeds to prevent the increase in gearing level of the Company. Treasury and ALCO monitor the deposit portfolio and deposit movement periodically. The Treasury monitors daily disbursements and collections to assess cash flow deficit or surplus. Also, measures have been taken to enhance the fee-based income to minimise dependency on fund based income. The Company continuously projects cash flows under various stress scenarios and determines the level of liquid assets necessary in relation thereto. The Treasury monitors debt obligations of the Company to ensure the adequacy of liquidity. Further, it reviews the level of liquidity required to comply with the directions of 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 exposure to systematic risk factors. The Company has identified interest rate, foreign exchange and equity risks as different types of market risks to which the Company is exposed. Each risk category has been explained in detail below.

Interest Rate Risk

Risk Rating		Risk Position:	
Frequency	Low	Severity	Low
Severity	Low		1

Description

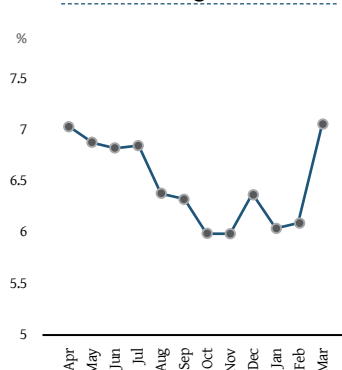
Interest rate risk is the volatility in the value of interest sensitive products and the level change in future income and expense levels due to the positions in the market interest rates. The Company always prefers to obtain long-term funds at favourable rates depending on the market conditions. The Company obtains funds at both fixed and floating rates; therefore, the interest rate margin is subject to volatility, due to changes in market rates.

Assessment

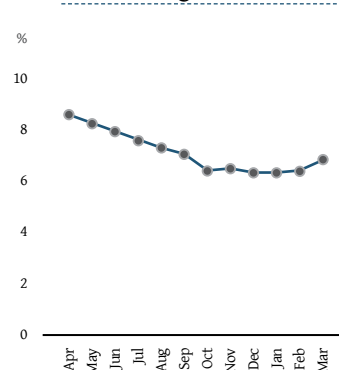
ALCO oversees the current interest rate environment and monitors the movement of key interest rate indices. The net interest position and the maturity gap are evaluated periodically when assessing the interest rate risk. Maturity gap analysis is prepared considering interest rate sensitive assets and liabilities which enable to assess the impact on net interest income resulting from interest rate movements in the market. Sensitivity analysis is carried out on interest rate scenarios to decide on the risk exposure and to assess the impact on net interest income. Interest rate risk indicators are also reviewed by the IRMC on a quarterly basis.

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

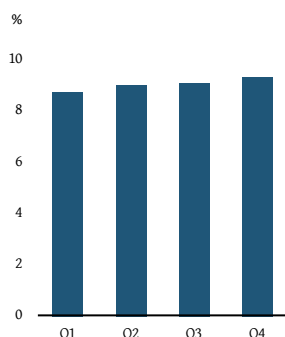
TB Rates (Avg) -2014/15



AWPLR (Avg) -2014/15



Net Interest Margin- 2014/15



Stress Test

Increase in interest rate impact on capital adequacy

Scenario	1	2	3
Magnitude of shock (%)	1	3	5
Capital adequacy ratio (%)	20.21	20.17	20.14

Mitigation

During the period under review, the Central Bank of Sri Lanka reduced key policy rates (Repo & Reverse Repo rates) and Statutory Reserve Ratio in order to enhance the lending activities in the medium term. ALCO also reduced deposit interest rates adhering to the Central Bank direction on deposit rates. However, the ALCO ensures to maintain the average of 5 percent interest rate spread at all times to minimise the interest rate risk. In line with the Company strategy to promote deposits with longer tenor, deposit rates for short-term deposits are maintained at a lower level. The Treasury constantly focuses on obtaining funds at favourable rates, especially through securitisations, as the quality of the Company's receivable portfolio is high. Lending policy rates are adjusted according to changes in market rates, in an attempt to mitigate the risk of falling interest rate margins. The current situation

of the macro economy is discussed at Senior Management Committee and ALCO meetings to re-price the products according to the market movements in an attempt to maintain profitability and other targets.

FOREIGN CURRENCY RISK

Risk Rating

Frequency	Low	Risk Position:
Severity	Low	Low 1

Description

Foreign exchange rate risk is that the Company may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in a currency. During the period under review, no foreign loan was raised by the Company. The main transaction subject to foreign currency risk is the US Dollar 50 million loan obtained in the previous financial year. The foreign loan outstanding was USD 23.75 million as at 31.03.2015.

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. ALCO decided to hedge entire foreign loan exposure against foreign currency risk. Accordingly, no foreign currency exposure was held in open position during the year.

Mitigation

During the period under review, PLC entered into Swap and forward rate agreements with two counter parties on the foreign currency exposure to mitigate the foreign exchange risk. ALCO reviewed the USD/LKR exchange rate fluctuations and considered risk appetite in evaluating and deciding hedging option of foreign currency exposure.

EQUITY RISK

Risk Rating

Frequency	Low	Risk Position:
Severity	Low	Low 1

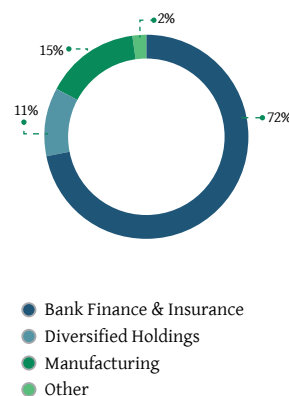
Description

This is the risk of loss arising from the adverse movement in the value of any equity investment held by the Company. Stock market prices can decline due to multiple reasons, including deterioration in performance or net asset value of particular Company.

Assessment

ALCO assesses the impact from adverse movement in the equity investment held by the Company.

Equity Investment - Sector Concentration as at 31.03.2015



RISK MANAGEMENT REVIEW CONTD.

Mitigation

Movement in stock market prices, broader economic conditions, political environment which could potentially have impacts on share prices are monitored on a regular basis. Any risk mitigation decisions are made by ALCO. PLC's equity portfolio had a market value of Rs.196 million at the year-end, which is relatively insignificant to the size of the Company.

STRATEGIC RISK

Risk Rating		
Frequency	Low	Risk Position:
Severity	High	Moderate 3

Description

Strategic risk arises from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. Therefore, the Company should be mindful in deciding strategy as wrong strategy will generate negative impact. Even when selecting the right strategy, improper implementation of strategy will also generate unfavourable results to the Company. Accordingly, strategic risk has impact on earnings as well as capital of the Company. This has become imperative in the highly competitive environment where the strategy formulation and effective implementation ensure the sustainability of profits. The key drivers of strategic risk are competition, customer changes, industry change, technological innovation and regulatory changes.

Assessment

The senior managers meet on a weekly basis and brainstorming sessions are carried out to share the experience, knowledge on market, industry and competitor behaviour. Comprehensive competitor analysis is carried out to identify the competitive position of

the Company and to decide on future strategies required to outperform over competitors. Risk pertaining to the market share and market leadership position is 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.

	As at 31.03.2015	Industry Average*
Return on Assets	4.75%	3.0%
Return on Equity	18.61%	13.1%

*Source: Central Bank Annual Report 2014

Strategic risk is assessed based on quantitative and qualitative information on a quarterly basis by IRMC and subsequently reported to the Board and remedial measures are taken at the top management level. The achievement and adequacy of budgetary targets are reviewed each month at the senior management 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

PLC makes strategic decisions through a well-designed process before entering into different market segments, geographical locations and different business activities. It is a cardinal principle at PLC, to carry out an in-depth study in terms of external environment, industry, market, product portfolio, internal capabilities and core competencies of the Company. PLC ensures the suitability of the strategy, based on the extent to which the strategies align with the mission of the Company. Strategy should be mainly accepted by Board of Directors who are key players

with high interest and high power over the Company. Strategy is also checked for the 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 successful strategies. This is formally documented in PLC's three-year strategic plan.

Company performance is reviewed monthly against budgets or targets and corrective action is taken where required. A market, product portfolio analysis 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 of the Company.

BUSINESS RISK

Risk Rating		
Frequency	Low	Risk Position:
Severity	Moderate	Low 2

Description

PLC has identified business risk as a part of strategic risk which is mainly arising from competitiveness in the financial services industry. Currently, it has been observed that the competition in the industry is intense and macroeconomic environment is highly dynamic, leading to falling business volumes and market share, with a negative impact to the profitability of the Company. The volume of business is highly sensitive to the macroeconomic conditions such as policy interest rates and import duty levels.

Assessment

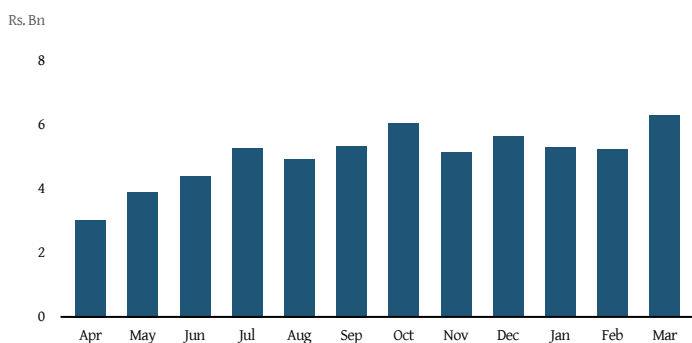
Business volume risk is assessed based on the variance between budgeted disbursements and actual disbursements. Monthly disbursements

of the Company with regard to set targets are assessed periodically to identify any deviations and remedial measures are taken where necessary.

PLC operates on a high performance-based culture. Performance of employees/ business units are monitored against the pre-agreed operational targets. The management has developed the business plan align with the Company’s mission and objectives and set targets to achieve those objectives. These targets have been appropriately communicated to the branches 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 department on a monthly basis.

Monthly Disbursements

FY 2014/15



Mitigation

PLC ensures that the Company maintains its growth momentum in business volumes in minimising business risk. Granting of facilities, the core operations are in the hands of front-line employees of the Company; the marketing force. The Company promotes a target-driven culture and performance-based rewards linked to facility lending while achieving business volumes with the intention of protecting and enhancing market share.

PLC’s well-established team culture has encouraged employees to work towards common goals of the Company. PLC ensures that resources are available to achieve organisational goals. This promotes cooperation and integration over internal competition; proactively identify and re-align resources to meet strategic business priorities.

Target achievements are always recognised by the Company to motivate employees. PLC Premier Awards competition which is held annually recognises best achievers and winners are awarded with valuable gifts.

Training programmes are conducted in line with the business strategy and thereby, marketing staff is trained to provide a customer-oriented service by way of a personalised service to meet vital customer needs. A comprehensive orientation programme is conducted by the HR Department for every new staff member including marketing staff to familiarise with the Company policies and operations of the Company.

The Company has offered flexible hours to ensure better customer

focus and customer complaints are welcome and resolved immediately. The Company always promotes loyalty of profitable customers and identifies top customers. The Company performs comprehensive analysis on the market and identifies the best performing products in the portfolio to infuse funds to maximise the profitability. Moreover, the management team keeps alert on competitor behaviour and takes proactive measures to improve the level of customer satisfaction in response to aggressive competitor moves.

OPERATIONAL RISK

Risk Rating		
Frequency	Moderate	Risk
Severity	Moderate	Position:
		Moderate
		3

Description

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

Assessment

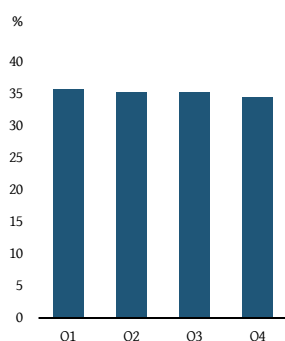
The Company’s operational risk management mechanism enables identification, measurement, monitoring, controlling and reporting of inherent and emerging operational risks. Operational risk assessment is a process of identifying and evaluating

RISK MANAGEMENT REVIEW CONTD.

events that could affect the achievement of objectives of the Company. Such events can be identified in the external as well as within the internal environment. Identification is the primary component of operational risk management and PLC adopts several techniques to identify such risk. Once the risk events have been clearly identified, a combination of qualitative and quantitative assessment is carried out to evaluate the potential impact of such risks. Tools such as Key Risk Indicators (KRIs) and audit findings are used to identify and assess these risk events. During the year, following KRIs were established categorising KRIs as per operational risk causes: people, processes, systems and external events. The below table illustrates the KRIs that fall under each category. The KRIs are objective risk measurements which allow trends to be monitored and can be used to anticipate problems in advance.

Operational Risk Category	Key Risk Indicators
People	<ul style="list-style-type: none"> ● Staff turnover ratio ● No. of internal frauds ● No. of disciplinary actions taken against employees
Processes	<ul style="list-style-type: none"> ● No. of credit files handed over to special recovery unit ● No. of credit files handed over to legal unit ● No. of credit files returned due to incomplete documentation ● No. of unsatisfactory audits as a percentage of total audit reviews
Systems	<ul style="list-style-type: none"> ● No. of system failures ● No. of cyber attacks ● No. of data link breakdowns
External Events	<ul style="list-style-type: none"> ● External frauds committed by customers ● Operational delays of outsourced services

**Cost to Income Ratio-
2014/15**



The Internal Audit at PLC is held responsible for reviewing the operational process, as it conducts audit reviews of each branch at least annually. The Internal Audit reports directly to the Board Audit Committee on a quarterly basis, and prior to that, each branch level audit is reviewed by the Management Committee. The Company assesses and responds to factors impacting operational risk by applying a broad-based approach that seeks to regularly monitor errors or operational failures and respond to them with solutions and improvements to internal procedures.

Mitigation

In mitigating operational risk, PLC has established robust controls with well-defined segregation of duties, policies and procedures. Accordingly, 'real-time' escalation mechanisms have been set with predefined thresholds that define high chain of command that the loss incident should be escalated.

Systems and controls adopted as risk mitigants are discussed under the 'Board Audit Committee Report and 'Directors Statement on Internal Control over Financial Reporting' on pages 266 to 268 and 328 in the Annual Report.

During the period under review, the Risk Department reviewed the processes and systems of new products and advised on operational risks associated with products prior to launch or implementation.

Upon the operational risk identification and assessment exercise, the management can decide what action to be taken to mitigate the risk. In most of the cases, key controls will be introduced to mitigate the risk. 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.

During the year, branch network was further strengthened by security measures by fixing CCTV cameras due to increasing trend of 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.

Operational risk areas have been further explained under sub risk categories such as Information and Communication Technology (ICT) related risk, Human resource related risk, Fraud risk, Compliance and Regulatory risk as follows:

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) RELATED RISK

Risk Rating		
Frequency	Low	Risk Position:
Severity	High	Moderate 3

Description

The technological developments have brought in huge benefits and enormous opportunities for business to grow, but also poses risks that need to be understood and 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 reputation as well. Cyber risks such as hacking and theft of information with monetary losses, losses arising from disruption of business or system failures, losses from

failed transaction processing, etc., can disrupt operations of the Company.

Assessment

PLC uses the risk assessment to determine the extent of potential threats and risks associated with regard to IT systems. The output of this process helps to identify appropriate controls for reducing or eliminating risks. Risk assessment methodology encompasses on nine primary steps.

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

In order to assist with risk management process, a separate Vulnerability Assessment and Penetration Test (VAPT) are conducted annually. In compliance with ISO/IEC 27001:2005, it is necessary to perform VAPT. The primary objective of conducting VAPT is to replicate the position of an internally and externally located

malicious threat with the intention of gaining access to PLC's computer system through any unknown weaknesses in the internal system or externally-exposed servers and the development of plans for corrective action.

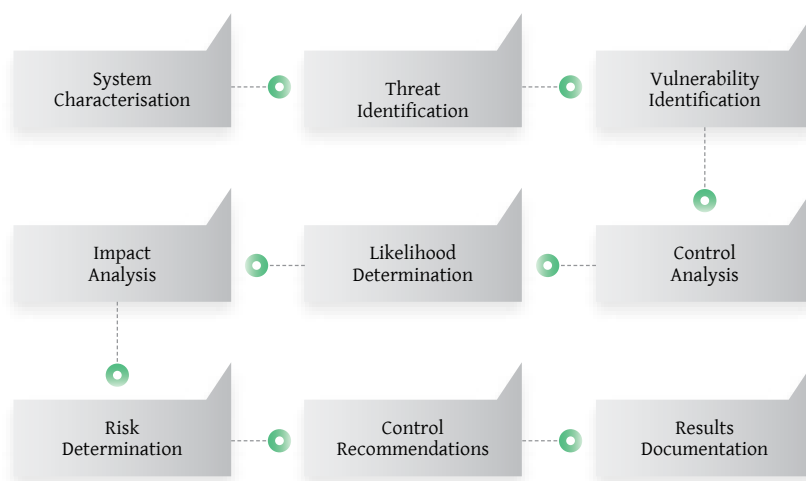
Mitigation

The Company maintains a well-established IT governance structure, having policies at the forefront. In an attempt to avoid risk of data loss, the Company maintains a 'back-up' system where a separate back-up is maintained at an off-site location.

During the period under review, the ISO 27001: 2005 certification was renewed for another three years followed by the ISO audit completed in November. Processes are being updated to comply with 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 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. Biometrics controls have also been installed at 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 customers.

Risk Assessment Methodology



RISK MANAGEMENT REVIEW CONTD.

 G4 - 14

Business Continuity Plan (BCP)

With a view of managing operational risk due to system failure, a Business Continuity Plan (BCP) has been established in compliance with ISO quality standards (ISO/IEC 27001:2005 (E), Clause A.14 Business Continuity Management). The key objective of the BCP is to allow the executive to continue to manage business operations under adverse conditions, by the introduction of appropriate resilience strategies, recovery objectives, business continuity, operational risk management considerations and crisis management plans.

Roles and responsibilities of the Crisis Management Team (CMT), BCP coordinator, deputy BCP coordinator and IT recovery team have been clearly defined in the BCP. The following details are also included in the BCP:

Risk Assessment

- Business Impact Analysis
- Crisis Response
- Call Tree

In the event that the BCP is activated, the personnel stated above shall follow the procedures of the plan to ensure business continuity for PLC's IT services. As a step of pre-crisis preparation, the Company has an off-site disaster recovery site used for business continuity.

Disaster Recovery Plan (DRP)

The DRP mainly focuses on the technical environment and it describes how the continuity of IT systems will be achieved in a disaster. A disaster recovery site has been established in a separate geographical area which has capabilities to continue operations in the event of primary site unavailability. The disaster recovery site and other facilities are compliant with ISO 27001:2005 Information Security Management System Standard and it

is annually reviewed and audited by external auditors.

HUMAN RESOURCE RELATED RISK

Risk Rating			
Frequency	Low	Risk Position:	
Severity	Low	Low	1

Description

Employees are considered as the backbone of the Company and their talent, knowledge and experience are main contributory factors to achieve organisational success. Every organisation is entailed with the problems of hiring qualified and experienced candidates and retaining top performers with high level of skills. The turnover of trained skilled staff will lead to deterioration in the competency of the Company and deliverable productivity, especially the turnover of higher/middle management staff.

Assessment

This is assessed based on the qualifications and skills possessed by the staff and the annual staff turnover ratio. The effectiveness of the performance appraisal system and employee morale and motivation are taken into account in assessing this risk profile.

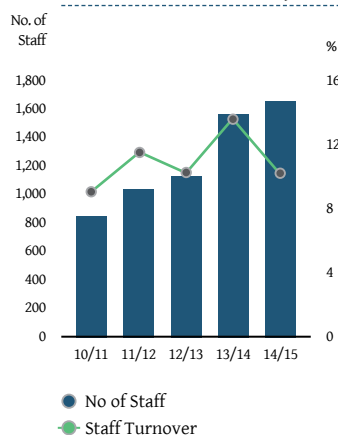
Mitigation

PLC focuses on talent sustainability of employees where it describes the Company's ability to continuously attract, develop, and retain people with the capabilities and commitment needed for current and future organisational success. The talent sustainability consists of elements such as recruiting skilled employees, rewards and recognition, executive commitment and engagement, learning and development and performance management. The Company conducts periodic performance appraisals of staff and pay bonuses/incentives based on the performance and number of years of experience/service. To drive the performance of the Company, PLC has created a working environment where teams and individuals enjoy achieving given targets; leverage additional capability in resources to deliver results. The Premier Awards Competition is held annually, promoting and recognising exceptional performance of marketing officers and recovery officers at branch level.

Lack of effective training on identified talent areas has a negative impact on talent sustainability. Therefore, the Company focuses on training needs that are required to retain high performing employees with talents whose skills are valuable to ensure sustainable growth of the Company. Accordingly, as an integral part of continuous improvement, employees are provided with in-house or external training for their career development.

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 any grievances.

Total Staff and Staff Turnover Ratio- 2014/15



PLC has identified the importance of health and safety concerns of employees as a part of Human Resource Related Risk. Health and safety awareness programmes have been conducted 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 measurements. The Company has established required safety measures to minimise work-related injuries.

FRAUD RISK

Risk Rating		
Frequency	Low	Risk Position:
Severity	Low	Low 1

Description

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, it is the responsibility of the Company to regularly review the operations and permanently seal them to avoid future occurrence or repetition.

Assessment

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. Internal control statement is given on page 328.

Mitigation

In the case of a control failure, the Company is exposed to the inherent risk. 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 the functions of the Company especially for payment approval, making employees accountable for their action. The Company ensures the appropriate segregation of duties to prevent a single person being allowed to carry out a given process from the beginning to the end in order to prevent conflict of interest.

The anti-fraud culture and code of ethics govern the behavior of employees in order to avoid malpractices. Improving the awareness on code of ethics, Company policies including risk management practices will encourage a genuine culture within the Company. Every key activity is subjected 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 hinder any potential malpractice. In order to prevent repetition, the management takes immediate remedial disciplinary action, when a fraud is detected.

Employees are encouraged to report on any genuine concerns regarding fraud and misconduct through the whistleblower link included in PLC intranet, whilst the anonymity of the whistleblower is strictly maintained.

COMPLIANCE AND REGULATORY RISK

Risk Rating		
Frequency	Low	Risk Position:
Severity	High	Moderate 3

Description

Compliance risk may arise due to the failure to abide by any law or regulatory requirements applicable to the Company. The Company operates in a highly-regulated environment. Non-compliance could lead to sanctions by regulatory bodies, penalties and reputational damage, which could have a material adverse effect on the Company's operations and financial conditions or could even lead to the discontinuation of operations. This could adversely affect the Company's business operation, reputation, future prospects, financial performance or financial condition. Regulators may also tighten the supervision over Company's compliance on laws and regulations particularly in the areas of funding, liquidity, capital adequacy and prudential regulations.

Assessment

In evaluating compliance risk, timely reviews are carried out to assess the extent of compliance with the regulations applicable to the Company. The management and the Compliance Officer regularly review the changes in the regulatory environment to ensure the level of compliance required by the Company. In order to ensure the duly submission of weekly reports, all computations are carried out on a daily basis and reviewed by the Compliance Officer before submission to the Central Bank and other regulatory bodies.

Detail description of compliance status of the Company is given in the Compliance Report from page 273 to 275.

Mitigation

In order to mitigate the compliance risk, a dedicated officer is designated as Compliance Officer to oversee the compliance of the Company with Central Bank directions, Securities and Exchange Commission regulations,

RISK MANAGEMENT REVIEW CONTD.

Companies Act and other related regulations. The Compliance Officer reviews the changes in regulations and takes necessary action to ensure that the Company is in compliance with the regulatory requirements. A sound regulatory monitoring mechanism is adopted by the Company to monitor reporting and compliance with all mandatory reporting requirements with the intention of establishing a fully compliant corporate governance and risk mitigating culture. In addition, the Compliance Officer reports to the 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 takes expert advice on issues relating to income taxation and other related taxations.

OTHER RISKS

SOCIO-ECONOMIC AND POLITICAL RISK

Risk Rating		
Frequency	Moderate	Risk
Severity	High	Position: High
		4

Description

Socio-economic and political factors have a direct impact on the operational and investment activities of the Company. This assumes greater significance to the Company, as it is a subsidiary of People's Bank - a State Owned Entity.

Assessment

Socio-economic and political risk is assessed based on the possible changes in the regulatory requirements, trend in inflation, exchange rate management policy and tax policy that take place more often due to a change in government. 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.

For this purpose PEST analysis has been performed and regularly monitor for new changes in the macro environment. PEST analysis helps to identify any emerging risks as well as opportunities arising from external environment. It helps to identify changes required to the Company's product, processes to mitigate any risk or utilise opportunities.

In the case of any changes in the economic and political parameters, the related issues and concerns are discussed at the senior management committee in order to formulate a suitable strategy in response to these changes.

Mitigation

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 strategies and invest in a new venture with due diligence on potential risks and external threats and capitalising on opportunities. An overall feasibility study is conducted, including socio-economic and political feasibility in addition to a financial feasibility study, in order to prevent any potential risk impacting the investments in a new venture.

REPUTATIONAL RISK

Risk Rating		
Frequency	Moderate	Risk
Severity	Moderate	Position: Moderate
		3

Description

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

Senior Management Committee (SMC) plays a major role in assessing reputational risk of PLC. The Committee gains the understanding of how different business activities of PLC affect its stakeholders' perception of the Company and thereby determine the impact on the reputation of PLC. The committee determines the adequacy and effectiveness of action taken to reduce potential impact 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 data link connection between the head office and branches for any failure of data link connection on a daily basis

to ensure the continuous online-real time operations at branch level. A summary report on data link breakdowns is forwarded to the IRMC on a quarterly basis for the review. PLC's whistleblower policy enables employees to inform any malpractices anonymously and information will be directly reported to the Board Audit Committee.

Mitigation

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 impact on the Company's reputation. Therefore, careful handling of operational matters is vital. Customer grievance handling procedure of PLC ensures all grievances are reported and addressed immediately.

As a part of PLC's corporate governance, the employee code of conduct and code ethics are in place and it is expected to be followed by all employees without exception. The Company ensures that necessary processes are in place to comply with internal policies, procedures and laws and regulations of the Company. PLC ensures that the regular communication takes place with key stakeholders through the official website and in the form of financial reports etc. The Company also promotes Corporate Social Responsibility (CSR) activities as part of its corporate strategy through ethical business practices, environmental awareness and commitment to the local community. CSR projects on waste management, environment, education and other community projects are carried out through PLC's island-wide branch network. The Company also

makes media presence to improve its reputation.

A Breakdown of CSR initiatives during the year 2014/15 is given on page 157.

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. The Company motto emphasises 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. Please refer page 11 for more detail on awards received during the year.

RISK OF UNFORESEEN EVENTS

Risk Rating		
Frequency	Low	Risk
Severity	Moderate	Position: Low
		2

Description

This refers to the risk of business operations being disrupted due to unexpected events. It is difficult for anybody to predict all the possible events which may materialise in the future. Therefore, every organisation is left with the risk of unforeseen events.

Assessment

Since this risk cannot be predicted with certainty in advance, the Company regularly assesses the adequacy of insurance coverage and the validity of contingency plans.

Mitigation

The Company lays much emphasis on the Business Continuity Plan (BCP) to ensure the smooth flow of operations, including the ICT disaster recovery plan. Plans are already made in advance to deal with unexpected events. Scenario planning is also carried out at the top management level.

GROUP RISK

Risk Rating		
Frequency	Moderate	Risk
Severity	Moderate	Position: Moderate
		3

Description

Group risk is the risk of a loss (financial or non-financial) incurred by PLC through its wholly-owned subsidiaries. The subsidiaries of PLC are People's Insurance Limited, People's Leasing Fleet Management Limited, People's Microfinance Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited.

Assessment

Group risks are reviewed by IRMC through risk management dash-board reports and other reports submitted by the subsidiary companies. The representatives from each of the subsidiary company participate at IRMC meetings which are held on a quarterly basis.

RISK MANAGEMENT REVIEW CONTD.

Subsidiary	Business Operations	Reports submitted to IRMC	Reporting Interval
People's Insurance Limited	Non-life (general) Insurance business	Risk Dash-board Report and comparison report	Quarterly
People's Leasing Fleet Management Limited	Operating leases, Valuation Services, Vehicle Service Facilities, Rent-a-car unit, Fleet Management unit	Risk Dash-board Report	Quarterly
People's Microfinance Limited	Providing microfinance facilities to the under privileged, rural and urban population and providing hire purchase facilities	Risk Indicator Report	Quarterly
People's Leasing Property Development Limited	Property development	Risk Indicator Report	Quarterly
People's Leasing Havelock Properties Limited	Property development	Brief on operations	Quarterly

People's Leasing Havelock Properties commenced its construction project of new office complex in Havelock City. Risk factors relating to the construction project are comprehensively discussed at the Senior Management Committee and a briefing is provided to IRMC. In addition to the separate reports mentioned above, common key risk indicators are also presented wherever possible in people's leasing risk dash-board report to give the holistic understanding on PLC Group to 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 Limited is the largest subsidiary by size which is regulated by the Insurance Board of Sri Lanka.

Two Assistant General Managers of branch operations have been appointed to oversee People's Microfinance Limited and People's Leasing Fleet Management Limited. The CEO of PLC represents the Boards of all subsidiary companies. This ensures full and sufficient knowledge of subsidiaries' operations and risk profiles. All inter-company transactions are carried out at arm's-length. PLC is the holding company and owns the largest balance sheet. i.e. over 95 percent of total assets and liabilities of the Group.

PLC ensures its awareness on changes in business environment in insurance, microfinance and property development industries in mitigating the Group risk.

Way forward

The Company is well aware of the necessity to be committed to risk management to ensure continued success in its corporate journey in the years ahead. PLC will give precedence to effective risk policies and measures to adopt and to pro-actively respond to the on-going changing status- quo within the non-bank financial arena.

Set out below are the short to medium term plans to ensure best practices are followed in risk management for the long term viability of the Company operations:

- Strengthen the stress testing framework of the Company
- Develop and maintain a comprehensive Business Continuity Plan that aligns with ISO standards.
- Further strengthen the role of IRMOC, making available management and risk information to ensure risk management is effectively reflected in operational decision making and actions.
- 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.
- Extend comprehensive training for staff emphasising the importance of managing risks as an integral part of a sustainable growth strategy.

INVESTOR RELATIONS

CHIEF EXECUTIVE OFFICER'S NOTE

“IT IS INDEED NOTEWORTHY AND CREDITABLE TO BE INCLUDED IN THE S&P SRI LANKA 20 INDEX, WHICH COVERS THE LARGEST AND THE MOST LIQUID STOCKS ON THE COLOMBO STOCK EXCHANGE. WITH THIS MOVE, PLC HAS NOW PROGRESSED TO BEING ONE OF THE 20 LARGEST BLUE CHIP COMPANIES”



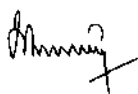
Dear Investor,

This 'Investor Relations' supplement is especially dedicated to our valued investors who have placed their trust and have been beside PLC, playing a key role in our path to success. We have identified the importance of keeping our investors informed about the Company and its initiatives on a regular basis, thus enabling them to make effective decisions on their investment in the Company. To this end, during the year we focused on bringing in some key measures to enhance our engagement with our valued investors.

Demonstrating its core competence, PLC succeeded in achieving its corporate targets set for the year, backed by the support of all stakeholders. The Company was well recognised and honoured both locally and internationally for responsible initiatives in good governance, sustainability measures and quality reporting. It is indeed noteworthy and creditable to be included in the S&P Sri Lanka 20 Index, which covers the largest and the most liquid stocks on the Colombo Stock Exchange. With this move, PLC has now progressed to being one of the 20 largest blue chip companies amongst the listed entities on the Exchange. PLC was also ranked 14th amongst the 'Top Twenty Five' listed corporates in Sri Lanka by the 'Business Today' magazine, reflecting a four-notch impressive improvement from last year's ranking of 18th.

Whilst appreciating the support extended by our investors towards a progressive corporate journey, this supplement presents information addressing investor concerns. In addition to the mandatory measures and information required by relevant authorities, this supplement imparts discretionary measures and information which we believe would benefit our investors in their decision making process. However shareholders are advised not to rely exclusively on the information given in this outlook when making decisions with regard to PLC shares.

We take this opportunity to warmly invite our shareholders as well as other investors to give us feedback on our business initiatives and on the report, underscoring our future success.



D. P. Kumarage
Chief Executive Officer/General Manager

29th April 2015
Colombo



INVESTOR RELATIONS CONTD.

COMMUNICATION WITH INVESTORS

Communication Policy

Recognising the importance of a robust communication system facilitating interaction with investors, the Company continuously seeks to upgrade the quality of its communication channels for sustainable investor relationships. In doing so, the Company strictly adheres to the communication policy adopted with the concurrence of the Board of Directors.

The objective of the communication policy is to support the Company in pursuing and meeting the overall goals as described in its mandate, mission and corporate strategy.

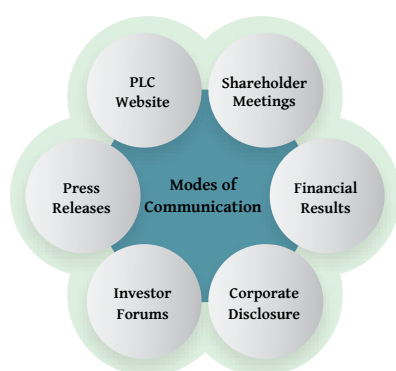
The policy provides the basis to maintain active and constructive relationships with investors, so as to ensure that they are kept informed of the Company's developments for effective decision making.

Principles of Communication policy

- Efficiency
- Transparency
- Clarity & Cultural Awareness
- Feedback

Modes of Communication

The Company mainly communicates with investors through the following channels:



Shareholder Meetings

The two-way communication between shareholders and the Company is facilitated mainly through Annual General Meeting (AGM) and other general meetings. All shareholders are encouraged to actively participate at these general meetings. The Chairmen of the Board sub-committees and external auditors generally attend the AGM.

Financial Results

Quarterly, interim and annual financial results with conformance to applicable laws and regulations are disseminated to shareholders through several modes. Investors can rely on the information presented in the Annual Report of the Company as it has been duly audited and recognised for clarity and transparency by reputed local as well as international bodies.

PLC Website

Our corporate website, www.plc.lk, facilitates stakeholders with up-to-date information relating to the Company's products and services, news and announcements, financial information and CSR initiatives.

Corporate Disclosures

Corporate disclosures and other official news releases are communicated from time to time to the Colombo Stock Exchange to keep the public well informed.

Other Modes

The Company participates at the investor forums jointly organised by Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, especially to attract foreign investment to Sri Lanka. During the year, the Company participated in major foreign investor forums: London and New York. Communication with institutional investors and analysts was carried out through regular meetings, presentations and road shows in Sri Lanka and overseas.

OVERALL SHARE MARKET

Indices & Market Capitalisation

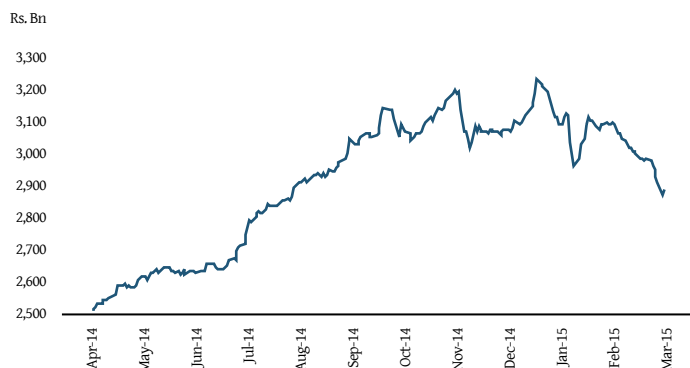
During the financial year 2014/15 ASPI and S&P SL 20 indices increased by 14.28 and 17.45 percent respectively, leading the overall share market impressively. The ASPI and S&P SL 20 closed at 6,820.34 and 3,852.43 respectively on 31st March 2015. Market capitalisation grew by 15.74 percent to Rs. 2,891.17 billion over the same period.

Macro-Economic Impact

Overall the share market performance was buoyant during the year under review. However, in the fourth quarter, both share indices trended notably downwards due to fluctuations in key macro-economic variables and policy uncertainties.

CSE Indices		Q1	Q2	Q3	Q4
ASPI	Index	6,378.62	7,252.14	7,298.95	6,820.34
	Movement %	6.87	13.69	0.65	(6.56)
S&P SL 20	Index	3,534.43	4,038.30	4,089.14	3,852.43
	Movement %	7.76	14.26	1.26	(5.79)

Movement in Total Market Capitalisation

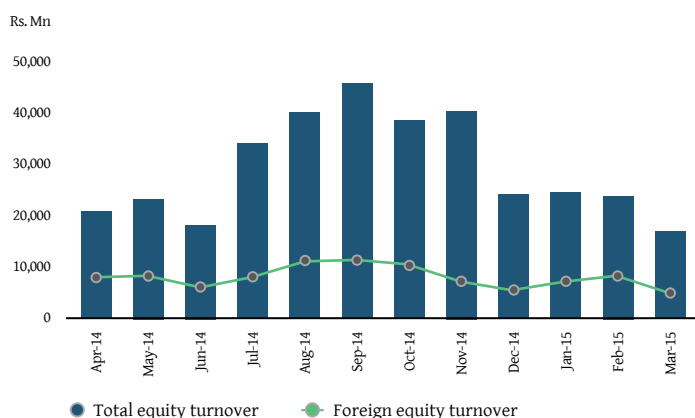


The Central Bank of Sri Lanka continued to advocate a low interest rate regime throughout the year. This urged investors to move towards the stock market which yielded better returns than conventional risk averse investments. However, the signals towards higher interest rates during the latter part of the year 2014/15 impacted the indices to move slightly downwards.

Foreign inflows to CSE

During the earlier part of the year, net foreign investment inflows were increased, reflecting the trust and confidence of the foreign investors on the Sri Lankan share market.

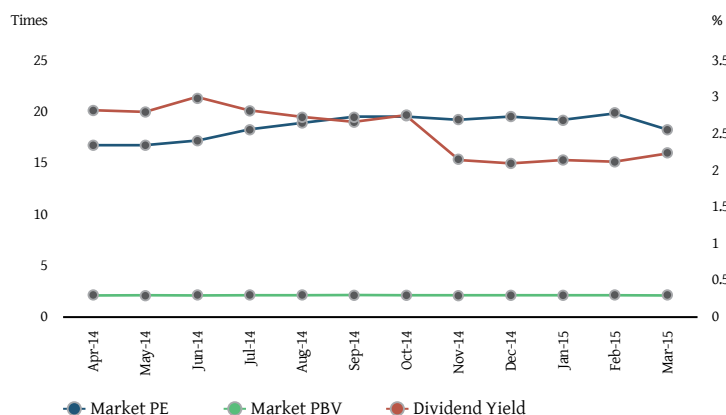
Total Equity Turnover Vs Foreign Equity Turnover



Market Ratios & New Listings

The market price earnings ratio (PE) recorded 18.38 times at the end of March 2015 as against 15.93 times in the previous year which is relatively higher than the PE of other Asian Stock Exchanges. Total equity turnover of the CSE grew by 81.35 percent, reflecting improved liquidity levels in the market. The number of listed companies on the CSE increased to 296 from 293 compared to the year ended March 2014. Several equity and debt IPOs took place during the year.

Movement In Market Ratios

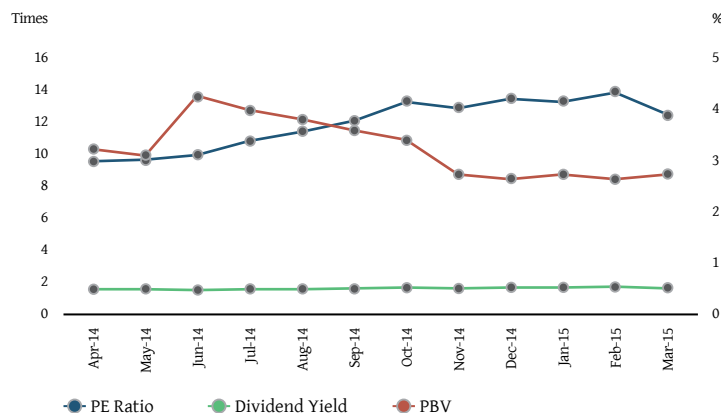


Investor Forums

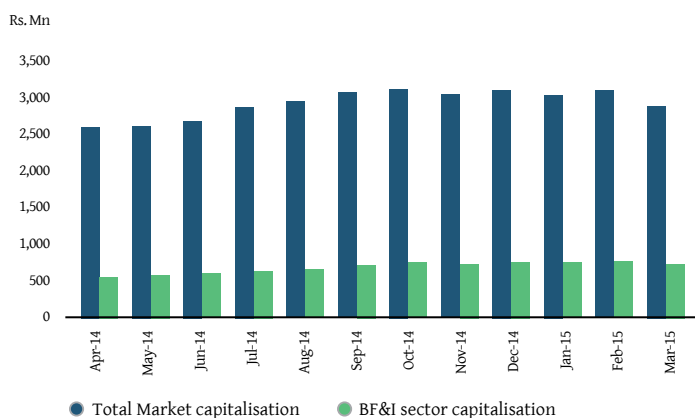
Sri Lanka's first-ever capital market investor forum in New York was held in September 2014 with the intention of uplifting the image of Sri Lankan listed corporates. In addition to the New York forum, another investor forum was held on 30th May 2014 in London.

INVESTOR RELATIONS CONTD.

BF&I Sector Ratios



Total Market Capitalisation Vs Sector Market Capitalisation



BANK FINANCE AND INSURANCE (BF&I) SECTOR

BF&I sector capitalisation elevated to Rs. 726.25 billion with a growth of 35.36 percent compared to the end of March 2014 of Rs. 536.54 billion. Notably BF&I sector capitalisation relative to total market capitalisation was 25.12 percent at the year end March 2015 as against 21.48 percent at the end of March 2014.

During the year, the number of listed companies in the BF&I sector remained at 61, of which 55 were traded on the CSE. Total sector turnover recorded Rs. 115.74 billion during the year compared to Rs. 65.81 billion in the previous year. Sector dividend yield declined to 2.70 percent at the end of March 2015 compared to 3.30 percent at the end of March 2014. Both sector PE and price to book value (PBV) increased to 12.56 times and 1.63 times respectively at the end of March 2015 in comparison with last year ratios of 9.04 times and 1.43 times respectively.

THE PLC SHARE

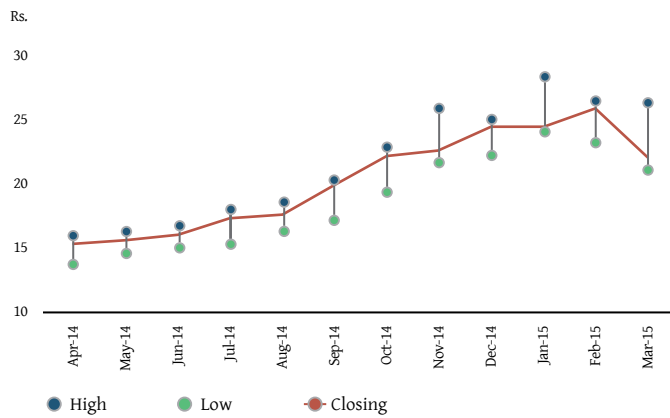
Foreign Investor Forum

PLC share attracted both domestic and foreign investor interest throughout the year, with a notable increased contribution from foreign investors. The first investor forum in New York organised by the SEC to enhance awareness amongst US institutional investors gave an outstanding opportunity to boost the Company's image internationally and attract foreign investments.

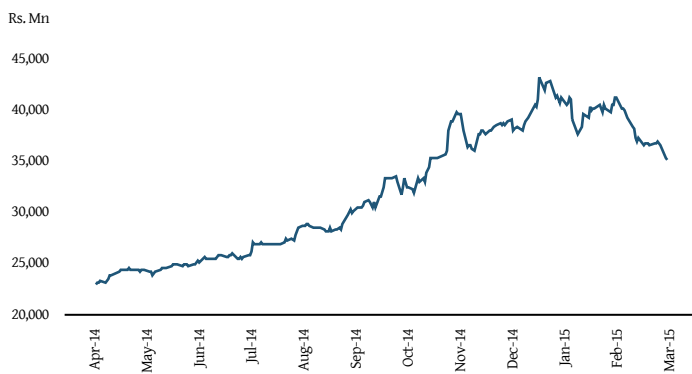
PLC Share Price Movement

During the year, PLC share reached a high of Rs. 28.00 on 12th January 2015, a new all-time high price, and a low of Rs. 14.20 on 1st April 2014. PLC share closed at Rs. 22.10 as at 31st March

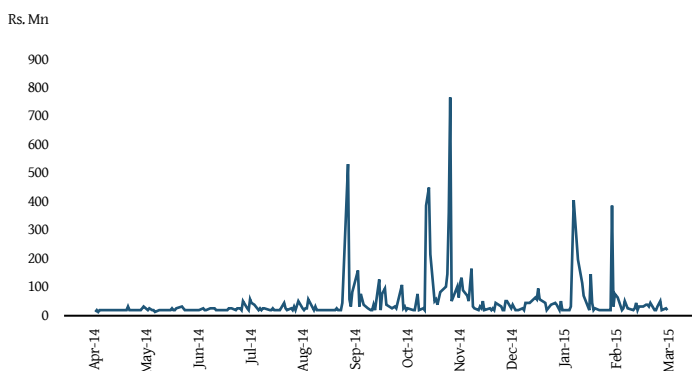
PLC Share Price Movement



Movement in PLC Market Capitalisation



PLC Turnover



2015 compared to Rs. 14.30 at the end of March 2014, recording a growth of 54.55 percent. With the release of results of the second quarter, PLC share price witnessed a significant improvement.

PLC Equity Turnover & Market Capitalisation

PLC shares contributed Rs. 8,046.83 million towards the CSE's total equity turnover by trading 366.11 million shares. Daily average turnover recorded Rs. 33.67 million for the year ended 31st March 2015 compared to Rs. 4.35 million for the year ended 31st March 2014. At the end of year 2014/15, PLC's market capitalisation increased to Rs. 34,914.96 million from Rs. 22,592.03 million over the same period with a growth of 54.55 percent. PLC's market capitalisation ranked at 19th position at the end of March 2015 as against the 26th position at the end of March 2014.

PLC Foreign shareholding

During the year PLC's foreign shareholding improved significantly, mostly during the third and fourth quarters. Investors were attracted to PLC share with growing interest after New York investor forum held on 4th September 2014. PLC was able to remain among the top 20 largest foreign purchases in the CSE during the year. With the expansion of the Company's operations and outstanding financial results, it is more likely that the foreign shareholding in the Company will further increase. As at the year end, around 10 percent of the shares of the Company was held by foreign shareholders. With the major shareholder, People's Bank, owning 75 percent of the shares, resulting in the other shareholders (both local and foreign) having only a stake of 25 percent, the 10 percent holding by foreign shareholders is significant evidence of the attractiveness of the Company share.



INVESTOR RELATIONS CONTD.

FUTURE OUTLOOK

The Central Bank of Sri Lanka (CBSL) has taken continuous efforts in improving the monetary policy framework of the country with the intention of outpacing the macroeconomic challenges faced in the past in order to boost future economic growth through greater macroeconomic stability. The Sri Lankan economy has been growing more than 7.00 percent over the past 3 years and CBSL expects to register a sustainable growth over 7.00 percent throughout 2015-2018. CBSL Further expects to maintain inflation at a range of 3-5 percent on average while

facilitating the expansion of economic activity in the medium term. However, these strategic decisions could be affected by the revised priorities of the government which in turn would negatively influence the investor confidence. Upbeat in the overall share market is possible given the political stability in the country and the improvement in monetary policy framework.

Being the leader in the Leasing Sector, the Company performed exceptionally well in the year under review, recording an impressive 13.45 percent CAGR in earnings per share along

with a ROE of over 18.61 percent and attractive dividend yields compared to the market and segment. Further, PLC's price earnings growth ratio stood at 0.69, indicating a potential growth of its share.

Market Share Information

	2014/15	Q4	Q3	Q2	Q1	2013/14
Share Price (Rs.)						
Highest	28.00	28.00	25.60	20.00	16.40	15.70
Lowest	14.20	21.50	19.80	15.80	14.20	13.00
Closing	22.10	22.10	24.50	19.90	16.00	14.30
No. of transaction	24,952	5,675	11,361	5,521	2,395	10,390
No. of shares traded (Mn)	366.11	86.97	175.42	87.54	16.19	73.45
Shares traded to total shares (%)	23.17	5.50	11.10	5.54	1.02	4.65
Turnover (Rs. Mn)	8,046.83	2,173.20	4,016.03	1,604.25	253.35	1,057.61
PLC turnover to total market turnover (%)	2.27	3.28	3.86	1.33	0.40	0.54
Number of days traded	239	56	61	64	58	243
Average daily turnover (Rs. Mn)	33.67	38.81	65.84	25.07	4.37	4.35
Market capitalisation - CSE (MC) (Rs. Mn)	2,891,168.28	2,891,168.28	3,104,863.87	3,066,347.18	2,673,022.65	2,498,004.68
Market capitalisation - PLC (MC) (Rs. Mn)	34,914.96	34,914.96	38,706.63	31,439.26	25,277.80	22,592.03
PLC MC to CSE MC (%)	1.21	1.21	1.25	1.03	0.94	0.90
PLC market capitalisation ranking	19	19	19	20	24	26

PLC DEBENTURES

PLC debentures were an attractive investment option for the investors during the year under review. During the third quarter, the Company opened the issue of 15 million senior, unsecured and redeemable debentures at par value of Rs. 100 each with an option to issue up to a further 15 million in the event of an oversubscription. The proceeds were raised to support working capital requirements of the Company; to have access to additional source of funds from non-deposit sources; minimise the mismatch in funding exposure; minimise interest rate risk and the gap exposure in assets/liabilities portfolio; and provide investors a structure that meets their risk-return and maturity needs. The issue was oversubscribed on the opening day itself,



demonstrating the trust placed upon the Company by the investors. These debentures were listed on the debt securities main board of the Colombo Stock Exchange. These were rated AA- by Fitch Ratings. The public issue was attractively structured giving investors two opportunities. The first was 8.75 percent interest payable annually with a maturity of 36 months from the date of allotment whereas the second was 9.625 percent interest payable annually with a maturity of 48 months.

At the onset of the current financial year, PLC debentures types A, B, C, D and E were traded on the CSE & these debentures recorded a high of Rs. 114.98, Rs. 124.35, Rs. 122.81, Rs. 101.91 and Rs. 104.18 respectively with a low of Rs. 113.00, Rs. 119.49, Rs. 119.25, Rs. 101.91 and Rs. 100.00 respectively. Closing prices of these debentures were Rs. 114.98, Rs. 124.35, Rs. 122.81, Rs. 101.91 and Rs. 103.84.

Debenture Market Information	2014/15					2013/14		
	Type 1 A	Type 2 B	Type 3 C	Type 4 D	Type 5 E	Type 1 A	Type 2 B	Type 3 C
Tenure	4 Years	5 Years	5 Years	3 Years	4 Years	4 Years	5 Years	5 Years
Issue date	Mar-13	Mar-13	Mar-13	Sep-14	Sep-14	Mar-13	Mar-13	Mar-13
Maturity Date	Mar-17	Mar-18	Mar-18	Sep-17	Sep-18	Mar-17	Mar-18	Mar-18
Interest Rate	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon Rate (%)	16.50	16.75	17.00	8.75	9.625	16.50	16.75	17.00
Effective Annual Yield (%)	17.18	17.45	17.00	8.75	9.625	17.18	17.45	17.00
Interest Rate comparable Government Security (%)	10.60	8.00	8.00	8.50	10.60	10.87	8.65	8.65
Frequency of Interest Payable	Semi Annual	Semi Annual	Annual	Annual	Annual	Semi Annual	Semi Annual	Annual
Rating	AA(-) by Fitch Ratings Lanka Limited					AA(-) by Fitch Ratings Lanka Limited		
Amount (Rs. Mn)	1,986.50	1,583.50	2,430.00	1,800.07	1,199.93	1,986.50	1,583.50	2,430.00
ISIN No.	LK0399D19128	LK0399D19136	LK0399D19144	LK0399D22494	LK0399D22510	LK0399D19128	LK0399D19136	LK0399D19144
Market Value (Rs.)								
Highest	114.98	124.35	122.81	101.91	104.18	115.37	119.69	118.86
Lowest	113.00	119.49	119.25	101.91	100.00	100.00	100.00	116.00
Closing	114.98	124.35	122.81	101.91	103.84	115.30	118.44	118.86
Current Yield (%)	14.35	13.46	13.84	08.85	09.26	14.31	14.14	14.30
YTM (%)	10.34	8.34	8.35	8.00	8.35	10.59	11.12	11.23

* All of the above redeemable debentures are issued publicly and listed on the CSE.

INVESTOR RELATIONS CONTD.

SUBMISSION OF INFORMATION TO THE CSE

The Company recognises that timely disclosure of market sensitive information is essential to maintaining and increasing the confidence of investors of the Company, whilst helping investors making their own judgments. Hence, the Company places considerable importance to the timely submission of all relevant information to the Colombo Stock Exchange in accordance with the Listing Rules. The following table presents the important disclosures made by the Company to the Colombo Stock Exchange during the year 2014/15.

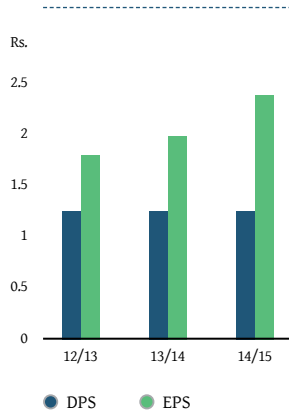
Date of Disclosure	Details of Disclosure
16th May 2014	Announcement on the final dividend of cents fifty per share for the period ended 31st March 2014
13th June 2014	Directors' interest in shares of the Company
27th June 2014	Directors' interest in shares of the Company
7th July 2014	Retirement of Mr. P. A. I. S. Perera from the office of Director and appointments of Mr. S. S. V. Fernando and Mr. K. V. N. Jayawardene to the Board
11th August 2014	Directors' interest in shares of the Company
15th August 2014	Directors' interest in shares of the Company
21st August 2014	Directors' interest in shares of the Company
25th August 2014	Directors' interest in shares of the Company
2nd September 2014	Issue of 30,000,000 senior, unsecured, redeemable, rated debentures at an issue price of LKR 100 each
3rd September 2014	Directors' interest in shares of the Company
15th September 2014	Notice of oversubscription of 30,000,000 senior, unsecured, redeemable, rated debenture issue
19th September 2014	Final figures in respect of processed applications of 30,000,000 senior, unsecured, redeemable, rated debentures
24th September 2014	The basis of allotment of the 30,000,000 senior, unsecured, redeemable, rated debentures
2nd October 2014	Listing of 30,000,000 senior, unsecured, redeemable, rated debentures on 3rd of October 2014
20th October 2014	Directors' interest in shares of the Company
27th October 2014	Directors' interest in shares of the Company
12th December 2014	Announcement on the interim dividend of cents seventy five per share for the financial year ending 31st March 2015
2nd January 2015	Directors' interest in shares of the Company
16th January 2015	Directors' interest in shares of the Company
26th January 2015	Directors' interest in shares of the Company
2nd February 2015	Directors' interest in shares of the Company
9th February 2015	Directors' interest in shares of the Company
10th March 2015	Directors' interest in shares of the Company
16th March 2015	Directors' interest in shares of the Company
18th March 2015	Directors' interest in shares of the Company



FINANCIAL ANALYSIS

Financial Information			
For the Year Ended	2014/15	2013/14	2012/13
Earnings per share (EPS) (Rs.)	2.38	1.98	1.80
Dividend per share (DPS) (Rs.)	1.25	1.25	1.25
Dividend payout (DP) (%)	52.62	63.22	68.42
Net asset value per share (NAVPS) (Rs.)	13.38	12.15	11.41
Price earning (PE) (Times)	9.30	7.23	7.28
Price to book value (PBV) (Times)	1.65	1.18	1.15
Dividend yield (DY)(%)	5.66	8.74	9.54
No. of shares (Mn)	1,579.86	1,579.86	1,560.00
Stated capital (Rs. Mn)	12,936.07	12,736.07	12,536.07
Total equity(Rs. Mn)	21,135.79	19,195.94	18,022.69
Total financial liability(Rs. Mn)	87,175.81	91,383.99	78,092.69
Core capital ratio - minimum 5%	20.22	19.12	21.15
Total risk weighted capital ratio - minimum 10%	19.04	18.05	20.06
Debt to equity ratio (Times)	2.36	2.68	3.29
Interest cover (Times)	1.58	1.39	1.41
Current/quick ratio (Times)	0.93	0.88	0.85
Return & equity (%)	18.61	16.79	16.36
Total share return (%)	63.29	18.70	23.71
Earning growth (%)	20.14	9.61	10.47

Movement in DPS & EPS



EARNINGS

PLC recorded PAT of Rs. 3,752.96 million during the year compared to Rs. 3,123.75 million of last year with a growth of 20.14 percent. This is the highest PAT ever achieved in PLC's history. EPS increased by 20.14 percent reaching Rs. 2.38 compared to financial year 2014/15. PE ratio stood at 9.30 times at the end of the financial year compared to 7.23 times in the last year.

DIVIDENDS

During the year, a sum of Rs. 789.93 million and Rs. 1,184.90 million were paid respectively as the final dividend for 2013/14 financial year and interim dividend for the current financial year. Dividend payout ratio reported 52.62 percent at the end of March 2015 against 63.22 percent at the end of March 2014. Dividend yield compared to last year has dropped by 3.09 percent due to 54.55 percent increase in the market value at the end of the year. The Company was able to maintain balance between dividend payment and retention to ensure shareholder wealth maximisation.

INVESTOR RELATIONS CONTD.

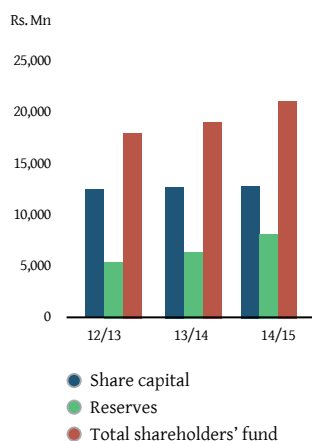
Share Capital

The total number of ordinary shares remained unchanged during the year and stood at 1,579.86 million as at 31st March 2015. Total equity capital grew to Rs. 21,135.79 million from Rs. 19,195.94 million last year.

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 Shares	Preference Shares	Ordinary Shares	Preference Shares	Ordinary Shares	Preference Shares	
1995/96	2	-	-	-	2	-	20
1996/97	2	-	-	-	2	-	20
1997/98	2	-	2,500,000	-	2,500,002	-	25,000,020
1998/99	2,500,002	-	-	-	2,500,002	-	25,000,020
1999/00	2,500,002	-	1,500,000	-	4,000,002	-	40,000,020
2000/01	4,000,002	-	2,000,006	-	6,000,008	-	60,000,080
2001/02	6,000,008	-	4,000,000	-	10,000,008	-	100,000,080
2002/03	10,000,008	-	-	-	10,000,008	-	100,000,080
2003/04	10,000,008	-	10,000,000	50,000,000	20,000,008	50,000,000	700,000,080
2004/05	20,000,008	50,000,000	-	-	20,000,008	50,000,000	700,000,080
2005/06	20,000,008	50,000,000	30,000,000	-	50,000,008	50,000,000	1,000,000,080
2006/07	50,000,008	50,000,000	-	(5,000,000)	50,000,008	45,000,000	950,000,080
2007/08	50,000,008	45,000,000	-	(10,000,000)	50,000,008	35,000,000	850,000,080
2008/09	50,000,008	35,000,000	-	(10,000,000)	50,000,008	125,000,000	1,850,000,080
2009/10	50,000,008	125,000,000	-	(10,000,000)	50,000,008	115,000,000	1,850,000,080
2010/11	50,000,008	115,000,000	-	(10,000,000)	50,000,008	105,000,000	1,850,000,080
2011/12	50,000,008	105,000,000	1,510,000,152	(15,000,000)	1,560,000,160	90,000,000	12,958,000,800
2012/13	1,560,000,160	90,000,000	-	(20,000,000)	1,560,000,160	70,000,000	12,536,073,308
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



Total shareholders' fund



SOLVENCY & DEBT CAPITAL

During the year, financial liabilities declined by 4.60 percent, despite a remarkable growth in saving deposit portfolio of 139.20 percent. Fixed deposits contributed to the overall financial liabilities to decline by 25.16 percent. The Company's debt to equity ratio demonstrates a declining trend over the recent years. As at year ended 31st March 2015, debt to equity ratio was 2.36 times compared to last year's position of 2.68 times. Interest covers grew from 1.39 times to 1.58 percent over the same period mainly due to the low interest regime that prevailed in the country during the year.

The Company's core capital ratio (CCR) stood at 20.22 percent and total risk weighted capital ratio (TRWCR) recorded 19.04 percent, both being well above the regulatory requirements of 5 percent and 10 percent respectively. The current level of adequacy still depicts that the Company maintains sufficient capital to overcome or act as a buffer against future losses and risks.

Shareholder's Diary 2014/15

	April	May	June	July	August	September	October	November	December	January	February	March
Dividend												
Final Dividend (2013/14)												
- XD Dividend Date			30th									
- Dividend Paid				8th								
Interim Dividend (2014/15)												
- XD Dividend Date								23rd				
- Dividend paid									6th			
Financial Statements												
Interim Financial Statement		19th		28th			27th				13th	
Annual Report Published & Distributed			5th									
Annual General Meeting			27th									

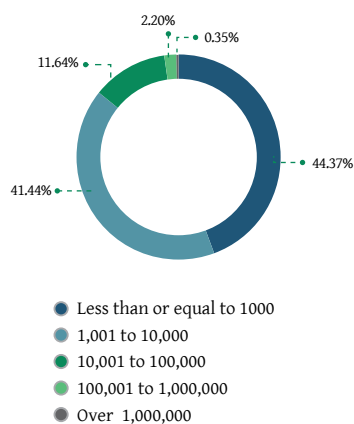
INVESTOR RELATIONS CONTD.

ANALYSIS OF SHAREHOLDERS

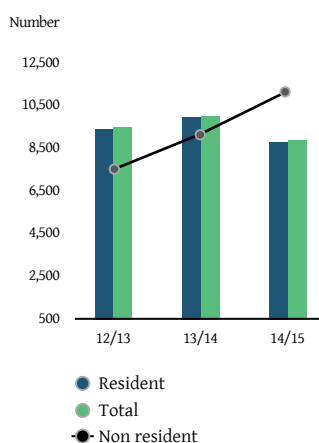
	Distribution of Ordinary Shareholders							
	31st March 2015				31st March 2014			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Less than or equal to 1000	3,940	44.37	2,570,818	0.16	4,184	41.62	2,911,192	0.18
1,001 to 10,000	3,680	41.44	14,864,696	0.94	4,373	43.50	17,698,496	1.12
10,001 to 100,000	1,034	11.64	30,038,515	1.90	1,321	13.14	38,749,543	2.45
100,001 to 1,000,000	195	2.20	51,536,900	3.26	145	1.44	38,639,835	2.45
Over 1,000,000	31	0.35	1,480,851,553	93.73	31	0.31	1,481,863,416	93.8
Total	8,880	100.00	1,579,862,482	100.00	10,054	100.00	1,579,862,482	100.00

	Composition - Ordinary Shares							
	31st March 2015				31st March 2014			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident - Individuals	8,552	96.31	72,120,308	4.56	9,771	97.19	81,714,914	5.17
Resident - Institutions	257	2.89	1,338,515,803	84.72	225	2.24	1,436,427,770	90.92
Non-resident - Individuals	48	0.54	2,155,077	0.14	48	0.48	3,392,268	0.21
Non-resident - Institutions	23	0.26	167,071,294	10.58	10	0.1	58,327,530	3.69
Total	8,880	100.00	1,579,862,482	100.00	10,054	100.00	1,579,862,482	100.00

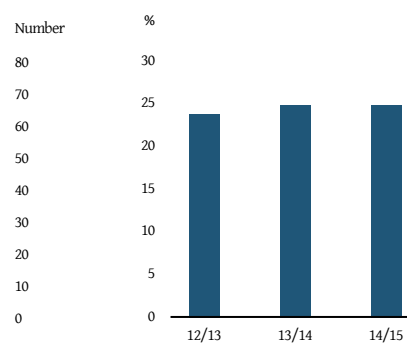
Composition of shareholding as at 31 March 2015



No. of shareholders - Resident & Non-resident



Public holding



PUBLIC HOLDING

It is perceived that the greater the public holding, the less potential for market abuse. Therefore, a minimum public holding of 20 percent as a continuous listing requirement was introduced by the Securities and Exchange Commission of Sri Lanka with effect from 1st January 2014 with the aim of promoting a liquid and transparent market with a better price discovery mechanism.

The Company's public holding as at 31st March 2015 was 24.85 percent. There was no significant change in PLC's public holding compared to the previous year.



TWENTY LARGEST SHAREHOLDERS

Name of The Shareholder	31st March 2015		31st March 2014	
	No. of Shares	%	No. of Shares	%
People's Bank	1,184,896,862	75.00	1,184,896,862	75.00
BNYM SA/NV-Neon Liberty Lorikeet Master Fund LP	61,319,427	3.88	-	-
National Savings Bank	47,914,000	3.03	59,237,340	3.75
Employees Provident Fund	43,643,831	2.76	75,477,861	4.78
HSBC INTL NOM LTD SSBT -Wasatch Frontier Emerging Small Countries Fund	24,753,100	1.57	-	-
Bank of Ceylon No. 1 Account	11,453,600	0.72	11,453,600	0.72
Mellon Bank N.A. Frontier Market Select Fund II L.P.	10,240,000	0.65	-	-
Mellon Bank N.A. Acadian Frontier Markets Equity Fund	10,194,432	0.65	-	-
Mellon Bank N.A. Frontier Market Opportunities Master Fund L.P.	10,150,000	0.64	-	-
BNY-CF Ruffer Investment Funds: CF Ruffer Pacific Fund	10,000,000	0.63	10,000,000	0.63
Northern Trust Global Services Luxembourg S/A Ashmore Sicav Indian Small-Cap Equity Fund	7,401,136	0.47	10,797,914	0.68
AIA Insurance Lanka PLC A/C NO.07	7,081,800	0.45	7,092,734	0.45
BNYM SA/NV-NLCF Fund LP	6,666,429	0.42	-	-
Northern Trust Company S/A Ashmore Emerging Markets Frontier Equity Fund	5,209,717	0.33	-	-
HSBC INTL NOM LTD-JPMCB-J. P. Morgan Clearing Corp	5,097,557	0.32	13,420,466	0.85
Ceylon Investment PLC A/C # 01	4,954,891	0.31	6,954,891	0.44
Union Assurance PLC/NO-01A/C	3,821,672	0.24	-	-
HSBC INTL NOM LTD-JPMCB-T. Rowe Price Institutional Frontier Markets Equity Fund	3,784,520	0.24	-	-
CB NY S/A Wasatch Frontier Emerging Small Countries CIT Fund	3,732,745	0.24	-	-
Employees Trust Fund Board	2,356,087	0.15	12,490	-
Sub Total	1,464,671,806	92.71	1,379,331,668	87.31%
Other Shareholders	115,190,676	7.29	200,530,814	12.69%
Total	1,579,862,482	100.00	1,579,862,482	100.00

DIRECTORS' & CEO'S SHAREHOLDING

Name	Position	No. of Shares as at	
		31st March 2015	31st March 2014
Mr. Gamini Senarath**	Chairman	-	-
Mr. P. Kudabalage**	Director	-	-
Mr. N. Vasantha Kumar	Director	1,000,000	1,000,000
Mr. P. A. I. S. Perera*	Director	-	20,000
Mr. H. H. A. Chandrasiri**	Director	-	-
Mr. S. S. V. Fernando***	Director	-	-
Mr. K. V. N. Jayawardene***	Director	-	-
Mr. D. P. Kumarage	CEO	464,158	233,858

* Retired on 28th June 2014

** Subsequently ceased to be a Director on 8th April 2015

* Appointed on 3rd July 2014

INVESTOR RELATIONS CONTD.

Subsidiary Impact

In comparison to the previous financial year, there is an increasing trend in the needs of the investors for more information on the performance of subsidiaries as it directly influences the return on their investment in the Company. During the financial year under review PIL, PML, PLFML and PLDPL performed well generating positive returns. However as PLHPL Limited had not commenced its commercial operations, no operational return was generated by it (Details provided in subsidiary review section).

Related party transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Company

There were no individual transactions exceeding 10 percent of the equity or 5 percent of total assets during the year under review with any related party of the Company. However, all related party transactions at an aggregate level have been disclosed under note 48 on pages 403 to 407 to the financial statements.

Employee Share Option Scheme

There is no 'Employee Share Option Scheme' in the Company.

Material Foreseeable Risk Factor

Information pertaining to the material foreseeable risk factors that require disclosure as per the Rule No. 7.6 (vi) of the Listing Rules of the CSE are discussed in the section on "Integrated Risk Management" on pages 263 to 265 of this Annual Report.

Material Issues- Employees and Industrial Relations




There were no material issues pertaining to employees and industrial relations pertaining 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.

Useful links for investors

Information	Link
PLC Share Price , announcements, financials, company profile, quotes, chart	http://www.cse.lk/company_info.do?symbol=PLC.N0000
Fitch Rating Lanka Ltd	http://www.fitchratings.lk/
CBSL (weekly economic indicators)	http://www.cbsl.gov.lk/htm/english/_cei/ei/e_1.asp

Inquiries by Shareholders

Shareholders may, at any time, contact the Company Secretary, whose details are given below, to direct questions/comments or request for publicly available information.

Contact information	
	Monday to Friday from 8.30 a.m to 4.45 p.m. +94112631631
	investor.relations@plc.lk
	The Company Secretary People's Leasing & Finance PLC 1161, Maradana Road, Colombo 8

In addition, the Company has established a separate Investor Relations function at the senior management level to assist the shareholders seeking information and assistance. A Senior Independent Director is also available to discuss with shareholders any major issues that cannot be resolved through normal channels.

Snapshot of Financials in USD

	Company		Group	
	2014/15 USD '000	2013/14 USD '000	2014/15 USD '000	2013/14 USD '000
Gross income	154,078	157,789	176,859	184,940
Net interest income	75,008	63,242	76,844	66,225
Total operating expenses	29,339	26,506	47,242	48,329
Income tax expense	12,167	9,663	13,395	11,228
Profit for the year	28,150	23,894	30,766	26,491
Loans and receivables	738,158	690,112	735,050	691,057
Total assets	842,509	870,316	878,796	905,811
Total liabilities	683,975	723,480	713,383	754,600
Total equity	158,534	146,836	165,413	151,211
1 USD = Rs 130.75				

The above Statement of Profit or Loss is solely for the convenience of stakeholders and do not form part of the Financial Statements.

FAQ - SHARE INFORMATION

What is transaction cost?

Fees charged by intermediaries in the sale and purchase of securities can be simply defined as the transaction cost. Generally this includes brokers' commissions and spreads (the price the dealer paid for a security and the price the buyer pays). Transaction costs are important to investors as one of the key determinants of net returns. Specifically this includes CSE Fee, Central Depository System (CDS) Fee, SEC Commission Fee and Share Transaction Levy.

As per the CSE transaction costs applicable on equity with effect from 1st January 2011 are as follows.

Transactions up to Rs. 50 Mn	1.12%
Brokerage Fees	0.640%
CSE Fees	0.084%
CDS Fee	0.024%
SEC Cess	0.072%
Share Transaction Levy	0.300%
Transactions over Rs. 50 Mn	
Minimum Brokerage Fees (Floor)	0.2000%
CSE Fees	0.0525%
CDS Fee	0.0150%
SEC Cess	0.4500%
Share Transaction Levy	0.3000%

For corporate debts, brokerage fee is negotiable and other fees (CSE, CDS & SEC) amount to two Basis points (divided equally among these three institutions).

What do I need to do if I change my personal details?

In the event of any changes to personal details including changes of name, title, registered address, correspondence address, operating instructions, etc., shareholders are required to inform CDS through their broker about the relevant changes.

What does term 'ex dividend date' mean?

The date on which the company shares are sold without being entitled to the dividend is known as ex-dividend date. If you are buying shares before the ex-dividend date you are entitled to receive the dividend recently announced and such dividend is known as 'cum dividend'. If you buy shares on or after ex-dividend date, you are not entitled to the dividend and it is payable to the previous owner.

Can I choose how to receive my dividend payment?

At present, the Company pays dividend through cheques.

What can I do if my dividend cheque is out of date?

Customarily, the validity period of a cheque is only six months. In the event a cheque is outdated, the Company will either re-validate it or issue a new cheque in place of it. However, you have to request for it and may have to bear an administration fee with regard to the issue of a new cheque.

Can I have my dividends credited into my bank account?

It depends on the instructions given to Central Depository System by the investor.

How do I get a replacement if my dividend cheque is lost?

Shareholders may, if they wish to do so, provide their banking details to the Central Depository System (CDS) through their broker, so as to have the dividends credited to their bank account as apposed to having it mailed to them.

What is the tax implication on my dividend?

A resident company (other than a unit trust or mutual fund) has to deduct income tax equal to 10 percent from any gross dividend payable to a shareholder. When a resident company pays a dividend out of a dividend received from another resident company, tax is not deducted at source. From a shareholder's point of view, net dividend received is exempted from income tax.

What is the tax implication on my capital gain?

Profit from sale of shares is exempted from income tax.

Can you tell us about the Company's dividend policy?

The Company's dividend policy depends on overall appraisal of business performance, business environment, investment plans and other factors.



365 DAYS OF FINANCIAL STABILITY

FINANCIAL INFORMATION

This section details out financial statements along with the related accounting policies and notes mirroring the Company's financial stability.

- 318 Annual Report of the Board of Directors on the Affairs of the Company
- 328 Directors Statement on Internal Control over Financial Reporting
- 329 Chief Executive Officer's and Chief Financial Officer's Responsibility Statement
- 331 Directors' Responsibility for Financial Reporting
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- 334 Financial Statement - Table of Contents
- 335 Statement of Profit or Loss
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ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Annual Report of the Board of Directors on the affairs of the Company and statement of compliance of the contents of the Annual Report is presented as required by section 168 of the Companies Act No. 07 of 2007.

GENERAL

The Directors of People's Leasing & Finance PLC ("the Company") have pleasure in presenting this report to the shareholders, together with the Audited Financial Statements and the Audited Consolidated Financial Statements for the year ended 31st March 2015 of the Company and the Group, and the Auditor's Report on these financial statements, conforming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and directions issued thereunder.

The Company was incorporated as a private limited liability company on 22nd August 1995 under the Companies Act No. 17 of 1982 and subsequently

re-registered as required under the provisions of the Companies Act No. 07 of 2007.

The registered office of the Company and the principal place of business is situated at No.1161, Maradana Road, Colombo 08.

The Company's parent undertaking is People's Bank.

The ordinary shares were listed on the Main Board of the Colombo Stock Exchange (CSE) on 24th November 2011 and the Company obtained its finance business license on 8th November 2012. The senior, unsecured redeemable rated debentures issued by the Company are also listed on the Debt Securities Main Board of the Colombo Stock Exchange. Fitch Ratings Lanka reaffirmed the Company's National Long-Term rating at 'AA-(lka)' with a stable outlook. At present, the Company enjoys two international ratings: one equal to the Sovereign

from Standard & Poor's ('B+/B') and the other one notch below the Sovereign from Fitch Rating International ('B+'). (Refer Investor Relations section of this report for the details on ordinary shares and listed debentures)

This report provides the information required by the Companies Act No.07 of 2007, Finance Business Act No.42 of 2011 and Directions issued thereunder, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) and Listing Rules of the Colombo Stock Exchange. This report was approved by the Board of Directors on 29th April 2015.

As required by the Section 168 of the Companies Act No.07 of 2007, the following information is disclosed in this the Annual Report prepared for the year under review.

Information required to be disclosed	Reference to the Companies Act	Extent of compliance by the Company
I) The nature of the business of the Company and its subsidiaries together with any change thereof during the accounting period.	Section 168 (1) (a)	Refer page 319 to 320
II) Completed and signed Financial Statements of the Company and the Group for the accounting period completed.	Section 168 (1) (b)	Refer pages 335 to 443
III) Auditor's Report on Financial Statements of the Company and the Group.	Section 168 (1) (c)	Refer page 333
IV) Any changes made to the Accounting policies during the year under review.	Section 168 (1) (d)	Refer page 343
V) Particulars of the entries in the Interests Registers of the Company and its subsidiaries during the accounting period.	Section 168 (1) (e)	Refer page 323
VI) Remuneration and other benefits paid to Directors of the Company and its subsidiaries during the period.	Section 168 (1) (f)	Refer page 324
VII) Total amount of donations made by the Company during the period.	Section 168 (1) (g)	Refer page 325



Information required to be disclosed	Reference to the Companies Act	Extent of compliance by the Company
VIII) Information on Directorate of the Company and its subsidiaries during and at the end of the accounting period.	Section 168 (1) (h)	Refer pages 94 to 95
IX) 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) (i)	Refer page 326
X) Auditors' relationship or any interest with the Company and its subsidiaries.	Section 168 (1) (j)	Refer page 326
XI) Acknowledgment of the contents of this report/signatures on behalf of the Board by two Directors and the Secretary of the Company.	Section 168 (1) (k)	Refer page 327

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision and mission are provided on pages 28 to 29 of this Annual Report. In achieving its vision and mission, all Directors and employees conduct their activities to the highest level of ethical standards and integrity as set out in the Code of Business Conduct and Ethics.

PRINCIPAL BUSINESS ACTIVITIES

Section 168 (1) (a) of the Companies Act No. 07 of 2007/Section 7.6 (ii) of CSE Listing Rules

Company - The Company's principal business activities comprise finance leases, term loans, Islamic finance, margin trading and issuance of debt instruments and mobilisation of public deposits.

Subsidiaries - The Company has five fully owned subsidiaries and an associate company. The table given below provides details on the nature of the principal business activities of these subsidiaries and the associate.

Name of the subsidiary	Principal activities and nature of operations
People's Leasing Fleet Management Limited	Providing operating leases, vehicle sales, hiring/renting of vehicles and vehicle valuation.
People's Leasing Property Development Limited	Carrying out mixed development projects and property development activities.
People's Leasing Havelock Properties Limited	Construction and management of an office complex.
People's Microfinance Limited	Financial services including funding, technical and marketing support to the underprivileged and low income communities.
People's Insurance Limited	Providing non-life insurance.

Name of the associate (percentage of holding)	Principal activities and nature of operations
City Finance Corporation Limited - 28.51%	Providing finance leases, term loans, mobilisation of public deposits, real estate development and related services.

The Company or its subsidiaries have not engaged in any activities, which contravene any laws or regulations during the year under review.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY CONTD.

CHANGES TO THE GROUP STRUCTURE

There were no significant changes to group structure during the financial year 2014/15. (Refer Organisational Profile on page 31 of this report for the Group structure)

BRANCH NETWORK

With the opening of 4 branches during the year total branch network of the Company as at 31st March 2015 reached 89.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

An overall assessment of the Company's financial position and performance during the year, with comments on financial results, special events that took place and future developments, is contained in the Chairman's Message on pages 17 to 19, the Chief Executive Officer's Review on pages 21 to 27, Chief Financial Officer's Note on page 53 and the Management Discussion and Analysis on pages 33 to 181 of this Annual Report. These reports form an integral part of the Annual 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, results, assets and liabilities is disclosed in Notes to the Financial Statements on pages 417 to 418 of this Annual Report.

FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY

Section 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007.

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting

Standards (SLFRSs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No. 07 of 2007.

The Financial Statements of the Group and the Company, which are duly certified by the Chief Financial Officer and the Chief Executive Officer and approved by the Board of Directors and signed by the Chairman and the Deputy Chairman are appearing on pages 335 to 443 of this Annual Report.

AUDITOR'S REPORT

Section 168 (1) (c) of the Companies Act No. 07 of 2007

The Company's Auditors, M/s. Ernst & Young, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended 31st March 2015 and the Auditor's Report issued thereon is given on page 333 of this Annual Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

Section 168 (1) (d) of the Companies Act No. 07 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 341 to 443. This year the Company used the alternative format 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. 07 of 2007.

ACCOUNTING PERIOD

The financial accounting period reflects the information from 1st April 2014 to 31st March 2015.

FINANCIAL RESULTS AND APPROPRIATIONS

Interest Income

The total interest income of the Company for the year ended 31st March 2015 was Rs. 19,247.62 million (Rs. 19,533.60 million in 2014). The consolidated interest income for the year ended 31st March 2015 was Rs. 19,595.09 million (Rs. 20,053.45 million in 2014). A more descriptive analysis of the interest income is given in Note 5 to the financial statement on page 350.

Profit and Appropriations

The Group and the Company recorded a net profit of Rs. 4,101.54 million and Rs. 3,752.96 million respectively for the financial year 2014/15 (Rs. 3,463.22 million and Rs. 3,123.75 million in 2014). This represents net profit growth of the Group and the Company by 18.43 percent and 20.14 percent respectively compared to the previous year. Details of the Company's performance and appropriation of profit are tabulated as follows.



Company	2014/15 Rs. Mn	2013/14 Rs. Mn
Profit after taxation	3,752.96	3,123.75
Profit brought forward from previous year	4,001.93	3,495.58
Transfers from reserves	1,175.82	-
Profit available for appropriation	8,930.71	6,619.33
Appropriations		
Redemption of preference shares	(200.00)	(200.00)
Dividend paid for previous/current year	(1,974.83)	(1,974.83)
Other comprehensive income	0.27	(41.21)
Transfer to reserves	(266.56)	(401.36)
Total appropriation	(2,441.12)	(2,617.40)
Un-appropriated profit carried forward	6,489.59	4,001.93

Provision for Taxation

The income tax rate applicable on the profits earned during the year is 28 percent. Rate of VAT on financial services changed from 12 percent to 11 percent with effect from 1st January 2015. Accordingly, the current year income tax expense of the Company is Rs. 1,622.15 million and a more descriptive note on income tax charged and differed tax liability of the Company and its subsidiaries are disclosed in Notes 14 and 38 to the Financial Statements respectively.

Super Gain Tax

As proposed in the interim budget presented to the parliament on 29th January 2015 one-off "Super Gain Tax" of 25% is proposed to be levied on any company which posted a profit exceeding Rs. 2,000 million for the year of assessment 2013/14. Having recorded a post-tax profit of Rs. 3,123.7 million for the financial year 2013/14 the Company will be subject to this proposal. However, the impact thereof cannot be assessed at this juncture as the details of the computation of the said tax are not yet known.

Dividends on Ordinary Shares

An interim dividend of Rs. 0.75 per share was paid on 06th January 2015 to the holders of the ordinary shares and the Directors recommended a final dividend of Rs. 0.50 per share for the year ended 31st March 2015.

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. 07 of 2007 immediately after the payment of 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.

Preference Shares and Preference Dividend

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 2015 amounted to Rs. 307.52 million. Dividend paid with respect to these preference shares amounted to Rs. 76.5 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 2015 amounted to Rs. 457.66 million and Rs. 1,040.61 million respectively (Rs. 301.57 million and Rs. 680.95 million in 2014). The details of property, plant and equipment are presented in Note 27 pages 376 to 381 to the Financial Statements.

Expenditure incurred to acquire intangible assets of the Company and the Group in the year ended 31st March 2015 amounted to Rs. 5.53 million and Rs. 5.53 million respectively (Rs. 15.25 million and Rs. 15.25 million in 2014). The details of intangible assets are presented in Note 28 pages 381 to 383 to the Financial Statements.

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.

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Information on Freehold Land and Building of the Company

Section 7.6 (viii) of CSE Listing Rules

Extents, locations, valuations and the number of buildings of the Entity's land holding are detailed on pages 380 to 381 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 2015 are included in the Financial Statement at Rs. 594.95 million and Rs. 2,601.05 million respectively.

The Details of freehold land and buildings owned by the Company and the Group are given in Note 27.3 to these Financial Statements.

Investments

Details of investments held by the Company are disclosed in Notes 19, 20, 23, 24, 25, 26 to the Financial Statements.

Stated Capital and Shareholders' Funds

Section 7.6 (xiii) of CSE Listing Rule

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital. The Stated Capital of the Company and the Group as at 31st March 2015 amounted to Rs. 12,936.07 million. (Rs. 12,736.07 million as at 31st March 2014).

Reserves

A summary of reserves of the Group and Company as at year ended 31st March 2015 is as follows.

	Company		Group	
	2014/15 Rs. '000	2013/14 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000
Statutory Reserve Fund	1,204,116	1,016,467	1,204,116	1,016,467
General Reserve	300,000	300,000	300,000	300,000
Tax Equalisation Reserve	100,000	100,000	100,000	100,000
Investment Fund	-	1,096,914	-	1,096,914
Available for Sale Reserve	99,029	(56,102)	101,918	(52,122)
Retained Earnings	6,489,598	4,001,931	7,403,781	4,569,825
Cash Flow Hedge Reserve	6,971	653	6,971	653
Total	8,199,715	6,459,863	9,116,786	7,031,737

During the financial year Rs. 266.56 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 338 to 339 respectively to the Financial Statements.

Debt Capital

During the year under review, the Company issued 30 million senior, unsecured, redeemable, rated, 3 year and 4 years debentures, which were listed on the Main Board of the CSE.

The par value of these debentures was Rs. 100/- and the same are redeemable in 2017 and 2018. These debentures commenced trading in the year under review.

The details of Debt Capital are given in Note 33.1.1 to the Financial Statements.

CAPITAL ADEQUACY

The Company ensures that it maintains the statutory requirement on core capital and supplementary capital, to mitigate the liquidity risk and safeguard the depositors, thus ensuring the sustainability of the Company and the industry as a whole. Core capital and total risk rated capital adequacy ratios of the Company stood at 20.22 percent and 19.04 percent respectively as at 31st March 2015. The information on Minimum Capital Requirement is given on page 446 of this Annual Report.

SHARE INFORMATION

Section 7.6 (ix to xi) of CSE Listing Rules

Shareholder information and information on trading are provided under the title 'Investor Relations' on pages 301 to 315 of this Annual Report and is presented to the shareholders which specially includes:

- Number of shares representing the entity's stated capital.
- A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holding. (as per Rule 7.6(xi) of the Listing Rules)

- Information on dividend per share, dividend payout and net assets per share.
- Market value per share including highest and lowest value recorded during the year and value as at end of the financial year.

Substantial Shareholdings

Section 7.6 (iii) and (iv) of CSE Listing Rules People's Bank held 75 percent of the ordinary voting shares as at 31st March 2015. The list of top 20 shareholders, number of shares held by them, percentage of their respective holding and public holding percentage are given under the title 'Investor Relations' on page no 313.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material.

THE BOARD OF DIRECTORS

Section 168 (1) (h) of the Companies Act No. 07 of 2007 and Section 7.6 (i) of CSE Listing Rules

Following the change in the directorate of the parent of the Company, People's Bank in January 2015, the representatives of People's Bank on the Board of Company namely, Mr. Gamini Sedara Senarath (Non-Executive, Non-Independent Chairman), Mr. Piyadasa Kudabalage (Non-Executive, Non-Independent Director) tendered their resignations from the office of Director of the Company during the last quarter of financial year 2014/15. Subsequently, Mr. H. H. Anura Chandrasiri (Non-Executive, Independent Director), Mr. Sidath Fernando (Non-Executive, Independent Director) and Mr. Nihal Jayawardene, PC (Non-Executive, Senior Independent

Director) too tendered their resignations from the office of Director of the Company.

On receipt of approval from the Monetary Board of the Central Bank of Sri Lanka, the Board of PLC was reconstituted by accepting the resignations of the aforementioned Directors and appointing the following Directors with effect from 8th April 2015,

- Mr. Hemasiri Fernando (Non-Executive, Non-Independent Chairman)
- Mr. Pradeep Amirthanayagam (Non-Executive, Independent Deputy Chairman)
- Mr. Jehan Amaratunga (Non-Executive, Non-Independent Director)
- Mr. N. Vasantha Kumar (Non-Executive, Non-Independent Director)
- Mr. Johnson Fernando (Non-Executive, Independent Director)
- Mr. M. A. M. Rizwan (Non-Executive, Independent Director)

Subsequently on 7th May 2015, Mr. Rathnayake Mudiyanelage Jayasena too, was appointed as an Non-Executive, Independent Director of the Company.

Accordingly, at present the Board comprises of seven (07) Directors all of whom are Non-Executive Directors.

Appraisal of Board Performance

Method used to appraise the performance of Board of Directors is presented in the 'Corporate Governance' section on page 245

Other Directorship/significant positions of Directors

Information of the other directorships/significant positions of the present Directors of the Company are given on pages 184 to 187, 202.

Resignations and appointments

Mr. Palihawadana Arachchige Irenius Sirinimal Perera retired from the office of Non-Executive, Independent Director of the Company upon reaching the age of 70 years on 28th June 2014.

Mr. Sidath Sri Vidanage Fernando and Mr. Kuttikande Vidanelage Nihal Jayawardene were appointed to the Board of the Company as Non-Executive, Independent Directors with effect from 3rd July 2014.

Subsequently, the Board of Directors of the Company was reconstituted with effect from 8th April 2015 in the manner set out under the heading 'Board of Directors'.

Interests Register

Section 192 (1) & (2)/ 119 (1) (d) and 168 (1) (e) of the Companies Act No. 07 of 2007

In compliance with the Companies Act No. 07 of 2007, the Company maintains an interest's register which is available for inspection.

Directors' Interest in Transactions

The Directors of the Company have made general declarations as provided in section 192 (2) of the Companies Act No. 07 of 2007 of their interests in transactions of the Company. Details of the transactions disclosed therein are given on page 403 to 404 under related party transactions. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the



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Company have made general declarations that there is no financial, business, family or other material/relevant relationship (s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

Directors' Remuneration

Section 168 (1) (f) of the Companies Act No. 07 of 2007

The details of Directors' fees and Directors' emoluments paid during the year are stated below.

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Directors' Fees & Emoluments	290,000	375,000	610,000	455,000

Directors' Interest in Shares

Section 7.6 (v) of CSE Listing Rules

In compliance with section 200 of the Companies Act, the Directors have disclosed to the Board their shareholding in the Company and any acquisitions or disposals thereof.

The Directors' individual shareholdings in the Company as at 31st March 2015 and 31st March 2014 are given on page 313 of this Annual Report.

Chief Executive Officer's Interest in Shares

Section 7.6 (v) of CSE Listing Rule

The Chief Executive Officer's individual shareholdings in the Company as at 31st March 2015 and 31st March 2014 are given on page 313 of this annual report.

Director's Meetings

The details of Directors' meetings are presented in the Corporate Governance report on page 208 of this Annual Report.

BOARD SUB COMMITTEES

All Board Sub-Committees were reconstituted subsequent to 31st March 2015 and details are presented in the 'Corporate Governance' section on page 207.

Board Audit Committee

All members of the Audit Committee are Non-Executive Directors. The CEO, Senior Management Committee members, internal and external auditors attend the meetings by invitation. The Board Audit Committee Report is given on pages 266 to 268 of this Annual Report.

Integrated Risk Management Committee

The Board of Directors has established a comprehensive risk management system in the Company to identify, evaluate and manage the risks associated with the operations of the Company. The system is reviewed on a regular basis by the Board

to facilitate the changes in the business environment. A detailed overview of the process is set out in the Integrated Risk Management Committee Report on pages 263 to 265 of this Annual Report.

Remuneration & Nomination Committee

The Report of the Remuneration & Nomination Committee is given on pages 269 to 270 of this Annual Report.

Related Party Transactions Review Committee

The Report of the Related Party Transactions Review Committee is given on pages 271 to 272 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the statement of profit or loss, statement of comprehensive income, statement of changes in equity, cash flow statement, significant accounting policies and notes for the year ended 31st March 2015 and statement of financial position as at that date have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Directions/Rules made under Finance Business Act. No. 42 of 2011.

The "Statement of Director's Responsibility for Financial Reporting" provided on Pages 331 to 332 forms an integral part of this report.

DONATIONS

Section 168 (1) (g) of the Companies Act No. 07 of 2007

During the year, the Company made donations amounting to Rs. 72.86 Mn (Rs. 66.02 Mn in 2014) in terms of the resolution passed at the last Annual General Meeting. The information given above on donations forms an integral part of the Report of the Board of Directors as required by the Section 168(1) (g) of the Companies Act No. 07 of 2007.

The Company's Corporate Social Responsibility Department handles CSR initiatives and activities, except CSR initiatives carried out through the Islamic Charity Fund. The CSR initiatives of the Company are presented in 'Social Review' and 'Environment Review' given on pages 140 to 165 and pages 166 to 181 respectively.

RELATED PARTY TRANSACTIONS

Section 7.6 (xvi) of CSE Listing Rules

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 48 on pages 403 to 407 of this Annual Report.

SYSTEM OF INTERNAL CONTROLS

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial

operations and compliance controls required to carry its operation in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Board Audit Committee Report forms an integral part of the Annual Report of the Board of Directors and is given on pages 266 to 268 of the Annual Report. The Directors have assigned the internal audit function to the Assistant General Manager -Internal Audit (Group), who reviews and reports on the effectiveness of financial, operational and compliance controls. An integrated risk management initiative has been implemented since 2006.

CORPORATE GOVERNANCE

The Board of Directors is committed to develop the corporate governance principles of the Company and has adopted a Corporate Governance Charter including therein the procedures and processes governing the different participants in the organisation – such as the Board, Managers, Shareholders and other Stakeholders to ensure that the highest principles of Corporate Governance is maintained across the board.

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is compliant with the recommendations and proposals of the Code of Best Practice on Corporate Governance issued

jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Direction No.03 of 2008, No.04 of 2008 and No. 06 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 practiced by the Company.
- The measures taken in this regard are set out in the Corporate Governance Report on pages 194 to 262 of this 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 & Nominations Committee and Related Party Transaction Review Committee function as Board Sub Committees with Directors who possess the requisite qualification and experience. The composition of the said committees is set out in page 207 of this Annual Report.

HUMAN RESOURCES

The Company has continued to invest in human capital development and implement effective human resource management policies to develop an



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effective and efficient workforce to optimise their contribution towards the achievement of corporate goals and objectives and to ensure the future success of the Company and the workforce. Some of the measures adopted in this regard are mentioned on pages 118 to 137 of this Annual Report.

STAKEHOLDER MANAGEMENT/ CORPORATE SOCIAL RESPONSIBILITY

The Company has taken several measures to manage the stakeholders covering the aspects of economy, environment, society, employees and products. The projects that have been carried out by the Company in this context are presented on pages 140 to 181 of this Annual Report.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

The Company has not engaged in any activity that caused detriment to the environment. During the year a structured process was initiated to calculate total carbon emissions and the carbon footprint of the Company. Initiatives taken by the Company to protect the environment are outlined on pages 166 to 181.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity contravening any laws and regulations.

STATUTORY PAYMENTS

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the

government, other regulatory institutions and in relation to the employees have been made except for certain income tax assessments against which appeals have been lodged.

OUTSTANDING LITIGATION

In the opinion of the Directors formed in consultation with the Company lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Value of the pending cases against the Company is disclosed in Note 44.1 on pages 400 to 401 to the Financial Statements.

Events after the Reporting Date

Details of events after the reporting date are reflected in Note 52 on page 419 to the Financial Statements. In addition, the Board of the Company was reconstituted with effect from 8th April 2015, detail explanation of which is provided in the 'Corporate Governance' section on pages 200 to 202.

GOING CONCERN

After considering the financial position, the Company's corporate/ business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

AUDITORS

The Company's auditors during the year under review were 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.

REMUNERATION

Section 168 (1) (i) and (j) of the Companies Act No. 07 of 2007

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	Company		Group	
	2015 Rs. Mn	2014 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
Audit and Related Services	4.56	4.58	7.33	7.11
Non-Audit Fees	2.35	4.06	3.36	7.15

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 authorising the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

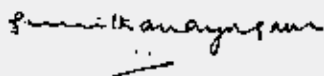
ANNUAL GENERAL MEETING

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 30th of June 2015 at 2.30 pm.

NOTICE OF MEETING

Notice of the meeting relating to the 19th Annual General Meeting is provided on page 484 of this Annual Report.

By order of the Board of Directors - Section 168 (1) (k) of the Companies Act No. 07 of 2007



M. P. Amirthanayagam
Deputy Chairman



Hemasiri Fernando
Chairman



Rohan Pathirage
Company Secretary

29th May 2015
Colombo

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the section 10(2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No. 06 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 continuously in the process of enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing the

Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on going basis.

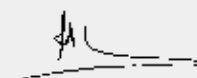
The Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013. The processes and procedures initially applied to adopt the aforementioned Accounting Standards were further strengthened during the years 2014 and 2015 based on the feedback received from the external auditors, internal audit department, regulators and the Board Audit Committee. The Company is in the process of updating relevant procedure manuals pertaining to these new requirements. The Company has also recognised the need to introduce an automated financial reporting process in order to comply with the requirements of recognition, measurement, classification and disclosures of the financial instruments more effectively and efficiently. The areas with respect to the processes such as impairment of loans and advances, Financial Statements disclosures related to financial risk management, fair value and related party transactions are being completed. 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

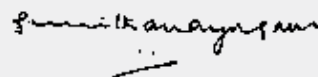
The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.



J. P. Amaratunga
Chairman - Board Audit Committee



Hemasiri Fernando
Chairman



M. P. Amirthanayagam
Deputy Chairman

29th April 2015
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 2015 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.

We confirm that to the best of our knowledge, the Financial Statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Group during the period under review. We also confirm that the Group has adequate resources to continue in operation and have applied the Going Concern basis in preparing these financial statements.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements are reflected in a true and fair manner, the form and substance of transactions and the Company's state of affairs is reasonably presented. To ensure this, the Company and the Group has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group were consistently followed. However, there are inherent limitations that should be

recognised in weighing the assurances provided by any system of internal controls and accounting. Further the Board assessed the effectiveness of the Company's internal controls over financial reporting during the year ended 31st March 2015, as required by the Finance Companies (Corporate Governance) Direction on No. 3 of 2008, result of which is given on page 327 of this Annual Report, the "Directors' Statement on Internal Control".

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control systems and procedures and also reviewed the quality of accounting policies and their adherence to statutory and regulatory requirements, the details of which are given in the "Board Audit Committee Report" on pages 266 to 268 of this Annual Report. The Board Audit Committee also reviewed the external audit plan and the management letters and followed up on any issues raised during the statutory audit. Furthermore the Board Audit Committee met with the external and internal auditors to review the effectiveness of the audit.

The Financial Statements of the Company and the Group were audited by Messrs Ernst & Young Chartered Accountants and their report is given on page 333 of this Annual Report.

The Board Audit Committee pre-approves the audit and non-audit services provided by Messrs Ernst & Young in order to ensure that the provision of such services does not contravene with the guidelines and requirements issued by the Central Bank of Sri Lanka on permitted



CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT CONTD.

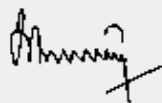
non-audit services or impair Ernst & Young's independence and objectivity. Further in order to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

We confirm that;

- The Group has complied with all applicable laws, regulations and prudential requirements, there is no material non compliance
- There are no material litigations that are pending against the Group other than those disclosed in Note 44.1 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 2015 have been paid, or where relevant provided for.



Sanjeewa Bandaranayake
Chief Financial Officer



D. P. Kumarage
Chief Executive Officer

29th April 2015
Colombo

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors, in relation to the Financial Statements of the Company and its subsidiaries in accordance with the provisions of the Companies Act No. 7 of 2007 is set out in this statement. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Report of the Independent Auditors given on page 333 of this Annual Report.

As per sections 150 (1), 151, 152 and 153(1) & (2) of the Companies Act No. 7 of 2007, 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 and prepare Financial Statements that give a true and fair view of the financial position of the Company and the Group as at the end of the financial year and of the financial performance of the Company and the Group for the year and place the same before the Annual General Meeting.

The Financial Statements comprise the Statement of Financial Position as at 31st March 2015, and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto. Accordingly, the Directors confirm that the Financial Statements of the Company and its Subsidiaries give a true and fair view of:

1. The financial position of the Company and its Subsidiaries as at 31st March 2015; and
2. The financial performance of the Company and its Subsidiaries for the financial year then ended.

The Board of Directors accepts responsibility for the integrity and

objectivity of the Financial Statement presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

1. The appropriate accounting policies have been selected and applied in a consistent manner, material departures, if any, have been disclosed and explained;
2. All applicable accounting standards as relevant have been followed; and
3. Judgments and estimates have been made which are reasonable and prudent.

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements of the Company and the Group have been certified by the Company's Chief Executive Officer, the officer responsible for their preparation as required by the section 150(1) (b) and 152(1) (b) of the Companies Act. In addition, the Financial Statements of the Group and the Company have been signed by two Directors on 29th April 2015 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirement. In compliance with section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of

Financial Statements, in accordance with the Companies Act and further enabling the Financial Statements to be readily and properly audited.

The Financial Statements for the year 2014/15 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the new Sri Lanka Accounting Standards (SLFRS) which came to effect from January 01 2012, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereto, the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors have also instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it has been under regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st March 2015 is given on page 328 of the Annual Report titled, "Directors' Statement on Internal Control".

The Board of Directors wish to confirm that as required under Section 56 (2) of the Companies Act. No. 7 of 2007, they have authorised the distribution



DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING CONTD.

of the interim dividend paid in January 2015 as well as the proposed final dividend after being satisfied that the Company would satisfy the solvency test after such distributions are made in accordance with section 57 of the Companies Act 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.

COMPLIANCE REPORT

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

29th April 2015
Colombo

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
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P.O. Box 101
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Sri Lanka

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ey.com

TO THE SHAREHOLDERS OF PEOPLE'S LEASING & FINANCE PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of People's Leasing & Finance PLC ("The Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2015, 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 335 to 443 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 31st March 2015, 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 2015, 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.

29th April 2015
Colombo

Partners: A D D Fernando FCA FCMA, M P D Fernando FCA FCMA, Rande Sarama ACA FCMA, M S A De Silva FCA, M S A De Silva FCA, M R H Fernando FCA FCMA, N K B S P Fernando FCA FCMA, M L K H Fonseka FCA, A P A Gunasekera FCA FCMA, A Herath FCA, D H H Gunawardana FCA FCMA LLB LLDP, M A Jayasinghe FCA FCMA, M A A L Jayawardene FCA FCMA, M S G G M Jayasinghe FCA, N M Suman ACA ACMA, R E Muralidharan FCA ACMA

A member firm of Ernst & Young Global Limited

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STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Income	4	20,541,628	20,627,792	23,578,871	24,177,225
Interest income		19,247,619	19,533,602	19,595,091	20,053,448
Less: Interest expenses		9,247,594	11,265,957	9,350,272	11,395,898
Net interest income	5	10,000,025	8,267,645	10,244,819	8,657,550
Net earned premiums	6	-	-	2,949,902	3,464,453
Fee and commission income	7	874,034	853,614	576,592	393,017
Net trading income	8	57,985	7,628	120,741	29,838
Other operating income	9	361,990	232,948	336,545	236,469
Total operating income		11,294,034	9,361,835	14,228,599	12,781,327
Less: Impairment charges for loans and other losses	10	1,644,876	1,217,746	1,670,681	1,229,856
Net operating income		9,649,158	8,144,089	12,557,918	11,551,471
Less:					
Personnel expenses	11	1,565,226	1,338,049	1,802,013	1,521,900
Depreciation of property, plant and equipment		201,261	181,950	280,116	260,413
Amortisation of intangible assets		15,807	14,860	18,804	19,864
Benefits, claims and underwriting expenditure	12	-	-	2,120,331	2,596,617
Other operating expenses	13	2,129,180	1,930,255	2,077,112	1,919,244
Total operating expenses		3,911,474	3,465,114	6,298,376	6,318,038
Operating profit before value added tax (VAT)		5,737,684	4,678,975	6,259,542	5,233,433
Less: Value added tax (VAT) on financial services		362,571	292,011	372,121	302,374
Operating profit before income tax		5,375,113	4,386,964	5,887,421	4,931,059
Less: Income tax expense	14	1,622,153	1,263,218	1,785,879	1,467,844
Profit for the year		3,752,960	3,123,746	4,101,542	3,463,215
Earnings per Share					
Basic earnings per share (Rs.)	15			2.60	2.19
Dividend per Ordinary share (Rs.)	16	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 341 to 443.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit for the year	3,752,960	3,123,746	4,101,542	3,463,215
Other comprehensive income/(expenses)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Cash flow hedges				
Gains/(losses) on derivative financial investments	6,318	653	6,318	653
Available-for-sale financial assets				
Gains/(losses) on re-measuring available-for-sale financial assets	155,131	39,888	154,040	42,189
Recycling to Statement of Profit or Loss for impairment	-	25,000	-	25,000
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	161,449	65,541	160,358	67,842
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Actuarial gains and losses on defined benefit plans	375	(57,236)	(23)	(57,574)
Deferred tax effect on above	(105)	16,026	69	16,778
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	270	(41,210)	46	(40,796)
Other comprehensive income for the year, net of tax	161,719	24,331	160,404	27,046
Total comprehensive income for the year	3,914,679	3,148,077	4,261,946	3,490,261

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 341 to 443.

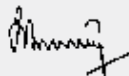
STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Assets	17				
Cash and cash equivalents	18	3,139,139	11,452,997	3,413,951	11,695,561
Balances with banks & financial institutions	19	326,321	3,329,562	1,830,668	4,725,904
Derivative financial instruments	35	-	245	-	245
Financial investments - Held-for-trading	20	196,193	184,243	503,268	378,312
Loans and receivables	21	98,411,195	90,218,355	97,996,856	90,341,901
Insurance and reinsurance receivables	22	-	-	187,300	137,576
Financial investments - Available-for-sale	23	939,199	224,068	2,043,342	1,316,819
Financial investments - Held-to-maturity	24	5,266,407	4,746,558	5,266,407	4,746,558
Investments in subsidiaries	25	1,875,000	1,475,000	-	-
Investments in associates	26	-	-	-	-
Property, plant and equipment	27	1,108,681	801,135	3,804,706	3,052,089
Goodwill and intangible assets	28	337,647	347,927	345,641	355,732
Investment property	29	-	55,000	-	-
Other assets	30	723,197	941,346	1,768,840	1,666,080
Total assets		112,322,979	113,776,436	117,160,979	118,416,777
Liabilities	17				
Due to banks	31	21,228,600	14,131,807	22,391,144	15,776,883
Due to customers	32	34,022,572	40,921,485	33,930,221	40,839,278
Debt securities issued	33	28,690,194	34,473,380	28,586,186	34,369,214
Other financial liabilities	34	3,234,445	1,857,324	3,165,912	1,728,158
Derivative financial instruments	35	92,193	-	92,193	-
Insurance liabilities and reinsurance payable	36	-	-	2,894,358	2,570,540
Current tax liabilities	37	550,042	446,832	618,198	540,841
Deferred tax liabilities	38	1,949,490	1,573,461	1,976,418	1,598,573
Other liabilities	39	1,419,655	1,176,211	1,453,490	1,225,480
Total liabilities		91,187,191	94,580,500	95,108,120	98,648,967
Equity					
Capital	40	12,936,073	12,736,073	12,936,073	12,736,073
Statutory reserve fund	41	1,204,116	1,016,467	1,204,116	1,016,467
Retained earnings	42	6,489,599	4,001,931	7,403,781	4,569,825
Other reserves	43	506,000	1,441,465	508,889	1,445,445
Total equity		21,135,788	19,195,936	22,052,859	19,767,810
Total liabilities and equity		112,322,979	113,776,436	117,160,979	118,416,777
Contingent liabilities and commitments	44	4,400,063	2,379,252	5,308,209	3,007,091
Net asset value per share (Rs.)		13.38	12.15	13.96	12.51

We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Sanjeewa Bandaranayake
Chief Financial Officer

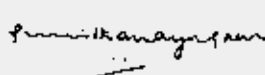


D. P. Kumarage
Chief Executive Officer

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 341 to 443.

29th April 2015
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2015
Company

	Other Reserves							Total Equity Rs. '000	
	Capital Rs. '000	Reserve Fund Rs. '000	General Reserves Rs. '000	Tax Equalisation Rs. '000	Investment Fund Rs. '000	Available for Sale Reserve Rs. '000	Cash Flow Hedge Reserve Rs. '000		Retained Earnings Rs. '000
Balance as at 01.04.2013	12,258,000	707,281	300,000	100,000	805,508	(120,990)	-	3,622,575	17,672,374
Adjustment due to merger	-	152,999	-	-	46,239	-	-	(126,998)	72,240
Issue of shares	278,073	-	-	-	-	-	-	-	278,073
Balance as at 01.04.2013 - Restated	12,536,073	860,280	300,000	100,000	851,747	(120,990)	-	3,495,577	18,022,687
Total comprehensive income for the year	-	-	-	-	-	-	-	3,123,746	3,123,746
Profit for the year	-	-	-	-	-	-	-	(41,211)	24,330
Other comprehensive income (net of tax)	-	-	-	-	-	64,888	653	3,082,535	3,148,076
Total comprehensive income for the year	-	-	-	-	-	64,888	653	3,082,535	3,148,076
Transactions with equity holders, recognised directly in equity									
Transfer from preference shares on redemption	200,000	-	-	-	-	-	-	(200,000)	-
Transfers to reserves	-	156,187	-	-	245,167	-	-	(401,354)	-
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)
Total transactions with equity holders	200,000	156,187	-	-	245,167	-	-	(2,576,181)	(1,974,827)
Balance as at 31.03.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(56,102)	653	4,001,931	19,195,936
Balance as at 01.04.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(56,102)	653	4,001,931	19,195,936
Total comprehensive income for the year									
Profit 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									
Share issue expenses	-	-	-	-	-	-	-	(200,000)	-
Transfer from preference shares on redemption	200,000	-	-	-	-	-	-	(266,558)	-
Transfers to reserves	-	187,649	-	-	78,909	-	-	1,175,823	-
Transfers from reserves to retained earning	-	-	-	-	(1,175,823)	-	-	(1,974,827)	(1,974,827)
Dividend paid	-	-	-	-	-	-	-	(1,265,562)	(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

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 341 to 443.

For the year ended 31st March 2015

	Other Reserves										Non-controlling Interest	Total Equity	
	Capital	Reserve Fund	General Reserves	Tax Equalisation	Investment Fund	Available for Sale Reserve	Cash Flow Hedge Reserve	Retained Earnings	Total	Interest			
	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
Balance as at 01.04.2013	12,258,000	860,280	300,000	100,000	851,747	(119,311)	-	3,843,534	18,094,250	158,126	18,252,376		
Adjustments due to merger	-	-	-	-	-	-	-	(119,946)	(119,946)	(158,126)	(278,072)		
Issue of shares	278,073	-	-	-	-	-	-	-	278,073	-	278,073		
Balance as at 01.04.2013 - Restated	12,536,073	860,280	300,000	100,000	851,747	(119,311)	-	3,723,588	18,252,377	-	18,252,377		
Total comprehensive income for the year													
Profit for the year	-	-	-	-	-	-	-	3,463,215	3,463,215	-	3,463,215		
Other comprehensive income (net of tax)	-	-	-	-	-	-	653	(40,797)	27,045	-	27,045		
Total comprehensive income for the year	-	-	-	-	-	-	653	3,422,418	3,490,260	-	3,490,260		
Transactions with equity holders, recognised directly in equity													
Transfer from preference shares on redemption	200,000	-	-	-	-	-	-	(200,000)	-	-	-		
Transfers to reserves	-	156,187	-	-	245,167	-	-	(401,354)	-	-	-		
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)	-	(1,974,827)		
Total transactions with equity holders	200,000	156,187	-	-	245,167	-	-	(2,576,181)	(1,974,827)	-	(1,974,827)		
Balance as at 31.03.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(52,122)	653	4,569,825	19,767,810	-	19,767,810		
Balance as at 01.04.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(52,122)	653	4,569,825	19,767,810	-	19,767,810		
Total comprehensive income for the year													
Profit 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			

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 341 to 443.

STATEMENT OF CASH FLOWS

Accounting Policy

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flow 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 is comprised of those items as explained in Note 45 to 47 on page 402.

For the year ended 31st March	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash flows from operating activities					
Profit before tax		5,375,113	4,386,964	5,887,421	4,931,059
Adjustment for:					
Non-cash items included in profits before tax	45	1,793,819	1,408,465	1,841,730	1,478,684
Change in operating assets	46	(7,913,442)	(9,909,386)	(7,542,733)	(10,591,601)
Change in operating liabilities	47	(5,406,665)	21,831,242	(5,104,908)	22,082,405
Dividend income from investments		(224,611)	(134,479)	(29,075)	(3,211)
Gratuity paid		(5,308)	(7,258)	(5,413)	(7,292)
Tax paid		(1,040,943)	(357,727)	(1,174,930)	(450,777)
Net cash generated/(used in) from operating activities		(7,422,037)	17,217,821	(6,127,908)	17,439,267
Cash flows from investing activities					
Purchase of property, plant and equipment		(457,659)	(301,571)	(1,040,608)	(680,947)
Proceeds from the sale of property, plant and equipment		7,974	12,720	9,021	20,307
Net purchase of intangible assets		(5,527)	(15,252)	(5,526)	(15,252)
Dividends received from investments		224,611	134,479	29,075	3,211
Net cash (used in)/from investing activities		(230,601)	(169,624)	(1,008,038)	(672,681)
Cash flows from financing activities					
Net borrowings		1,507,754	(6,752,128)	1,102,310	(6,505,231)
Share issue expenses		-	-	(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 (used in)/from financing activities		(667,073)	(8,926,955)	(1,074,587)	(8,680,058)
Net increase/(decrease) in cash & cash equivalents		(8,319,711)	8,121,242	(8,210,533)	8,086,528
Cash and cash equivalents at the beginning of the year		11,299,295	3,178,053	11,428,947	3,342,419
Cash and cash equivalents at the end of the year		2,979,584	11,299,295	3,218,414	11,428,947
Cash and cash equivalents (Note 18)		3,139,139	11,452,997	3,413,951	11,695,561
Overdraft (Note 31)		(159,555)	(153,702)	(195,537)	(266,614)
		2,979,584	11,299,295	3,218,414	11,428,947

The above Cash Flow Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 341 to 443.



NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

This section provides general information about People's Leasing & Finance PLC and its subsidiaries.

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. 07 of 2007.

Its registered office and the principal place of the business is at No. 1161, Maradana Road, Colombo 08.

Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st March 2015 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 2015 is 1,666 (1,575 as at 31st March 2014).

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 and mobilisation of public deposits.

Subsidiaries and Associate

Name of the Company	Principal activities	Country of incorporation	% equity interest	
			2015	2014
Subsidiary				
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation and vehicle sale	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 Limited	Providing non-life insurance	Sri Lanka	100%	100%
People's Leasing Havelock Properties Limited	Construct and operate an office complex	Sri Lanka	100%	100%
People's Microfinance Limited	Providing microfinance services to low income earners and micro enterprises	Sri Lanka	100%	100%
Associate				
City Finance Corporation Ltd	Mobilisation of deposits, providing finance leases, hire purchase assets financing, term loans, real estate developments and related services.	Sri Lanka	28.51%	28.51%

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

2 BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

This section provides additional information about the overall basis of preparation that the Directors consider are useful and relevant in understanding these Financial Statements:

- Summary of other significant accounting policies affecting the results and financial position of the Group, including changes in accounting policies and disclosures during the year
- Standards that have been issued for which the Group has not adopted

2.1 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 No.	Page reference
Financial Assets held-for-trading	Fair value	20	362
Financial Investments Available-for-sale	Fair value	23	372
Investment properties	Fair value	29	383
Derivative Financial Instruments	Fair value	35	388
Defined Benefit Obligation	Liability is recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	39.1	395

2.2 Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2015 and for the year ended, have been prepared and presented in accordance with 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. 07 of 2007, the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

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 335 to 336);

- 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 337);
- 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 338 to 339);
- A Statement of Cash Flow 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 flow (Refer page 340); and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer pages 341 to 443).

2.3 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 acknowledge 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 318 and 327 respectively.

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2015 (including comparatives) were approved and authorised for issue on 29th April 2015 in accordance with the resolution of the Board of Directors on 29th April 2015.

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 50 (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 Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), which is the Group's functional and presentation 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 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.

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 2015. The Financial Statements of the Company's subsidiaries and associate are prepared for the same reporting year using consistent accounting policies.

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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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.

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 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 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 practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in

a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.3 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 Investments at Fair value through profit or loss (FVTPL);
 - Financial Investments - Held for trading or
 - Financial Investments - Designated at fair value through profit or loss
- ii) Loans and receivables (L&R);
- iii) Financial Investments - Held to maturity (HTM); or
- iv) Available-for-sale (AFS) financial assets.

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 Investments 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 Investments - 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 gain or loss on financial assets and liabilities designated at fair value through profit or loss'. 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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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 derecognised 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 357 to 359 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 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 profit or loss over the remaining life of the investment using the 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 assets 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 is recognised in 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 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 49.

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 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 profit or loss in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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 New Accounting Standards became Effective during the Year

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 (Consolidated and Separate Financial Statements) that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 (Consolidation Special Purpose Entities). SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require the management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 11 - Joint Arrangements

SLFRS 11 replaces LKAS 31 (Interests in Joint Ventures) and SIC 13 (Jointly Controlled Entities).

SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation method. Instead, JCEs

that meet the definition of a joint venture must be accounted for using the equity method. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 (Consolidated and Separate Financial Statements) related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 (Interests in Joint Ventures) and LKAS 28 (Investments in Associates). These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Group did not have any material impact from the implementation of SLFRS 13.

3.10 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1st January 2014.

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39.

SLFRS 09 was issued in 2012 and this standard will become effective on 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 14 - Regulatory Deferral Accounts

The scope 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 1st January 2016. The impact on the implementation of the above standard has not been quantified yet.

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 2017. The impact on the implementation of the above standard has not been quantified yet.

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 gross income, given under the respective income notes.

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	19,247,619	19,533,602	19,595,091	20,053,448
Net earned premiums	-	-	2,949,902	3,464,453
Fee and commission income	874,034	853,614	576,592	393,017
Net trading income	57,985	7,628	120,741	29,838
Other operating income	361,990	232,948	336,545	236,469
Total	20,541,628	20,627,792	23,578,871	24,177,225

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 Expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

5 NET INTEREST INCOME (CONTD.)

Accounting for Interest Income and Expense

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income				
Finance lease & hire-purchase	13,009,589	14,187,896	13,049,059	14,215,354
Loans and other advances	3,023,796	2,349,125	3,111,747	2,421,403
Interest on overdue rentals	1,786,305	1,833,867	1,796,074	1,837,158
Interest income from other financial assets	658,312	391,436	868,594	808,255
Profit from Islamic finance	769,617	771,278	769,617	771,278
Total interest income	19,247,619	19,533,602	19,595,091	20,053,448
Interest expenses				
Interest on overdraft	609	48,704	2,328	51,285
Interest on long term borrowings	1,245,427	1,565,056	1,364,037	1,710,840
Interest on short term borrowings	454,589	2,099,145	454,589	2,099,145
Interest on redeemable preference shares	66,311	103,417	66,311	103,417
Interest on debentures	1,244,374	1,234,394	1,227,450	1,217,443
Interest on deposits	3,729,787	3,824,054	3,729,060	3,822,581
Profit distribution on Mudarabah	133,901	255,200	133,901	255,200
Interest on assets backed securities	2,372,596	2,135,987	2,372,596	2,135,987
Total interest expenses	9,247,594	11,265,957	9,350,272	11,395,898
Net interest income	10,000,025	8,267,645	10,244,819	8,657,550

6 NET EARNED PREMIUMS

Accounting Policy

Insurance - Revenue Recognition Gross Written Premium

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Reinsurance Premium

Non-life gross reinsurance premium written comprises the total premiums 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 premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for 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 premiums are calculated on the 365 basis.

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross written premiums	-	-	3,419,349	3,945,664
Less : Premium ceded to reinsurance	-	-	304,077	356,293
Less : Change in reserve unearned premiums	-	-	165,370	124,918
Total	-	-	2,949,902	3,464,453



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. Fee income can be divided into the following two categories;

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period.

Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Service charges	472,398	471,376	152,010	89,248
Other fees recovered	401,636	382,238	424,582	303,769
Total	874,034	853,614	576,592	393,017

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	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign exchange from others customers	-	48	-	48
Gain on equity securities	57,985	7,580	120,741	29,790
Total	57,985	7,628	120,741	29,838

9 OTHER OPERATING INCOME

Accounting Policy

Other Operating income includes gains on property, plant & equipment, hiring income, rent income, dividend income and capital gains/(Losses).

Dividend Income

Dividend income is recognised when the Group's right to receive the income is established.

Net Trading Income from Sale of Vehicles

Revenue from the sale of 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

9 OTHER OPERATING INCOME (Contd.)

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.

Interest on Overdue Rentals

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

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 & Equipment, Investments in Government Securities, Dealing Securities and Investment Securities

Gains or losses resulting from the disposal of property, plant and equipment, investments in Government securities, dealing securities and investment securities are accounted for on cash basis in the 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	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gain on sale of property, plant and equipment	7,122	7,386	7,122	14,416
Hiring income	-	1,049	74,174	71,185
Rent income	255	612	-	-
Operating lease income	14,452	24,279	15,384	28,464
Bad debts recovered	80,608	50,753	80,608	50,753
Net trading income from sale of vehicles	34,942	14,390	34,942	14,390
Dividend income - from available-for-sale	6,372	4,518	6,372	4,518
- from subsidiaries	208,000	123,888	-	-
- from held for trading	10,239	6,073	22,703	12,188
Other income	-	-	95,240	40,555
Total	361,990	232,948	336,545	236,469

10 IMPAIRMENT CHARGES FOR LOANS 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 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	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Impairment of loans and receivables (Note 21.4)	776,956	506,134	806,807	521,267
Loss on fair value adjustment of investment property	3,000	1,000	3,000	-
Impairment of financial investments available-for-sale (Note 23.2)	-	25,000	-	25,000
Other receivable	9,722	-	9,722	-
Loss on disposal of collaterals	855,198	685,612	851,152	683,589
Total	1,644,876	1,217,746	1,670,681	1,229,856

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) contributions in accordance with the respective statutes and regulations.

Defined benefit plan contribution are recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with LKAS 19 - Employee Benefits.

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Remuneration	1,425,986	1,220,005	1,641,904	1,386,649
Employee benefit - Defined contribution plans (EPF/ETF)	107,316	94,731	125,175	108,056
Employee benefit - Defined benefit plan - Gratuity (Note 39.1)	31,924	23,313	34,934	27,195
Total	1,565,226	1,338,049	1,802,013	1,521,900

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Net Benefits and claims	-	-	1,805,606	2,229,545
Underwritings and net acquisition costs	-	-	314,725	367,072
Total	-	-	2,120,331	2,596,617

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 & 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 1st 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 1st April 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Directors' emoluments	285	568	655	1,242
Auditors' remunerations	4,557	4,578	7,330	7,111
Non-audit fees to auditors	2,349	4,063	3,357	7,147
Professional fees	13,904	11,887	17,345	13,559
Advertising	28,252	39,933	28,790	40,230
Legal fees	8,844	7,052	8,882	7,083
Office administration and establishment expenses	2,070,989	1,862,174	2,010,753	1,842,872
Total	2,129,180	1,930,255	2,077,112	1,919,244

14 INCOME TAX

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 Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Microfinance Limited

Income tax on profit from operations is calculated at the rate of 28%.

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Statement of Profit or Loss				
Current income tax charge	1,246,229	874,372	1,407,965	1,062,270
Deferred tax for the year (Note 38.1)	375,924	388,846	377,914	405,574
Income tax expense recognised in Statement of Profit or Loss	1,622,153	1,263,218	1,785,879	1,467,844
Statement of Comprehensive Income				
Current income tax charge	-	-	-	-
Deferred tax charge/(reversal) for the year (Note 38.1)	105	(16,026)	(69)	(16,778)
Income tax charge/(reversal) recognised in Other Comprehensive Income	105	(16,026)	(69)	(16,778)
Effective tax rate (excluding deferred tax)	23.19%	19.93%	23.92%	21.46%
Effective tax rate	30.18%	28.79%	30.33%	29.77%



NOTES TO THE FINANCIAL STATEMENTS CONTD.

14 INCOME TAX (CONTD.)

14.1 Reconciliation of Accounting Profit and Taxable Income

For the Year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit as per Statement of Profit or Loss	5,375,113	4,386,964	5,887,421	4,931,059
Add: Disallowable expenses	1,342,888	1,167,662	1,437,670	1,286,255
Add: Lease capital recoverable	16,173,010	14,050,954	16,173,010	14,050,954
Less: Allowable expenses	18,064,416	16,510,746	17,929,758	16,281,038
Less: Exempted /allowable income	282,748	129,983	436,446	329,249
Statutory income	4,543,847	2,964,851	5,131,897	3,657,981
Less: Tax loss set off	-	-	2,412	3,912
Assessable income	4,543,847	2,964,851	5,129,485	3,654,069
Taxable income	4,543,847	2,964,851	5,129,485	3,654,069
At the effective income tax rate	1,272,223	845,206	1,436,046	1,033,026
(Over)/ under provision- previous years	(25,994)	29,166	(28,081)	29,244
Current tax on profits for the year	1,246,229	874,372	1,407,965	1,062,270
Deferred tax charged for the year	375,924	388,846	377,914	405,574
Tax expense for the period	1,622,153	1,263,218	1,785,879	1,467,844

14.2 Deferred Tax Expense - Charge/(Reversal)

Statement of Profit or Loss

Deferred tax assets

Defined benefit plans	(7,453)	(4,418)	(10,901)	(6,563)
Impairment charges	-	-	-	(1,401)
Brought forward tax losses	-	-	(8,177)	(240)
Bad debts provision	-	-	(4,848)	-
	(7,453)	(4,418)	(23,926)	(8,204)

Deferred tax liability

Capital allowances for tax purpose on lease receivables	362,242	393,674	362,242	402,154
Capital allowances for tax purpose on PPE	21,135	(410)	39,595	11,624
	383,377	393,264	401,840	413,778
Net expense	375,924	388,846	377,914	405,574

Statement of Comprehensive income

Deferred tax assets

Fair value losses recognised in other comprehensive income	-	(16,026)	(69)	(16,026)
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Deferred tax liabilities

Fair value gains recognised in other comprehensive income	105	-	-	(752)
	105	(16,026)	(69)	(16,778)



15 BASIC EARNINGS PER SHARE (EPS)

Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group 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 LKAS 33 - Earnings per share.

For the Year ended 31st March	Group	
	2015	2014
Net profit attributable to ordinary equity holders (Rs.)	4,101,540,797	3,463,216,517
Weighted average number of ordinary shares	1,579,862,482	1,579,862,482
Basic/Diluted earnings per ordinary share (Rs.)	2.60	2.19

16 DIVIDEND PER ORDINARY SHARE

	Company	
	2015	2014
Ordinary shares		
Out of dividend received (Rs.)	153,425,897	129,425,188
Out of normal profits (Rs.)	1,639,262,003	1,677,022,617
Withholding tax deducted at source (Rs.)	182,140,203	168,380,298
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 2013/14 in June 2014. An interim dividend of Rs. 0.75 per share was paid in January 2015 to the ordinary shareholders of the Company for the year 2014/15 (interim dividend 2013/14 -Rs. 0.75). A final dividend of Rs. 0.50 per share has been proposed by the Board of Directors for the year 2014/15 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.

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 headings of the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

17 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

17.1 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 investments - Held-for-trading	196,193	-	-	-	196,193
Loans and receivables	-	-	98,411,195	-	98,411,195
Financial investments - Available-for-sale	-	-	-	939,199	939,199
Financial investments - Held-to maturity	-	5,266,407	-	-	5,266,407
Other financial assets	-	-	253,723	-	225,723
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 Financial Liabilities at amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	21,228,600	21,228,600
Due to customers	-	34,022,572	34,022,572
Debt Securities issued	-	28,690,194	28,690,194
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

17.2 Company

As at 31st March 2014	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	11,452,997	-	11,452,997
Balances with banks & financial institutions	-	-	3,329,562	-	3,329,562
Derivative financial instruments	245	-	-	-	245
Financial investments - Held-for-trading	184,243	-	-	-	184,243
Loans and receivables	-	-	90,218,355	-	90,218,355
Financial investments - Available-for-sale	-	-	-	224,068	224,068
Financial investments - Held-to maturity	-	4,746,558	-	-	4,746,558
Other financial assets	-	-	126,346	-	126,346
Total financial assets	184,488	4,746,558	105,127,260	224,068	110,282,374



As at 31st March 2014	FVTPL Rs. '000	Other Financial Liabilities at amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	14,131,807	14,131,807
Due to customers	-	40,921,485	40,921,485
Debt Securities issued	-	34,473,380	34,473,380
Other Financial liabilities	-	1,857,324	1,857,324
Total financial liabilities	-	91,383,996	91,383,996

17.3 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 investments - 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 investments - Available-for-sale	-	-	-	2,043,342	2,043,342
Financial investments - 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 Financial Liabilities at amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	22,391,144	22,391,144
Due to customers	-	33,930,221	33,930,221
Debt Securities issued	-	28,586,186	28,586,186
Other Financial liabilities	-	3,165,912	3,165,912
Derivative financial instruments	92,193	-	92,193
Insurance liabilities and reinsurance payable	-	2,894,358	2,894,358
Total financial liabilities	92,193	90,967,821	91,060,014



NOTES TO THE FINANCIAL STATEMENTS CONTD.

17 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

17.4 Group

As at 31st March 2014	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'00
Assets					
Cash and cash equivalents	-	-	11,695,561	-	11,695,561
Balances with banks & financial institutions	-	-	4,725,904	-	4,725,904
Derivative financial instruments	245	-	-	-	245
Financial investments - Held-for-trading	378,312	-	-	-	378,312
Loans and receivables	-	-	90,341,901	-	90,341,901
Insurance and reinsurance receivables	-	-	137,576	-	137,576
Financial investments - Available-for-sale	-	-	-	1,316,819	1,316,819
Financial investments - Held-to maturity	-	4,746,558	-	-	4,746,558
Total financial assets	378,557	4,746,558	106,900,942	1,316,819	113,342,876

As at 31st March 2014	FVTPL Rs. '000	Other Financial Liabilities at amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	15,776,883	15,776,883
Due to customers	-	40,839,278	40,839,278
Debt securities issued	-	34,369,214	34,369,214
Other financial liabilities	-	1,728,158	1,728,158
Insurance liabilities and reinsurance payable	-	2,570,540	2,570,540
Total financial liabilities	-	95,284,073	95,284,073

FVTPL : Fair Value Through Profit or Loss

HTM : Held-To-Maturity

L & R : Loans & Receivables

AFS : Available-For-Sale

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

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



Securities Purchased under Reverse Repurchase Agreements

Securities purchased under agreements to re-sell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash in hand	307,542	253,072	322,713	267,922
Securities purchase under resale agreement	1,549,283	9,562,049	1,759,628	9,751,747
Current Accounts with Banks	1,222,701	1,587,596	1,271,962	1,625,285
Savings Accounts with Banks	52,111	42,773	52,146	43,100
Saving deposit in foreign currency	7,502	7,507	7,502	7,507
Total	3,139,139	11,452,997	3,413,951	11,695,561

19 BALANCES WITH BANKS & FINANCIAL INSTITUTIONS

Accounting Policy

Balances with banks & financial institutions includes 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Fixed deposits	326,321	68,849	1,828,805	1,465,191
Deposit in foreign currency	-	3,260,713	1,863	3,260,713
Total	326,321	3,329,562	1,830,668	4,725,904

20 FINANCIAL INVESTMENTS - 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 investments held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net trading income'. Dividend income is recorded in 'Other operating income' according to the terms of the contract, or when the right to receive the income has been established.

Financial investments 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Investment in treasury bond (Note 20.1)	-	-	57,130	-
Quoted equity securities (Note 20.2)	196,193	184,243	446,138	378,312
Total	196,193	184,243	503,268	378,312

NOTES TO THE FINANCIAL STATEMENTS CONTD.

20 FINANCIAL INVESTMENTS - HELD FOR TRADING (CONTD.)

20.1 Investment in Treasury Bonds

	Company		Group	
	Cost Rs. '000	Market Value Rs. '000	Cost Rs. '000	Market Value Rs. '000
Investment in treasury bond	-	-	60,483	57,130
	-	-	60,483	57,130

20.2 Quoted Equity Securities

As at 31st March

Company	No. of Shares	2015		2014		
		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	39,326	612,971	40,375	39,782
Commercial Bank of Ceylon PLC - Voting	212,315	20,686	35,117	240,431	23,659	29,573
Commercial Bank of Ceylon PLC - Non voting	104,677	8,656	13,734	336,815	28,387	32,671
Sampath Bank PLC - Voting	96,008	17,056	24,204	93,555	17,056	17,036
Hatton National Bank PLC - Non voting	10,183	1,200	1,680	10,183	1,200	1,222
Seylan Bank PLC - Voting	118,994	9,166	11,899	43,994	2,926	2,802
Seylan Bank PLC - Non voting	249,265	7,994	15,803	249,265	7,994	9,223
Diversified Holdings						
Aitken Spence PLC	82,800	16,287	8,239	82,800	16,287	8,106
John Keells Holdings PLC	69,230	15,221	13,804	69,230	15,221	15,715
John Keells Holdings PLC - Warrants	6,152	419	163	-	-	-
Hemas Holdings PLC	-	-	-	25,000	1,109	943
Manufacturing						
Tokyo Cement Company (Lanka) PLC - Non Voting	110,000	4,650	4,114	110,000	4,650	3,190
Distilleries Company of Sri Lanka PLC	100,000	24,133	24,050	100,000	12,133	20,300
Other						
Vallibel One PLC	100,000	768	2,030	100,000	2,196	1,700
John Keells Hotels PLC	100,000	2,196	1,430	100,000	2,001	1,250
Mackwoods Energy PLC	100,000	1,400	600	100,000	1,400	730
		155,709	196,193		176,594	184,243



As at 31st March	2015			2014		
	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000
Bank, Finance & Insurance						
Nations Trust Bank PLC	392,871	55,705	39,326	912,971	55,705	59,251
Commercial Bank of Ceylon PLC - Voting	393,238	57,171	65,042	572,677	57,171	70,439
Commercial Bank of Ceylon PLC - Non voting	166,617	38,102	21,860	457,953	38,102	44,421
Sampath Bank PLC - Voting	396,008	45,187	99,834	258,555	45,187	47,083
Hatton National Bank PLC - Non voting	110,183	24,366	18,180	224,271	24,366	26,913
National Development Bank	60,855	8,651	15,092	60,855	8,651	10,869
Seylan Bank PLC - Voting	167,421	6,103	16,742	92,421	6,103	5,887
Seylan Bank PLC - Non voting	403,122	12,485	25,558	403,122	12,485	14,916
Diversified Holdings						
Aitken Spence PLC	82,800	16,287	8,239	82,800	16,287	8,106
John Keells Holdings PLC	258,067	39,196	51,459	183,067	39,196	41,556
John Keells Holdings PLC - Warrants	6,152	419	163	-	-	-
Hemas Holdings PLC	-	-	-	25,000	1,109	943
CIC Holdings PLC	176,512	15,004	13,415	-	-	-
Manufacturing						
Tokyo Cement Company (Lanka) PLC - Non voting	110,000	4,650	4,114	110,000	4,650	3,190
Distilleries Company of Sri Lanka PLC	200,000	24,133	48,100	200,000	24,133	40,600
Other						
Horana Plantation PLC	20,000	768	449	20,000	768	458
Vallibel One PLC	100,000	2,196	2,030	100,000	2,196	1,700
John Keells Hotels PLC	100,000	2,001	1,430	100,000	2,001	1,250
Mackwoods Energy PLC	100,000	1,400	600	100,000	1,400	730
Asiri Hospital Holding PLC	500,000	11,590	10,100	-	-	-
United Motors Lanka PLC	50,000	5,000	4,405	-	-	-
		370,414	446,138		339,510	378,312



NOTES TO THE FINANCIAL STATEMENTS CONTD.

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'.

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 as a Lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the 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 as a Lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the assets 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 Advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.



Renegotiated Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to any criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Reversals of Impairment

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

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Loans and receivables (Note 21.1)	100,536,007	91,566,211	100,166,651	91,704,889
Less:				
Individual impairment charges (Note 21.4)	373,363	322,090	373,363	322,090
Collective impairment charges (Note 21.4)	1,751,449	1,025,766	1,796,432	1,040,898
Net loans and receivables	98,411,195	90,218,355	97,996,856	90,341,901

21.1 Analysis of Loans and Receivables

21.1.1 Analysis by Product

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
By product				
Lease/Ijhara receivables	54,787,760	47,851,052	54,787,760	47,851,052
Hire-Purchase/ BBA receivables	22,458,850	28,503,703	22,728,727	28,595,519
Term Loan	20,059,286	14,230,161	20,289,494	14,601,109
Staff loans	385,973	328,155	416,383	352,565
Related party receivables (Note 21.1.1.1)	1,452,586	595,834	18,370	10,711
Debentures	-	-	534,365	236,627
Margin trading receivables	1,391,552	57,306	1,391,552	57,306
Gross total	100,536,007	91,566,211	100,166,651	91,704,889



NOTES TO THE FINANCIAL STATEMENTS CONTD.

21 LOANS AND RECEIVABLES (CONTD.)

21.1.1.1 Related Party Receivables

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
People's Bank	-	-	18,370	10,711
People's Leasing Property Development Limited	1,409,110	569,268	-	-
People's Leasing Fleet Management	2,314	1,937	-	-
People's Leasing Havelock Properties Limited	29,738	2,974	-	-
People's Microfinance Limited	2,023	2,959	-	-
People's Insurance Limited	9,401	18,696	-	-
Total	1,452,586	595,834	18,370	10,711

21.1.2 Analysis by Currency

Sri Lankan Rupee	100,536,007	91,566,211	100,166,651	91,704,889
Gross total	100,536,007	91,566,211	100,166,651	91,704,889

21.1.3 Analysis by Industry

Agriculture and fishing	2,275,233	2,622,106	2,397,189	2,756,324
Manufacturing	10,750	12,896	27,640	20,785
Tourism	369,594	363,026	371,844	364,611
Transport	15,033,463	16,493,992	15,035,443	16,496,342
Construction	4,907,300	4,359,061	4,586,034	3,788,757
Traders	19,641,605	22,668,018	19,857,938	22,881,511
Services	44,344,151	40,171,147	42,705,660	40,157,334
Industry	1,200,033	1,223,462	1,281,102	1,312,877
Financial services	1,803,879	686,108	2,416,982	424,893
Others	10,949,999	2,966,395	11,486,819	3,501,455
Gross total	100,536,007	91,566,211	100,166,651	91,704,889

21.2 Rental receivable on Lease, Hire-Purchase and Ijarah/BBA - Company

As at 31st March	2015				2014			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivables	24,971,234	41,073,101	3,553	66,047,888	25,404,590	34,039,316	12,100	59,456,006
Less: Unearned income	6,741,653	6,174,608	108	12,916,369	6,849,411	6,224,600	597	13,074,608
Net Rentals Receivables	18,229,581	34,898,493	3,445	53,131,519	18,555,179	27,814,716	11,503	46,381,398
Less : Rentals received in advance	-	-	-	116,559	-	-	-	233,971
Less : Allowance for impairment losses	-	-	-	1,000,288	-	-	-	568,538
Total net rentals receivable	18,229,581	34,898,493	3,445	52,014,672	18,555,179	27,814,716	11,503	45,578,889



As at 31st March	2015				2014			
	Within	1-5	Over 5	Total	Within	1-5	Over 5	Total
	one year	years	years		one year	years	years	
Hire-Purchase	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivables	10,056,556	14,671,961	1,294	24,729,811	15,976,766	18,221,222	694	34,198,682
Less: Unearned income	2,668,831	2,033,957	60	4,702,848	4,017,476	3,515,031	51	7,532,558
Net rentals receivables	7,387,725	12,638,004	1,234	20,026,963	11,959,290	14,706,191	643	26,666,124
Less : Rentals received in advance	-	-	-	4,494	-	-	-	11,661
Less : Allowance for impairment losses	-	-	-	619,450	-	-	-	485,322
Total net rentals receivable	7,387,725	12,638,004	1,234	19,403,019	11,959,290	14,706,191	643	26,169,141

As at 31st March	2015				2014			
	Within	1-5	Over 5	Total	Within	1-5	Over 5	Total
	one year	years	years		one year	years	years	
Ijehra /BBA	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivables	2,011,528	3,338,534	-	5,350,062	2,117,705	2,370,722	-	4,488,427
Less: Unearned income	512,795	495,828	-	1,008,623	517,648	417,304	-	934,952
Net rentals receivables	1,498,733	2,842,706	-	4,341,439	1,600,057	1,953,418	-	3,553,475
Less : Rentals received in advance	-	-	-	132,259	-	-	-	608
Less : Allowance for impairment losses	-	-	-	21,629	-	-	-	31,563
Total net rentals receivable	1,498,733	2,842,706	-	4,187,551	1,600,057	1,953,418	-	3,521,304

21.3 Impairment Allowance for Loans and Advances to Customers

Accounting Policy

Impairment of Financial Assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Loans and Receivables

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of loan or portfolio of loans 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 on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually Assessed Loans and Receivables

For all loans that are considered individually significant, the Company & 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 CONTD.

21 LOANS AND RECEIVABLES (CONTD.)

21.3 Impairment Allowance for Loans and Advances to Customers (Contd.)

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Company's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-passu with, the Company and the likelihood of other creditors continuing to support the Company;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- The likely dividend available on liquidation or bankruptcy;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Loans and Advances

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Incurred but not yet Identified Impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the 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 within the Group, those loans are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account;

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover the inherent loss. These additional macro and portfolio risk factors may include:

- Recent lending portfolio growth and product mix,
- Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in laws and regulations

Impairment Charges for Loans and Receivable

The Group and Company reviews its individually significant loans and advances including rental receivable at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the 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 advances including rental receivable that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, characteristic of assets, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

21.4 Movement in Individual and Collective Impairment Charges During the Year

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

Company

	Lease Rs. '000	Hire Purchase Rs. '000	Ijara Rs. '000	Term Loans Rs. '000	Re- finance loans Rs. '000	BBA Rs. '000	Trading Muraba Rs. '000	Total Rs. '000
At 1st April 2013	334,093	310,491	5,187	157,764	933	16,285	16,969	841,722
Charge/(Reversal) for the year	234,445	174,831	2,484	66,941	24,156	7,606	(4,329)	506,134
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2014	568,538	485,322	7,671	224,705	25,089	23,891	12,640	1,347,856
Individual impairment	60,577	96,233	324	130,837	24,176	-	9,943	322,090
Collective impairment	507,961	389,089	7,347	93,868	913	23,891	2,697	1,025,766
	568,538	485,322	7,671	224,705	25,089	23,891	12,640	1,347,856
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
Amounts written off	-	-	-	-	-	-	-	-
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



NOTES TO THE FINANCIAL STATEMENTS CONTD.

21 LOANS AND RECEIVABLES (CONTD.)

21.4 Movement in Individual and Collective Impairment Charges During the Year (Contd.)

Group

	Lease	Hire	Ijara	Term	Re-	BBA	Trading	Total
	Rs. '000	Purchase Rs. '000		Loans	finance loans		Muraba	
At 1st April 2013	334,093	310,490	5,187	157,764	933	16,285	16,969	841,721
Charge/(Reversal) for the year	234,445	176,240	2,484	80,665	24,156	7,606	(4,329)	521,267
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2014	568,538	486,730	7,671	238,429	25,089	23,891	12,640	1,362,988
Individual impairment	60,577	96,233	324	130,837	24,176	-	9,943	322,090
Collective impairment	507,961	390,497	7,347	107,592	913	23,891	2,697	1,040,898
	568,538	486,730	7,671	238,429	25,089	23,891	12,640	1,362,988
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
Amounts written off	-	-	-	-	-	-	-	-
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

22 INSURANCE AND REINSURANCE RECEIVABLES

Accounting Policy

Insurance - Product Classification

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

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

Reinsurance

The Group cedes insurance risk in the normal course of business of People's Insurance Ltd. 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 expire 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

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 assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

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

Reinsurance Commissions

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

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Reinsurance receivables	-	-	115,394	111,560
Insurance receivables	-	-	71,906	26,016
Total	-	-	187,300	137,576

NOTES TO THE FINANCIAL STATEMENTS CONTD.

23 FINANCIAL INVESTMENTS-AVAILABLE FOR SALE

Accounting Policy

Available for sale financial investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group and Company has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other comprehensive income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss in 'Other operating income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate (EIR).

Dividends earned whilst holding available for sale financial investments are recognised in the Statement of Profit or Loss as 'Other operating income' when the right of the income 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 other losses' and removed from the 'Available for sale reserve'.

Impairment of Available for Sale Financial Investments

For available for sale financial investments, 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 debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances.

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 other comprehensive income.

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Equity securities (Note 23.1)	416,433	224,068	416,433	224,068
Treasury bills	-	-	1,049,675	1,041,236
Unit trust	522,766	-	577,234	51,515
Net Available-for-sale Investments	939,199	224,068	2,043,342	1,316,819

23.1 Equity Securities - Company and Group

As at 31st March	2015			2014		
	No of	Cost of	Market	No of	Cost of	Market
	Shares	Investment	Value	Shares	Investment	Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Quoted Investments						
Sanasa Development Bank PLC	1,750,000	160,000	205,625	1,000,000	100,000	75,000
People's Merchant Finance PLC	8,819,992	205,160	210,798	8,819,992	205,160	149,058
		365,160	416,423		305,160	224,058
Unquoted Investments						
Credit Information Bureau of Sri Lanka	100	10	10	100	10	10
		365,170	416,433	-	305,170	224,068

23.2 Movements in Impairment Charges During the Year

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance as at 1st April	(56,102)	(120,990)	(52,122)	(119,311)
Recycling to statement of profit or loss	-	25,000	-	25,000
Reversal for the year	155,131	39,888	154,040	42,189
Closing balance as at 31st March	99,029	(56,102)	101,918	(52,122)

24 FINANCIAL INVESTMENTS – HELD TO MATURITY

Accounting Policy

Held to maturity financial investments 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 investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest 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 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.



NOTES TO THE FINANCIAL STATEMENTS CONTD.

24 FINANCIAL INVESTMENTS – HELD TO MATURITY (CONTD.)

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 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	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Treasury bills	4,632,896	4,358,415	4,632,896	4,358,415
Treasury bonds	633,511	388,143	633,511	388,143
Total	5,266,407	4,746,558	5,266,407	4,746,558

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. Subsidiaries are fully 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, 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 advances.

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.



As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted equity share	1,875,000	1,475,000	-	-
Less: Impairment charges	-	-	-	-
Net total	1,875,000	1,475,000	-	-

25.1 Details of Subsidiaries

As at 31st March	Holding %	Company		Group	
		2015	2014	2015	2014
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted equity share					
People's Leasing Fleet Management Limited	100	75,000	75,000	-	-
People's Leasing Property Development Limited	100	550,000	550,000	-	-
People's Leasing Havelock Properties Limited	100	600,000	200,000	-	-
People's Microfinance Limited	100	50,000	50,000	-	-
People's Insurance Limited	100	600,000	600,000	-	-
Total		1,875,000	1,475,000	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

26 INVESTMENTS IN ASSOCIATES (CONTD.)

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'.

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Unquoted equity share (Note 26.1)	50,000	50,000	50,000	50,000
Less: Impairment charges (Note 26.2)	(50,000)	(50,000)	(50,000)	(50,000)
Total	-	-	-	-

26.1 Movements in Impairment Charges during the Year

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Associates				
Opening balance at 1st April	50,000	50,000	50,000	50,000
Charge/(Write back) to profit or loss	-	-	-	-
Closing balance at 31st March	50,000	50,000	50,000	50,000

26.2 Details of Associates

As at 31st March	Holding %	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Unquoted equity share					
City Finance Corporation Limited (50,000,000 ordinary shares)	28.51	50,000	50,000	50,000	50,000
Total		50,000	50,000	50,000	50,000

27 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of Recognition

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

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

Basis of Measurement

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



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

The Company and 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 today servicing of Property, Plant and Equipment are charged to the Statement of Profit or Loss as incurred.

Repairs & Maintenance

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

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 Assets	% per annum	Period
Buildings	2	50 years
Improvement of leasehold properties	25	4 years
Motor vehicles	12.5	8 years
Computer hardware	20	5 years
Office equipment	10 - 20	5 -10 years
Plant & machinery	10 - 20	5 -10 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.



NOTES TO THE FINANCIAL STATEMENTS CONTD.

27 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Useful Lives of Property, Plant & 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 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.

27.1 Property, Plant and Equipment - Company

	Land Improvement and of Leasehold Buildings	properties	Motor Vehicles	Computer Hardware	Office Equipment	Furniture and Fittings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2015-Current year							
Cost							
Opening balance at 01.04.2014	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	52,000	-	-	1,876	(1,158)	(718)	52,000
Closing balance at 31.03.2015	596,071	57,173	188,052	439,633	411,622	334,175	2,026,726
Less: Accumulated depreciation							
Opening balance at 01.04.2014	714	47,604	109,423	256,405	163,060	163,700	740,906
Additions	406	6,710	23,272	55,122	60,421	55,330	201,261
Disposals	-	(690)	(19,188)	(73)	(83)	(4,088)	(24,122)
Transfers	-	-	-	1,068	(495)	(573)	-
Closing balance at 31.03.2015	1,120	53,624	113,507	312,522	222,903	214,369	918,045
Net book value at 31.03.2015	594,951	3,549	74,545	127,111	188,719	119,806	1,108,681
2014-Previous year							
Cost							
Opening balance at 01.04.2013	145,583	58,822	188,384	383,103	234,655	280,709	1,291,256
Additions	93,897	301	19,760	48,216	85,018	54,379	301,571
Disposals	-	(1,704)	(30,127)	-	(1,543)	(1,051)	(34,425)
Transfers/adjustments	-	-	-	(27,828)	29,585	(18,118)	(16,361)
Closing balance at 31.03.2014	239,480	57,419	178,017	403,491	347,715	315,919	1,542,041
Less: Accumulated depreciation							
Opening balance at 01.04.2013	379	42,453	115,698	218,838	105,406	117,948	600,722
Additions	335	6,855	18,940	54,732	46,938	54,150	181,950
Disposals	-	(1,704)	(25,215)	-	(1,380)	(793)	(29,092)
Transfers/adjustments	-	-	-	(17,165)	12,096	(7,605)	(12,674)
Closing balance at 31.03.2014	714	47,604	109,423	256,405	163,060	163,700	740,906
Net book value at 31.03.2014	238,766	9,815	68,594	147,086	184,655	152,219	801,135



27.2 Property, Plant and Equipment - Group

	Land Improvement and Buildings Rs. '000	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
2015-Current year								
Cost								
Opening balance at 01.04.2014	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	(3,187)	-	-	1,876	(4,121)	2,245	-	(3,187)
Adjustments	(4,000)	-	-	-	-	-	-	(4,000)
Closing balance at 31.03.2015	2,682,819	57,173	423,032	487,226	654,050	352,720	328,049	4,985,069
Less: Accumulated depreciation								
Opening balance at 01.04.2014	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)
Closing balance at 31.03.2015	81,767	53,624	167,083	336,848	315,179	225,862	-	1,180,363
Net book value at 31.03.2015	2,601,052	3,549	255,949	150,378	338,871	126,858	328,049	3,804,706
2014-Previous year								
Cost								
Opening balance at 01.04.2013	1,700,712	58,822	413,039	410,732	472,496	287,765	28,112	3,371,678
Additions	269,905	301	43,860	61,348	94,421	58,925	152,187	680,947
Disposals	-	(1,704)	(51,752)	-	(1,543)	(1,051)	-	(56,050)
Transfers/adjustments	-	-	-	(27,828)	25,988	(14,521)	-	(16,361)
Closing balance at 31.03.2014	1,970,617	57,419	405,147	444,252	591,362	331,118	180,299	3,980,214
Less: Accumulated depreciation								
Opening balance at 01.04.2013	36,873	42,453	155,491	226,565	149,002	120,160	-	730,544
Charge for the year	24,110	6,855	36,554	62,734	73,208	56,952	-	260,413
Disposals	-	(1,704)	(46,873)	-	(788)	(793)	-	(50,158)
Transfers	-	-	-	(17,605)	10,987	(6,056)	-	(12,674)
Closing balance at 31.03.2014	60,983	47,604	145,172	271,694	232,409	170,263	-	928,125
Net book value at 31.03.2014	1,909,634	9,815	259,975	172,558	358,953	160,855	180,299	3,052,089



NOTES TO THE FINANCIAL STATEMENTS CONTD.

27 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

27.3 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Improvement of leasehold properties	28,065	27,989	28,065	27,989
Motor vehicles	52,574	32,172	52,574	38,070
Computer hardware	153,279	131,630	154,427	131,630
Office equipment	77,995	63,510	80,043	63,510
Furniture and fittings	48,272	39,018	50,798	39,018
	360,185	294,319	365,907	300,217

27.4 Group Free Hold Land & Buildings

Location	Address	Date of Valuation	Method of Valuation	Land Extent	Building Area (Sq.Ft)	2015		2014
						Cost Revaluation Rs. '000	Revaluation Rs. '000	Revaluation Rs. '000
People's Leasing & Finance PLC								
Vehicle Yard								
Makola	496, Makola North, Makola	15.01.2015	MCM	90 perches	11,600	7,632	39,000	39,900
Mabima	225/D, Nayagala Rd, Heiyantuduwa, Mabima	15.01.2015	MCM	2 acres & 10.75 perches	660	21,624	50,000	50,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	17.01.2015	MCM	260 Perches	1,836	27,558	13,754	27,558
Monaragala	10, Pothuwil Rd, Monaragala	18.01.2015	MCM	125.9 perches	1,376	41,056	45,000	45,441
Administrative purpose								
Bandarawela	35/2D, Welimada Rd, Bandarawela	18.01.2015	MCM	8.3 perches	5,194	31,257	37,000	37,000
Jaffna	10, Mahathma Gandhi Rd, Jaffna	18.01.2015	MCM	44.72 perches	-	45,764	148,860	148,860
Boralesgamuwa	81, Old Kesbawa Rd, Diulpitiya, Boralesgamuwa	18.01.2015	MCM	42 perches	13,321	52,000	52,000	55,000
Hokandara	414, Hokandara Rd, Wellangiriya	18.01.2015	MCM	224 perches	-	68,537	78,400	64,589
Matara	367 Anagarila Darmapala Mw, Matara	*	*	42.1 perches	-	93,599	93,690	-
Kandy	86 Katugasthota Rd, Kandy	*	*	23.25 perches	-	64,479	64,479	-
Kandy	296 Senanayaka Rd, Kandy	*	*	47.27 perches	-	142,565	142,633	-
						596,071	764,816	468,348
People's Leasing Property Development Limited								
Borella	1161, Maradana Rd, Colombo 08	06.04.2015	MCM	104.90 perches	127,621	1,532,368	1,818,500	2,000,000
						1,532,368	1,818,500	2,000,000
People's Leasing Havelock Properties Development Limited								
Colombo 05	No. 07, Havelock Road, Colombo 05	18.01.2015	MCM	111.45 perches	-	554,380	686,500	178,500
						554,380	686,500	178,500

MCM - Market comparable method

* - These lands were purchased at the end of 2014/15 financial year.

Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment idle as at 31st March 2015 and 31st March 2014

Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment retired from active use as at the reporting date (2014 : Nil)



Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2015 (2014 : 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 53 (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 (2014 : Nil).

28 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 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 Assets	% per annum	Period
Computer software	20	5 years
Customer List	20	5 years

NOTES TO THE FINANCIAL STATEMENTS CONTD.

28 GOODWILL AND INTANGIBLE ASSETS (CONTD.)

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 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 Profit or Loss in the year the asset is derecognised.

Intangible Assets	Company			Group			
	Computer software	Goodwill	Total	Software	Customer List	Goodwill	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2015-Current year							
Cost							
Opening balance at 01.04.2014	128,453	308,545	436,998	143,724	6,034	308,545	458,303
Additions	5,527	-	5,527	5,526	-	-	5,526
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	3,187	-	-	3,187
Closing balance at 31.03.2015	133,980	308,545	442,525	152,437	6,034	308,545	467,016
Less: Accumulated amortisation							
Opening balance at 01.04.2014	89,071	-	89,071	96,537	6,034	-	102,571
Amortisation	15,807	-	15,807	18,804	-	-	18,804
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Closing balance at 31.03.2015	104,878	-	104,878	115,341	6,034	-	121,375
Net book value at 31.03.2015	29,102	308,545	337,647	37,096	-	308,545	345,641
2014-Previous year							
Cost							
Opening balance at 01.04.2013	96,840	308,545	405,385	114,453	6,034	308,545	429,032
Additions	15,252	-	15,252	15,252	-	-	15,252
Disposals	-	-	-	(2,342)	-	-	(2,342)
Transfers	16,361	-	16,361	16,361	-	-	16,361
Closing balance at 31.03.2014	128,453	308,545	436,998	143,724	6,034	308,545	458,303
Less: Accumulated amortisation							
Opening balance at 01.04.2013	61,537	-	61,537	66,125	4,626	-	70,751
Amortisation	14,860	-	14,860	18,456	1,408	-	19,864
Disposals	-	-	-	(718)	-	-	(718)
Transfers	12,674	-	12,674	12,674	-	-	12,674
Closing balance at 31.03.2014	89,071	-	89,071	96,537	6,034	-	102,571
Net book value at 31.03.2014	39,382	308,545	347,927	47,187	-	308,545	355,732

Intangible assets include fully amortised amount of Rs. 57,527,862 as at 31st March 2015 (Rs. 50,519,380 - 31st March 2014), 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 10.55% 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.

29 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 Balance Sheet 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 LKAS 16- Property, Plant and Equipment.

De-recognition

Investment properties are de-recognised 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.



NOTES TO THE FINANCIAL STATEMENTS CONTD.

29 INVESTMENT PROPERTY (CONTD.)

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 3 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 quality as investment property.

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
At the beginning of the year	55,000	56,000	-	-
Loss from fair value adjustments	(3,000)	(1,000)	-	-
Transfer during the year	(52,000)	-	-	-
At the end of the year	-	55,000	-	-

Land and Building situated at No 81, Old Kasbawa Road, Raththanapitiya, Boralasgamuwa is rented 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 2014 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Rent income	255	612	-	-
Direct operating expenses arising from Investment Property that generated rental income during the period.	-	-	-	-

Reclassification of Investment Property

On 28th February 2015, the Group reclassified investment property to Property, plant and equipment with the change in use. 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.

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.

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Other financial assets	253,723	126,346	-	-
Non financial assets (Note 30.1)	469,474	815,000	1,768,840	1,666,080
Total	723,197	941,346	1,768,840	1,666,080

30.1 Non Financial Asstes

Advance payments	126,793	164,369	232,335	254,717
VAT Recoverable	18,264	57,976	19,402	58,058
Inventories	29,926	47,078	39,364	51,200
Other receivables	294,491	545,577	1,477,739	1,302,105
Total	469,474	815,000	1,768,840	1,666,080

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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Overdraft	159,555	153,702	195,537	266,614
Long term loans	15,858,448	13,260,359	16,985,010	14,792,523
Bank Borrowings - Short Term Loans	4,903,078	200,038	4,903,078	200,038
Redeemable Preference Shares (Note 31.1)	307,519	517,708	307,519	517,708
Total	21,228,600	14,131,807	22,391,144	15,776,883

31.1 Redeemable Preference Shares

Redeemable Preference Shares	300,000	500,000	300,000	500,000
Interest payable	7,519	17,708	7,519	17,708
Total	307,519	517,708	307,519	517,708



NOTES TO THE FINANCIAL STATEMENTS CONTD.

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	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Deposits	29,081,483	38,855,822	28,993,218	38,775,452
Savings Deposits	4,941,089	2,065,663	4,937,003	2,063,826
Total	34,022,572	40,921,485	33,930,221	40,839,278

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	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory Notes	160,972	921,047	160,972	921,047
Debentures (Note 33.1)	9,465,682	7,734,205	9,361,674	7,630,039
Commercial Papers	466,180	4,755,278	466,180	4,755,278
Asset backed securities	18,597,360	21,062,850	18,597,360	21,062,850
Total	28,690,194	34,473,380	28,586,186	34,369,214

33.1 Debentures

Not listed debentures	233,303	1,571,505	233,303	1,571,505
Listed debentures (Note 33.1.1)	9,232,379	6,162,700	9,128,371	6,058,534
Total	9,465,682	7,734,205	9,361,674	7,630,039



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.

	Face value Rs. '000	Interest rate	Repayment term	Issued date	Maturity date	Company		Group	
						2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Senior, unsecured, redeemable, 'AA(-) rated									
Option 01	1,986,500	16.50%	Semi Annually	27-Mar-2013	26-Mar-2017	2,050,753	2,040,367	2,050,753	2,005,880
Option 02	1,583,500	16.75%	Semi Annually	27-Mar-2013	26-Mar-2018	1,633,517	1,626,439	1,581,936	1,598,948
Option 03	2,430,000	17.00%	Annually	27-Mar-2013	26-Mar-2018	2,502,789	2,495,894	2,450,362	2,453,706
Type A	1,500,000	8.75%	Annually	15-Sep-2014	14-Sep-2017	1,521,521	-	1,521,521	-
Type B	1,500,000	9.63%	Annually	15-Sep-2014	14-Sep-2018	1,523,799	-	1,523,799	-
Total	9,000,000					9,232,379	6,162,700	9,128,371	6,058,534

34 OTHER FINANCIAL LIABILITIES

Accounting Policy

Other financial liabilities includes amount payable to suppliers, 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Amount payable to suppliers	2,607,717	1,247,483	2,773,296	1,311,245
Insurance Payable	497,005	458,826	77,307	113,797
Dividends Payable	10,570	7,372	10,570	7,372
Other Payables	119,153	143,643	304,739	295,744
Total	3,234,445	1,857,324	3,165,912	1,728,158



NOTES TO THE FINANCIAL STATEMENTS CONTD.

35 DERIVATIVE FINANCIAL INSTRUMENTS

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 Other 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

	2015		2014	
	Asset/ (Liability) Rs. '000	Notional Amount Rs. '000	Asset/ (Liability) Rs. '000	Notional Amount Rs. '000
Forward foreign exchange contracts	(92,193)	3,199,680	245	1,895,585
	(92,193)	3,199,680	245	1,895,585

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 will be matured from 23rd June 2014 to 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 23.75 Mn
Hedge item	USD denominated borrowing - USD 23.75 Mn Capital is repayable 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 Other Comprehensive Income during the year	Rs. 6 Mn
Fair value of the hedge item as at 31st March 2015	Rs. 3,166 Mn
Fair value of the hedge instrument as at 31st March 2015	Rs. 92 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 profit or loss as a reclassification adjustment	None

NOTES TO THE FINANCIAL STATEMENTS CONTD.

35 DERIVATIVE FINANCIAL INSTRUMENTS (CONTD.)

The expected impact to the statement of profit or loss on the hedge is as follows;

	Less than one year Rs. 000
Forecast receivable cash flow	3,399,620
Forecast payable cash flow	(3,166,350)
Total	233,270

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

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

De-recognition of Insurance Payable

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

Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the Companies' 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Insurance Liabilities (Note 36.1)	-	-	2,848,058	2,531,743
Reinsurance payables	-	-	46,300	38,797
Total	-	-	2,894,358	2,570,540

36.1 Insurance Liabilities

Outstanding claims provision	-	-	1,182,722	1,014,259
Provision for unearned premiums (net)	-	-	1,665,336	1,517,484
Provision for liability adequacy	-	-	-	-
Total	-	-	2,848,058	2,531,743

37 CURRENT TAX LIABILITIES

Accounting Policy

The Group and Company is subject to income taxes. 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.



NOTES TO THE FINANCIAL STATEMENTS CONTD.

37 CURRENT TAX LIABILITIES (CONTD.)

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.

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Tax Payable	550,042	446,832	618,198	540,841
Total	550,042	446,832	618,198	540,841

38 DEFERRED TAX 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Deferred tax assets (Note 38.2)	(43,431)	(36,083)	(75,880)	(50,816)
Deferred tax liabilities (Note 38.2)	1,992,921	1,609,544	2,052,298	1,649,389
Total	1,949,490	1,573,461	1,976,418	1,598,573

38.1 Deferred Tax Movement

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
At the beginning of the year	1,573,461	1,200,641	1,598,573	1,209,777
Charge for the year	375,924	388,846	377,914	405,574
Deferred Tax charge relating to components of other comprehensive income	105	(16,026)	(69)	(16,778)
At the end of the year	1,949,490	1,573,461	1,976,418	1,598,573

38.2 Reconciliation of Deferred Tax

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Deferred tax assets and liabilities are attributable to the following:				
Deferred tax assets				
Carry forward tax losses	-	-	(23,669)	(13,441)
Defined benefit plan liability	(43,536)	(20,057)	(45,893)	(20,597)
Actuarial losses recognised in other comprehensive income	105	(16,026)	(69)	(16,778)
Bad debts provision	-	-	(6,249)	-
Total	(43,431)	(36,083)	(75,880)	(50,816)

Deferred Tax Liability

Accelerated depreciation allowance for tax purpose (Rentals receivable)	1,917,748	1,555,506	1,917,748	1,555,506
Accelerated depreciation allowance for tax purpose (Property, plant & equipment)	75,173	54,038	134,550	93,185
Fair value losses recognised in other comprehensive income	-	-	-	698
	1,992,921	1,609,544	2,052,298	1,649,389
Net deferred tax liabilities	1,949,490	1,573,461	1,976,418	1,598,573

Deferred tax assets/liabilities have been calculated at the rate of 28%.



NOTES TO THE FINANCIAL STATEMENTS CONTD.

39 OTHER LIABILITIES

Accounting Policy

Other liabilities include related party payables, VAT on Financial Services 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.

Employee Benefits

Defined Benefit Plan - Gratuity

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

The item is stated under other liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Other 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 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 contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

Defined Benefit Plans

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

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
VAT on Financial Services Payable	50,256	34,996	52,671	37,432
Value Added Tax (VAT)	-	-	7,757	22,842
Retirement Benefit Obligations (Note 39.1)	155,111	128,870	163,547	134,049
Other Payable	1,214,288	1,012,345	1,229,515	1,031,157
Total	1,419,655	1,176,211	1,453,490	1,225,480

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000

39.1 Retirement Benefit Obligations

Balance at the beginning of the year	128,870	55,579	134,049	56,572
Amount recognise in statement of profit or loss	31,924	23,313	34,934	27,195
Actuarial (gain)/loss	(375)	57,236	(23)	57,574
Benefits paid	(5,308)	(7,258)	(5,413)	(7,292)
Balance at the end of the year	155,111	128,870	163,547	134,049

39.1.2 Amount Recognise in Statement of Profit or Loss

Current service cost	18,264	13,119	20,398	15,652
Net interest on the net defined benefit liability	13,660	10,194	14,536	11,543
Total amount recognised in profit or loss	31,924	23,313	34,934	27,195

39.1.2 Amount Recognise in other Comprehensive Income

Losses/(gain) due to changes in assumptions	3,426	35,191	3,379	35,337
Experience losses/(gain) arising during the year	(3,801)	22,045	(3,402)	22,237
Total actuarial losses/(gain) recognised in OCI	(375)	57,236	(23)	57,574

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2015 by Messrs Piyal S Goonetilleke & Associates, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the 'Projected Unit Credit (PUC), the method recommended by the Sri Lanka Accounting Standard, LKAS 19 on 'Employee Benefits'.

Company /Group	2015	2014
Actuarial assumptions		
Discount rate as at 31st March	10.40%	10.5% - 10.6%
Future salary increment rate	9.00%	9.00%
Mortality	Mortality - GA - 1983	Mortality - GA - 1983
Disability loading	Long term Disability 1987 Soc. Sec. Table	Long term Disability 1987 Soc. Sec. Table
Retirement age	55 Years	55 Years

Expected average working life of the active participants is 14.15 years for the year ended 31st March 2015. (14.21-2014)

Staff Turnover	2015	2014
20 Years	8.00%	8.00%
25 Years	7.50%	7.50%
30 Years	7.00%	7.00%
35 Years	5.00%	5.00%
40 Years	1.50%	1.50%
45 Years	0.90%	0.90%
50 Years	0.01%	0.01%

NOTES TO THE FINANCIAL STATEMENTS CONTD.

39 OTHER LIABILITIES (CONTD.)

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

	2015		2014	
	Effect on comprehensive income statement increase/(reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000	Effect on comprehensive income statement increase/(reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000
Increase/ (decrease) in discount rate				
1%	16,096	16,096	15,861	15,861
-1%	(18,896)	(18,896)	(13,811)	(13,811)
Increase/ (decrease) in salary Increment				
1%	(18,443)	(18,443)	(13,843)	(13,843)
-1%	16,013	16,013	16,202	16,202

40 CAPITAL

As at 31st March

	2015		2014	
	Number	Rs. '000	Number	Rs. '000
Ordinary shares as at 1st April	1,579,862,482	12,736,073	1,579,862,482	12,536,073
Transfer from preference shares on redemption	-	200,000	-	200,000
Ordinary shares as at 31st March	1,579,862,482	12,936,073	1,579,862,482	12,736,073

40.1 Stated Capital

As at 31st March

	2015		2014	
	Number	Rs. '000	Number	Rs. '000
Fully paid ordinary shares	1,579,862,482	11,886,073	1,560,000,160	11,608,001
Issue of new shares	-	-	19,862,322	278,072
Transfer from preference shares on redemption	-	1,050,000	-	850,000
Issued capital	1,579,862,482	12,936,073	1,579,862,482	12,736,073
Fully paid cumulative redeemable preference shares	135,000,000	1,350,000	135,000,000	1,350,000
Transfer to ordinary shares on redemption	(105,000,000)	(1,050,000)	(85,000,000)	(850,000)
Preference share capital	30,000,000	300,000	50,000,000	500,000
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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Opening balance at 1st April	1,016,467	860,280	1,016,467	860,280
Transfer during the year	187,649	156,187	187,649	156,187
Closing balance at 31st March	1,204,116	1,016,467	1,204,116	1,016,467

'Statutory Reserve Fund' has been 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Opening balance at 1st April	4,001,931	3,495,577	4,569,825	3,723,588
Profit for the year	3,752,960	3,123,746	4,101,542	3,463,215
Other comprehensive income	270	(41,211)	46	(40,797)
Transfers to reserves	(266,558)	(401,354)	(266,558)	(401,354)
Transfers from reserves	1,175,823	-	1,175,823	-
Dividend	(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	-	-	(2,070)	-
Closing balance at 31st March	6,489,599	4,001,931	7,403,781	4,569,825

43 OTHER RESERVES

Equity Reserves

The reserves recorded in equity (Other comprehensive income) on the Group's Statement of Financial Position include;

- 'Available for Sale' reserve, which comprises changes in fair value of available for sale investments.
- 'General Reserve' represents the amounts set aside by the Directors for general application. 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 - As at 31st March 2015

	Opening balance at 01-04-2014 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2015 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	1,096,914	(1,096,914)	-
Available for sale reserves	(56,102)	155,131	99,029
Cash flow reserves	653	6,318	6,971
Total	1,441,465	(935,465)	506,000



NOTES TO THE FINANCIAL STATEMENTS CONTD.

43 OTHER RESERVES (CONTD.)

Company - As at 31st March 2014

	Opening balance at 01-04-2013 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2014 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	851,747	245,167	1,096,914
Available for sale reserves	(120,990)	64,888	(56,102)
Cash flow hedge reserve	-	653	653
Total	1,130,757	310,708	1,441,465

43.2 Group - As at 31st March 2015

	Opening balance at 01-04-2014 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2015 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	1,096,914	(1,096,914)	-
Available-for-sale reserve	(52,122)	154,040	101,918
Cash flow reserves	653	6,318	6,971
Total	1,445,445	(936,556)	508,889

Group - As at 31st March 2014

	Opening balance at 01-04-2013 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2014 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	851,747	245,167	1,096,914
Available-for-sale reserve	(119,311)	67,189	(52,122)
Cash flow hedge reserve	-	653	653
Total	1,132,436	313,009	1,445,445



43.3 Investment Fund Account (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.

The utilisation of funds is made in terms of the instructions given in the aforesaid guidelines.

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Opening balance	1,096,914	851,747	1,096,914	851,747
Transfers during the year	78,909	245,167	78,909	245,167
Transfer to retain earnings	(1,175,823)	-	(1,175,823)	-
Closing balance	-	1,096,914	-	1,096,914

The Company required to transfer 8% of the profits calculated for the payment of Value Added Tax (VAT) on Financial Services and 5% of the adjusted profit calculated for income tax purpose to a fund identified as "Investment Fund Account"(IFA) as per the proposal made in the Government Budget 2011. The guidelines have also been issued by the Central Bank of Sri Lanka on utilisation of funds in this account. Operation of the Investment Fund Account was abolished with effective from 1st October 2014, therefore the Company transferred the balance in the above reserve fund to retained earnings during the year.

The Company commence 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 years treasury bond rates plus two percent.

The details of loans granted under IFA are as follows;

Sector	Rate of Interest %	Tenure of Loan	Granted Amount Rs. '000
Agriculture	10.65 - 13.50	3 - 5 Years	76,757
Factory / Mills modernisation	10.65 - 13.17	4 - 5 Years	512,365
Hotel construction	10.65	5 Years	3,000
Information technology and BPO	12.74	5 Years	31,500
Infrastructure development	10.65 - 13.17	5 Years	216,000
Restructuring a loan granted for a specified project	12.74	5 Years	22,500
Small and medium enterprises	10.65 - 13.17	4 - 7 Years	208,763
Women entrepreneurship venture capital projects up to Rs. 10 Mn	13.17	3 - 5 Years	2,000
Total			1,072,885



NOTES TO THE FINANCIAL STATEMENTS CONTD.

43 OTHER RESERVES (CONTD.)

The details of investment made on IFA are as follows;

Details of Investment

Description	Rate of Interest %	Tenure of Loan	Amount Rs. '000
Investment in long-term government securities	8.50	7 Years	23,186
Interest accrued thereon			1,070
Total			24,256

44 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 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 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Contingent liabilities (Note 44.1)	426,486	350,086	426,486	350,086
Commitments (Note 44.2)	3,973,577	2,029,166	4,881,723	2,657,005
	4,400,063	2,379,252	5,308,209	3,007,091



44.1 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Accidents of leased out vehicles	79,252	84,957	79,252	84,957
Guarantees - Related parties	325,000	225,000	325,000	225,000
Guarantees - Others	8,375	9,250	8,375	9,250
Letter of credits	13,859	30,879	13,859	30,879
Total	426,486	350,086	426,486	350,086

44.2 Commitments

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

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Capital Commitments				
Approved and contracted for	-	-	901,846	611,139
Approved but not contracted for	-	37,950	6,300	54,650
Derivative financial instruments	3,399,620	1,951,553	3,399,620	1,951,553
	3,399,620	1,989,503	4,307,766	2,617,342
Un-utilised facilities				
Margin trading	573,957	39,663	573,957	39,663
	573,957	39,663	573,957	39,663
Total	3,973,577	2,029,166	4,881,723	2,657,005

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

45 NON- CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation of property, plant and equipment	201,261	181,950	280,116	260,413
Amortisation of intangible assets	15,807	14,860	18,804	19,864
Impairment losses on loans and advances	1,644,876	1,217,746	1,670,681	1,229,856
Charge for defined benefit plans	31,924	23,313	34,934	27,195
Gain/(loss) on sale of property, plant and equipment	(7,122)	(7,386)	(7,122)	(14,416)
Net trading income from sale of vehicles	(34,942)	(14,390)	(34,942)	(14,390)
Gain/(loss) on equities	(57,985)	(7,628)	(120,741)	(29,838)
Total	1,793,819	1,408,465	1,841,730	1,478,684

46 CHANGE IN OPERATING ASSETS

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net (increase)/decrease in other balances				
with bank & financial institutions	3,003,241	(2,631,434)	2,895,236	(2,831,559)
Net (increase)/decrease in financial assets held for trading	46,035	(34,978)	(4,215)	(110,871)
Net (increase)/decrease in loans and receivables	(10,190,052)	(2,991,231)	(9,277,972)	(3,233,896)
Net (increase)/decrease in derivative financial instrument	98,756	-	98,756	408
Net (increase)/decrease in insurance and reinsurance receivables	-	-	(49,724)	21,586
Net (increase)/decrease in financial investment available for sale	(560,000)	-	(572,483)	(100,763)
Net (increase)/decrease in financial investment held to maturity	(519,849)	(4,206,792)	(519,849)	(4,206,792)
Net (increase)/decrease in other assets	208,427	(44,951)	(112,482)	(129,714)
Total	(7,913,442)	(9,909,386)	(7,542,733)	(10,591,601)

47 CHANGE IN OPERATING LIABILITIES

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net increase/(decrease) in due to customers	(6,898,913)	22,074,813	(6,909,057)	22,129,409
Net increase/(decrease) in other financial liabilities	1,377,121	(1,156,468)	1,437,754	(435,756)
Net increase/(decrease) in insurance and reinsurance payables	-	-	323,818	353,599
Net increase/(decrease) in other liabilities	115,127	912,897	42,577	35,153
Total	(5,406,665)	21,831,242	(5,104,908)	22,082,405



48 RELATED PARTY DISCLOSURE

48.1 Parent and Ultimate Controlling Party

The immediate Parent of the Company is People's Bank which is a Government owned entity.

48.2 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.

Terms and Conditions

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, except the loans that the key management have availed under the loan schemes uniformly applicable to all the staff.

48.2.1 Transactions with Key Management Personnel and their Close Family Members

Remuneration to Key Management Personnel

For the Year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
(a) Remuneration to Board of Directors				
Short term employees benefits	290	375	610	455
Total	290	375	610	455

For the Year ended 31st March	Company/Group	
	2015 Rs. '000	2014 Rs. '000
(b) Remuneration to Corporate Management		
Short term employees benefits	73,756	57,270
Post employment benefits	7,926	5,582
Total	81,682	62,852

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.

48.2.2 Share Transactions with Key Management Personnel

For the Year ended 31st March	Company/Group	
	2015	2014
No. of ordinary shares held	2,228,358	2,205,558
Dividend paid (Rs. '000)	2,467	4,975

NOTES TO THE FINANCIAL STATEMENTS CONTD.

48 RELATED PARTY DISCLOSURE (CONTD.)

48.2.3 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and Other Related Entities

	2015 Rs. '000	2014 Rs. '000
(a) Items in Statement of Profit or Loss		
Interest income	450	-
Interest expense	4,572	5,383
(b) Items in Statement of Financial Position		
Assets		
Loans and receivables	3,735	-
Liabilities		
Promissory notes	-	290
Fixed deposits	36,622	47,858
Saving deposits	23,834	4,271
Total	60,456	52,419

48.3.1 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income on lease facilities granted	48,541	12,449	48,541	12,449
Interest income on loans granted	12,053	5,850	12,053	5,850
Interest expense on loans obtained	19,727	54,367	19,727	54,367
Interest expense on commercial paper issued	163,127	78,281	163,127	78,281
Total	243,448	150,947	243,448	150,947
(b) Items in Statement of Financial Position				
Assets				
Leases	508,558	75,072	508,558	75,072
Loans and receivables	244,747	58,689	244,747	58,689
Total	753,305	133,761	753,305	133,761
Liabilities				
Loans	1,565,938	281,250	1,565,938	281,250
Commercial papers	-	147,459	-	147,459
Total	1,565,938	428,709	1,565,938	428,709
(c) Transactions				
RMV charges	399,638	383,387	402,800	384,227
CRIB charges	24,097	18,559	25,327	19,272

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

- Investments in Treasury Bills, Treasury Bonds, Payments of statutory rates and taxes, Payments for utilities mainly comprising of telephone, electricity and water, Payments for employment retirement benefits - ETF



48.3.2 Transactions with Other Related entities

48.3.2.1 Company

The Company had the under mentioned financial dealings during the financial year with the following related entities.

	Immediate Parent		Subsidiaries		Affiliates	
	2015	2014	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Items in Statement of Profit or Loss						
Interest on term loans & bank overdraft	14,159	340,428	268,757	180,479	-	-
Building rent income	-	-	255	612	-	-
Building rent expenses	27,698	20,850	245,244	238,469	-	-
Shared fee income	-	-	54,849	54,229	-	-
Interest on preference shares	66,311	103,417	-	-	-	-
Interest on asset backed securities	22,147	-	-	-	-	-
Interest on deposits and savings	14,296	101,836	8,598	14,012	-	-
Interest on repo investments	8,816	36,252	-	-	-	-
Interest on treasury bills	285,882	109,140	-	-	-	-
Dividend income	-	-	229,750	137,000	-	-
Expense on vehicle services & hiring	-	-	41,493	40,019	-	-
Insurance premium paid in respect of own policies	-	-	77,576	59,043	-	-
Service charges received	-	-	337,719	382,128	-	-
Interest on commercial papers	-	37,038	-	-	-	-
Introducing commission	-	-	893	510	-	-
LC commission	1,007	1,120	-	-	-	-
Income on lease	10,042	19,227	-	-	-	-
(b) Items in Statement of Financial Position						
Assets						
Current account balance	1,187,756	1,328,167	-	-	-	-
Fixed deposits, savings & RFC	90,717	3,337,069	-	-	-	-
Repo investments	750,719	2,111,998	-	-	-	-
Vehicle hiring & service sales	-	-	-	9,612	-	-
Service charges receivable	-	-	145,588	115,311	-	-
Amount due from	-	-	1,461,315	595,833	-	-
Investment in shares	-	-	1,875,000	1,475,000	205,160	205,160
Investment in treasury bills	3,766,540	3,519,610	-	-	-	-
Lease rental	73,505	116,464	-	-	-	-
Term loans	-	-	579,279	565,335	-	-
Liabilities						
Term loans & bank overdraft	1,599,262	1,592,372	-	-	-	-
Insurance premium payable in respect of customers introduced by the Company	-	-	451,932	343,055	-	-
Debentures	-	-	104,009	116,952	-	-
Deposits and savings	-	-	92,352	82,207	-	-
Investment in Asset backed securities	1,052,000	-	-	-	-	-
Placement fee on asset back securities	13,714	-	-	-	-	-
Investment in preference shares	307,519	517,708	-	-	-	-
Commercial papers	-	172,345	-	-	-	-
Building rent	9,241	-	-	-	-	-



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48 RELATED PARTY DISCLOSURE (CONTD.)

48.3.2 Transactions with Other Related Entities (Contd.)

48.3.2.1 Company (Contd.)

	Immediate Parent		Subsidiaries		Affiliates	
	2015	2014	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(c) Transactions						
Transaction cost on debenture issue and securitisation	23,935	-	-	-	-	-
Dividend paid	1,481,121	1,481,121	-	-	-	-
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	3,208,541	3,386,637	-	-
(d) Off- Balance Sheet Items						
Undrawn facilities	-	50,000	-	-	-	-
Guarantees	-	2,500	325,000	225,000	-	-

48.3.2.2 Group

The Group had the under mentioned financial dealings during the financial year with the following related entities.

For the Year ended 31st March	Immediate Parent		Affiliates	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Items in Statement of Profit or Loss				
Interest expenses on term loans & bank overdraft	14,445	340,463	-	-
Building rent income	27,551	27,551	-	-
Building rent expenses	28,598	21,975	-	-
Interest income on deposits	21,685	101,836	-	-
Interest on repo investments	18,604	58,294	-	-
Interest on treasury bills	285,882	109,140	-	-
Interest on preference shares	66,311	103,417	-	-
Interest on asset backed securities	22,147	-	-	-
Agency commission income	26,040	9,068	-	-
Income on vehicle hiring	58,312	63,232	-	-
Building project income	-	35,328	-	-
Service charges paid	12,362	9,683	-	-
Differed commission expenses	9,966	8,048	-	-
Insurance premium income	232,803	279,678	-	-
Claim paid	73,332	96,857	-	-
LC commission	1,007	1,120	-	-
Income on lease	10,042	19,227	-	-



As at 31st March	Immediate Parent		Affiliates	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(b) Items in Statement of Financial Position				
Assets				
Current account balance	1,249,517	1,362,864	-	-
Fixed deposits, savings & RFC	192,550	3,409,198	-	-
Repo investments	961,064	2,301,696	-	-
Vehicle hiring & service sales receivable	20,293	10,711	-	-
Insurance Premium receivable	10,988	1,863	-	-
Commission income receivable	20,082	-	-	-
Building rent receivable	11,156	75	-	-
Building project	-	568,948	-	-
Investment in treasury bills	3,776,540	3,519,610	-	-
Investment in shares	-	-	205,160	205,160
Lease rental	73,505	116,464	-	-
Amount due from	1,019,603	-	-	-
Liabilities				
Term loans & bank overdraft	1,603,885	1,693,806	-	-
Amount due to	-	150	-	-
Investment in asset backed securities	1,052,000	-	-	-
Placement fees on asset backed securities	13,714	-	-	-
Investment in preference shares	307,519	517,708	-	-
Commercial papers	-	172,345	-	-
Building rent payable	9,316	-	-	-
Agency commission payable	3,394	2,211	-	-
Differd commission expenses payable	6,788	-	-	-

48.3.3 Net Accommodation as a % of Capital Funds

As at 31st March	2015	2014
People's Bank	0.35	0.61
People's Leasing Fleet Management Ltd.	0.20	0.70
People's Leasing Property Development Ltd.	6.67	2.97
People's Insurance Ltd.	0.04	0.39
People's Microfinance Ltd.	2.56	0.02
People's Leasing Havelock Properties Ltd.	0.14	0.02

48.3.4 Terms and Conditions

Outstanding balances with related parties are unsecured other than where there are leasing and similar arrangements and bear interest as applicable to relevant products.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

49 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 estimate of assumptions that a market participant would make when valuing the instruments.

49.1 Financial Investments – Available for Sale

Available for sale financial assets valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

49.2 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.

49.3 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.

49.4 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.

49.5 Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

49.5.1 Valuation Framework

The Company has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include;

- Periodic (daily, monthly or quarterly) reviewing of fair value measurements against observable market data.
- Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgments and assumptions.

49.6 Determination of Fair Value and Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded/disclosed at fair value by level of the fair value hierarchy:

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					
Financial investments - Available for sale					
Quoted investment	31.03.2015	416,433	-	-	416,433
Unit trust	31.03.2015	-	522,766	-	522,766
		416,433	522,766	-	939,199
Financial assets at fair value through profit or loss - Held for trading					
Quoted investment	31.03.2015	196,193	-	-	196,193
		196,193	-	-	196,193
		612,626	522,766	-	1,135,392
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	Note 27.4	-	-	764,816	764,816
		-	-	764,816	764,816
Financial Liabilities					
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2015	-	92,193	-	92,193
		-	92,193	-	92,193
As at 31st March 2014					
Company	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets					
Financial investments - Available for sale					
Quoted investment	31.03.2014	224,068	-	-	224,068
		224,068	-	-	224,068
Financial assets at fair value through profit or loss - Held for trading					
Quoted investment	31.03.2014	184,243	-	-	184,243
		184,243	-	-	184,243
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2014	-	245	-	245
		-	245	-	245
Investment property					
Land and building	31.12.2013	-	-	55,000	55,000
		-	-	55,000	55,000
		408,311	245	55,000	463,556
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	31.12.2013	-	-	468,348	468,348
		-	-	468,348	468,348

There were no material transfers between level 1 and level 2 during the 2014 and 2015. Valuation was carried out by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement).



NOTES TO THE FINANCIAL STATEMENTS CONTD.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

49.6 Determination of Fair Value and Fair Value Hierarchy (Contd.)

The following table shows an analysis of financial instruments recorded/disclosed at fair value by level of the fair value hierarchy:

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					
Financial investments – Available for sale					
Quoted investment	31.03.2015	416,433	-	-	416,433
Treasury bills	31.03.2015	1,049,675	-	-	1,049,675
Debentures	31.03.2015	-	-	-	-
Unit trust	31.03.2015	-	577,234	-	577,234
		1,466,108	577,234	-	2,043,342
Financial assets at fair value through profit or loss - Held for trading					
Quoted Investment	31.03.2015	503,268	-	-	503,268
		503,268	-	-	503,268
		1,969,376	577,234	-	2,546,610
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	Note 27.4	-	-	3,269,816	3,269,816
		-	-	3,269,816	3,269,816
Financial liabilities					
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2015	-	92,193	-	92,193
		-	92,193	-	92,193
As at 31st March 2014 Group					
Financial assets					
Financial investments – Available for sale					
Quoted investment	31.03.2014	224,068	-	-	224,068
Treasury bills	31.03.2014	1,041,236	-	-	1,041,236
Unit trust	31.03.2014	-	51,515	-	51,515
		1,265,304	51,515	-	1,316,819
Financial assets at fair value through profit or loss - Held for trading					
Quoted investment	31.03.2014	378,312	-	-	378,312
		378,312	-	-	378,312
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2014	-	245	-	245
		-	245	-	245
		1,643,616	51,760	-	1,695,376
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	31.12.2013	-	-	2,646,848	2,646,848
		-	-	2,646,848	2,646,848



There were no material transfers between level 1 and level 2 during the 2014 and 2015. 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 profit or loss during the period relating to assets and liabilities held at the respective period ended.

Net Trading Income

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Financial assets held for trading				
Quoted equity investments	57,985	7,580	120,741	29,790
Total	57,985	7,580	120,741	29,790

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	Freehold	Investment	Freehold
	property	Land	property	Land
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2013	56,000	145,204	-	1,663,839
Additions	-	93,897	-	269,905
Disposals / transfers	-	-	-	-
Total gains / (losses) recognised in profit or loss;				
Fair value recognised during the year	(1,000)	-	-	-
Depreciation of buildings	-	(335)	-	(24,110)
Balance as at 31st March 2014	55,000	238,766	-	1,909,634
Balance as at 1st April 2014	55,000	238,766	-	1,909,634
Additions	-	304,591	-	719,389
Disposals / transfers	(52,000)	52,000	-	(2,084)
Total gains / (losses) recognised in profit or loss;				
Fair value recognised during the year	(3,000)	-	-	(4,000)
Depreciation of buildings	-	(406)	-	(21,887)
Balance as at 31st March 2015	-	594,951	-	2,601,052



NOTES TO THE FINANCIAL STATEMENTS CONTD.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

49.6 Determination of Fair Value and Fair Value Hierarchy (Contd.)

Unobservable Inputs Used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used at 31st March 2014 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	31.03.2014	31,400	MCM	Estimated price per perch	Rs. 800,000	*
Freehold buildings	31.03.2014	23,600	MCM	Estimated price per sq.ft	Rs. 2,500	*
			Investment basis	Estimated rental value per sq.ft.	Rs. 15	*
Property, plant & 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 & 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.



49.7 Fair value of Assets and Liabilities not Carried at Fair Value

Set out below is a comparison, by class, of the carrying amount and fair values of the Group's 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

		2015		2014	
	Fair value hierarchy	Carrying amount Rs. '000	Amount Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Company					
Financial assets					
Cash and cash equivalents		3,139,139	3,139,139	11,452,997	11,452,997
Balances with banks & financial institutions		326,321	326,321	3,329,562	3,329,562
Loans and receivables	Level 2	98,411,195	101,467,430	90,218,355	89,425,041
Financial investments - Held-to-maturity	Level 1	5,266,407	5,245,310	4,746,558	4,745,969
Other financial assets	Level 2	253,723	253,723	126,346	126,346
Total		107,396,785	110,431,923	109,873,818	109,079,915

Financial liabilities

Due to banks	Level 2	21,228,600	21,188,757	14,131,807	14,352,147
Due to customers	Level 2	34,022,572	34,073,257	40,921,485	40,044,928
Debt securities issued	Level 2	28,690,194	31,366,748	34,473,380	36,036,291
Other financial liabilities	Level 2	3,234,445	3,234,445	1,857,324	1,857,324
Total		87,175,811	89,863,207	91,383,996	92,290,690

Group

Financial assets

Cash and cash equivalents		3,413,951	3,413,951	11,695,561	11,695,561
Balances with banks & financial institutions		1,830,668	1,830,668	4,725,904	4,725,904
Loans and receivables	Level 2	97,996,856	100,141,520	90,341,901	89,540,863
Financial investments - Held-to-maturity	Level 1	5,266,407	5,245,310	4,746,558	4,745,969
Total		108,507,882	110,631,449	111,509,924	110,708,297

Financial liabilities

Due to banks	Level 2	22,391,144	22,268,652	15,776,883	14,840,065
Due to customers	Level 2	33,930,221	33,981,304	40,839,278	39,962,998
Debt securities issued	Level 2	28,586,186	31,242,545	34,369,214	35,930,155
Other financial liabilities	Level 2	3,165,912	3,165,912	1,728,158	1,728,158
Total		88,073,463	90,658,413	92,713,533	92,461,376

Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received / paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgment involved in calculating the fair values.



NOTES TO THE FINANCIAL STATEMENTS CONTD.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

Fair Value of Financial Assets and Liabilities Not Carried at Fair Value (Contd.)

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 Bank and Financial Institution

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 Advances

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

Due to Customers

The estimated fair value of deposits with no maturity period (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.

50 CURRENT/NON CURRENT ANALYSIS

As at 31st March	2015			2014		
	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
Assets						
Cash and cash equivalents	3,139,139	-	3,139,139	11,452,997	-	11,452,997
Balances with banks & financial institutions	326,321	-	326,321	3,329,562	-	3,329,562
Derivative financial instruments	-	-	-	245	-	245
Financial assets held-for-trading	196,193	-	196,193	184,243	-	184,243
Loans and receivables	41,767,650	56,643,545	98,411,195	37,909,472	52,308,883	90,218,355
Financial investments – Available-for-sale	939,199	-	939,199	224,068	-	224,068
Financial investments – Held-to-maturity	5,242,151	24,256	5,266,407	4,721,558	25,000	4,746,558
Investments in subsidiaries	-	1,875,000	1,875,000	-	1,475,000	1,475,000
Investments in associates	-	-	-	-	-	-
Goodwill and intangible assets	-	337,647	337,647	-	347,927	347,927
Property, plant and equipment	-	1,108,681	1,108,681	-	801,135	801,135
Investment properties	-	-	-	-	55,000	55,000
Other assets	723,197	-	723,197	941,346	-	941,346
Total assets	52,333,850	59,989,129	112,322,979	58,763,491	55,012,945	113,776,436
Liabilities						
Due to banks	11,819,749	9,408,851	21,228,600	8,851,541	5,280,266	14,131,807
Due to customers	29,352,333	4,670,239	34,022,572	35,005,401	5,916,084	40,921,485
Debt securities issued	9,902,243	18,787,951	28,690,194	17,151,230	17,322,150	34,473,380
Other financial liabilities	3,234,445	-	3,234,445	1,857,324	-	1,857,324
Derivative financial instruments	92,193	-	92,193	-	-	-
Current tax liabilities	550,042	-	550,042	446,832	-	446,832
Deferred tax liabilities	-	1,949,490	1,949,490	-	1,573,461	1,573,461
Other liabilities	1,419,655	-	1,419,655	1,176,211	-	1,176,211
Total liabilities	56,370,660	34,816,531	91,187,191	64,488,539	30,091,961	94,580,500
Net balance	(4,036,810)	25,172,598	21,135,788	(5,725,048)	24,920,984	19,195,936



NOTES TO THE FINANCIAL STATEMENTS CONTD.

50 CURRENT/NON CURRENT ANALYSIS (CONTD.)

As at 31st March	2015			2014		
	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
Assets						
Cash and cash equivalents	3,413,951	-	3,413,951	11,695,561	-	11,695,561
Balances with banks & financial institutions	1,830,668	-	1,830,668	4,725,904	-	4,725,904
Derivative financial instruments	-	-	-	245	-	245
Financial assets held-for-trading	503,268	-	503,268	378,312	-	378,312
Loans and receivables	40,939,597	57,057,259	97,996,856	37,961,386	52,380,515	90,341,901
Reinsurance and insurance receivables	187,300	-	187,300	-	137,576	137,576
Financial investments – Available-for-sale	2,043,342	-	2,043,342	1,316,819	-	1,316,819
Financial investments – Held-to-maturity	5,242,151	24,256	5,266,407	4,358,415	388,143	4,746,558
Investments in subsidiaries	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-
Goodwill and intangible assets	-	345,641	345,641	-	355,732	355,732
Property, plant and equipment	-	3,804,706	3,804,706	-	3,052,089	3,052,089
Investment properties	-	-	-	-	-	-
Other assets	1,768,840	-	1,768,840	1,666,080	-	1,666,080
Total Assets	55,929,117	61,231,862	117,160,979	62,102,722	56,314,055	118,416,777
Liabilities						
Due to banks	12,982,293	9,408,851	22,391,144	9,687,826	6,089,057	15,776,883
Due to customers	29,259,982	4,670,239	33,930,221	35,595,385	5,243,893	40,839,278
Debt securities issued	9,798,235	18,787,951	28,586,186	15,892,310	18,476,904	34,369,214
Other financial liabilities	3,165,912	-	3,165,912	1,728,158	-	1,728,158
Derivative financial instruments	92,193	-	92,193	-	-	-
Insurance and reinsurance payable	-	2,894,358	2,894,358	-	2,570,540	2,570,540
Current tax liabilities	618,198	-	618,198	540,841	-	540,841
Deferred tax liabilities	-	1,976,418	1,976,418	-	1,598,573	1,598,573
Other liabilities	1,453,490	-	1,453,490	1,225,480	-	1,225,480
Total liabilities	57,370,303	37,737,817	95,108,120	64,670,000	33,978,967	98,648,967
Net balance	(1,441,186)	23,494,045	22,052,859	(2,567,278)	22,335,088	19,767,810



51 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 intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Reporting Standard (SLFRS) 8, the operating segment of the Group has been identify based on the product and services offered by the Group of which level of risk and rewards are significantly differ from one another.

Top management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows;

Lease & 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 CONTD.

51 FINANCIAL REPORTING BY SEGMENT (CONTD.)

	Lease & HP		Loans		Islamic		Insurance		Other		Eliminations		GROUP			
	2015		2014		2015		2014		2015		2014		2015		2014	
	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	Rs. '000	Rs. '000
Interest income	14,473,573	15,715,572	3,675,942	2,676,946	769,617	852,675	287,959	433,502	658,949	573,981	(270,948)	(199,229)	19,595,092	20,053,447		
Net earned premiums	-	-	-	-	-	-	3,036,834	3,464,453	-	-	(86,932)	-	2,949,902	3,464,453		
Fee and commission income	688,534	700,428	174,871	119,309	36,612	38,003	-	-	356,053	293,031	(679,479)	(757,755)	576,592	393,016		
Net trading income	-	-	-	-	-	-	62,756	22,210	57,985	7,629	-	-	120,741	29,839		
Other operating income	276,736	217,032	70,284	36,969	14,715	2,714	50,262	36,542	191,460	174,069	(266,913)	(230,857)	336,545	236,469		
Gross income	15,438,843	16,633,032	3,921,098	2,833,224	820,944	893,392	3,437,811	3,956,707	1,264,447	1,048,710	(1,304,272)	(1,187,841)	23,578,871	24,177,224		
Interest expenses	6,915,260	8,997,415	1,756,311	1,532,594	367,712	467,429	-	-	566,362	567,285	(255,373)	168,827	9,350,273	11,733,550		
Total operating income	8,523,583	7,647,395	2,164,787	1,302,635	453,233	411,211	3,437,811	4,023,399	698,085	482,392	(1,048,899)	(1,085,703)	14,228,599	12,443,674		
Credit loss expenses	1,421,121	1,105,180	257,016	104,821	(16,131)	19,855	-	-	12,722	-	-	-	1,674,728	1,229,856		
Net operating income	7,102,462	6,542,215	1,907,771	1,197,814	469,364	391,356	3,437,811	4,023,399	685,363	482,392	(1,048,899)	(1,085,703)	12,553,871	11,213,818		
Depreciation	167,922	164,965	46,781	28,100	15,171	5,429	11,150	10,698	15,459	10,406	42,437	40,815	298,920	260,413		
Segment result	4,038,182	3,600,486	1,025,602	613,296	214,726	193,603	899,193	862,254	330,729	227,116	(248,891)	(263,321)	6,259,541	5,233,434		
VAT on financial services	-	-	-	-	-	-	-	-	-	-	-	-	372,121	302,374		
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	1,785,879	1,467,844		
Profit attributable to equity holder	4,038,182	3,600,486	1,025,602	613,296	214,726	193,603	899,193	862,254	330,729	227,116	(248,891)	(263,321)	4,101,541	3,463,216		
Segment Assets	80,447,797	91,308,017	22,411,687	15,553,147	7,267,978	5,313,931	4,801,344	4,107,577	7,406,134	5,759,637	(5,173,961)	(3,625,532)	117,160,979	118,416,777		
Total assets	80,447,797	91,308,017	22,411,687	15,553,147	7,267,978	5,313,931	4,801,344	4,107,577	7,406,134	5,759,637	(5,173,961)	(3,625,532)	117,160,979	118,416,777		
Segment Liabilities	64,773,227	75,194,398	18,044,960	12,808,399	5,851,874	4,782,206	3,406,392	2,952,585	5,963,109	4,743,203	(2,931,442)	(1,831,824)	95,108,120	98,648,967		
Total liability	64,773,227	75,194,398	18,044,960	12,808,399	5,851,874	4,782,206	3,406,392	2,952,585	5,963,109	4,743,203	(2,931,442)	(1,831,824)	95,108,120	98,648,967		

52 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

Proposed Dividends

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 2015. This will be declared at the Annual General Meeting to be held on 27th June 2015, 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 2015. 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.

Super Gain Tax

As proposed in the interim budget presented to the parliament on 29th January 2015 one-off "Super Gain Tax" of 25% to be levied on any company which posted a profit exceeding Rs. 2,000 million for the year of assessment 2013/14. Having recorded a post-tax profit of Rs. 3,123.7 million for the financial year 2013/14 People's Leasing & Finance PLC is subject to this proposal. However, the impact cannot be assessed at this point as the details of the computation is not yet known.

53 ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged				Included under
		Company		Group		
		31st March 2015 Rs. '000	31st March 2014 Rs. '000	31st March 2015 Rs. '000	31st March 2014 Rs. '000	
Rentals receivable on lease	Securitisation	19,871,975	28,921,386	19,871,975	28,921,386	Loans and receivable
	Term loan/Debentures	17,179,674	14,291,717	17,179,674	14,291,717	Loans and receivable
	Overdrafts	-	26,907	-	26,907	Financial Liabilities
Rentals receivable on hire-purchase	Securitisation	9,841,241	15,073,972	9,841,241	15,073,972	Loans and receivable
	Term loan/Debentures	7,606,080	8,322,528	7,606,080	8,322,528	Loans and receivable
	Overdrafts	-	82,468	-	82,468	Financial Liabilities
Fixed deposit	Overdrafts	-	-	10,000	10,000	Financial Liabilities
Freehold land and building	Term loan	-	-	2,078,485	1,687,372	Property, Plant & Equipments
Fixed deposit	Obtain Money changing	-	-	-	-	Balance with banks and
	License from CBSL	-	-	-	-	Financial institutions

NOTES TO THE FINANCIAL STATEMENTS CONTD.

54 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.

	Company			Group		
	As disclosed	Current	Adjustment	As disclosed	Current	Adjustment
	previously	Presentation		previously	Presentation	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Statement of Financial Position						
Other financial liabilities	2,869,667	1,857,324	1,012,343	2,759,315	1,728,158	1,031,157
Other liabilities	163,868	1,176,211	(1,012,343)	194,323	1,225,480	(1,031,157)

Reclassification of other non financial liabilities are included in other financial liabilities.

55 RISK MANAGEMENT

55.1 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 (IRMC) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRMC Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRMC 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.

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.

55.2 Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and group and by monitoring exposures in relation to such limits.

Impairment Assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually Assessed Allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchase and 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 and for held to maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Company generally bases its 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 assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, loan to collateral ratios) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by Management to ensure alignment with the Company's overall policy.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.2.1 Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets

The Company manages the credit quality of financial assets using internal credit ratings. The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Company's internal credit 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'.

Company

	Neither past due nor impaired			Un rated Rs. '000	Past due but not impaired		Total Rs. '000
	High grade Rs. '000	Standard grade Rs. '000	Sub- standard grade Rs. '000		Individually impaired Rs. '000		
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 investments - Available for sale	522,766	416,423	-	10	-	-	939,199
Financial investments - 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

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	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 2015					
Loans and receivables	43,288,441	2,173,662	972,066	1,462,640	47,896,809



Company

	Neither past due nor impaired			Un rated Rs. '000	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				
As at 31st March 2014							
Cash and cash equivalents (excluding cash in hand)	11,194,980	4,945	-	-	-	-	11,199,925
Balances with banks & financial institutions	3,329,562	-	-	-	-	-	3,329,562
Financial assets held for trading	173,707	1,700	-	8,836	-	-	184,234
Loans and receivables	6,578,479	30,828,965	106,356	2,223,581	51,455,467	373,363	91,566,211
Financial investments - Available for sale	-	224,058	-	10	-	-	224,068
Financial investments - Held-to-maturity	4,746,558	-	-	-	-	-	4,746,558
Other financial assets	-	-	-	126,346	-	-	126,346
Total	26,023,286	31,059,668	106,356	2,358,773	51,455,467	373,363	111,376,904

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	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 2014					
Loans and receivables	47,033,255	2,637,728	967,237	817,247	51,455,467

Group

	Neither past due nor impaired			Un rated Rs. '000	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				
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
Financial investments - Available for sale	1,626,909	416,423	-	10	-	-	2,043,342
Financial investments - Held-to-maturity	5,266,407	-	-	-	-	-	5,266,407
Total	16,772,876	44,162,567	126,312	3,964,727	47,439,769	435,323	112,901,574

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	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 2015					
Loans and receivables	42,162,386	2,492,016	1,062,399	1,722,968	47,439,769



NOTES TO THE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.2.1 Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets (Contd.)

Group

	Neither past due nor impaired			Un rated Rs. '000	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				
As at 31st March 2014							
Cash and cash equivalents (excluding cash in hand)	11,422,694	4,945	-	-	-	-	11,427,639
Balances with banks & financial institutions	4,725,904	-	-	-	-	-	4,725,904
Financial assets held for trading	366,068	1,700	-	10,544	-	-	378,312
Loans and receivables	6,920,787	30,828,965	106,356	1,458,038	52,017,380	373,363	91,704,889
Financial investments - Available for sale	1,092,741	224,068	-	10	-	-	1,316,819
Financial investments - Held-to-maturity	4,746,558	-	-	-	-	-	4,746,558
Total	29,274,752	31,059,678	106,356	1,468,592	52,017,380	373,363	114,300,121

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	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 2014					
Loans and receivables	47,118,577	2,841,202	1,230,637	826,964	52,017,380

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 loans to & receivables from banks and loans to & receivables from other customers.

Company's Internal Credit Rating	Company rating	Fitch / Ram Rating	2015 Rs. '000	2014 Rs. '000
High Grade				
Risk rating class 1	High	AAA to AA+	8,852,571	19,412,922
Risk rating class 2	High	AA to AA-	1,267,552	2,633,332
Risk rating class 3	High	A+ to BBB+	2,891,464	3,977,032
Standard Grade				
Risk rating class 4	Standard	BBB to BBB-	37,563,804	25,627,944
Risk rating class 5	Standard	BB+ to BB	5,903,344	4,785,516
Risk rating class 6	Standard	BB- to B+	695,419	646,208
Sub Standard Grade				
Risk rating class 7	Sub Standard	B to B-	103,416	96,643
Risk rating class 8	Sub Standard	CCC to CC	21,646	7,658
Risk rating class 9	Sub Standard		1,250	2,055
Unrated			4,716,531	2,358,773
Total			62,016,997	59,548,083



NOTES TO THE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.2.2 Industry Analysis

The following table shows the risk concentration by industry for the components of the statement of financial position.

Company	Financial Services		Agri-culture		Manu-facturing		Tourism		Transport		Con-struction		Traders		Services		Industry		Others		Total	
	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000
As at 31st March 2015	3,139,139	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,139,139
Cash and cash equivalents	326,321	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	326,321
Balances with Banks & financial institutions	141,763	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141,763
Financial assets held for trading	1,803,879	2,275,233	10,750	28,164	369,594	15,033,463	4,907,300	19,641,605	44,344,151	1,200,033	10,949,999	100,536,007	4,060	-	-	-	-	-	-	-	-	196,193
Loans and receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,124,812)
Net loans and receivables	939,189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	939,189
Financial investments - Available for sale	5,266,407	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,266,407
Financial investments - Held-to-maturity	253,723	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	253,723
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st March 2014	11,452,997	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,452,997
Cash and cash equivalents	3,329,562	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,329,562
Balances with Banks & financial institutions	245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	245
Derivative financial instrument	132,309	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	132,309
Financial investments - held for trading	686,108	2,622,106	12,896	23,490	363,026	16,493,992	4,359,061	22,668,018	40,171,149	1,223,462	2,966,393	91,566,211	28,444	-	-	-	-	-	-	-	-	184,243
Loans and receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,347,856)
Net loans and receivables	224,058	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224,058
Financial investments - Available for sale	4,746,558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,746,558
Financial investments - Held-to-maturity	126,346	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126,346
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Industry Analysis

Group

As at 31st March 2015	Financial Services		Agri-culture		Manu-facturing		Tourism		Transport		struction		Con-struction		Industry		Others		Total		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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 receivable	2,416,982	2,397,189	371,844	27,640	15,035,443	4,586,034	19,857,938	42,705,660	1,281,102	11,486,819	100,166,651	-	-	-	-	-	-	-	-	(2,169,795)	
-Impairment charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,996,856
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	187,300	-	-	-	187,300	
Reinsurance and insurance receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,043,342
Financial investments - Available for sale	2,043,332	-	-	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	-	-	5,266,407
Financial investments - Held-to-maturity	5,266,407	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Con-

As at 31st March 2014	Financial Services		Agri-culture		Manu-facturing		Tourism		Transport		struction		Con-struction		Industry		Others		Total			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Cash and cash equivalents	11,695,561	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,695,561	
Balances with Banks & financial institutions	4,725,904	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,725,904	
Derivative financial instrument	245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	245	
Financial assets held for trading	279,779	-	-	43,790	-	-	-	-	-	-	-	-	-	-	-	54,743	-	-	-	-	378,312	
Loans and receivable	424,893	2,756,324	20,785	364,611	16,496,342	3,788,757	22,881,511	40,157,334	1,312,877	3,501,455	91,704,889	-	-	-	-	-	-	-	-	-	(1,362,988)	
-Impairment charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,341,901
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	137,576
Reinsurance and insurance receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Financial investments - Available for sale	1,316,809	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,316,819
Financial investments - Held-to-maturity	4,746,558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,746,558

NOTES TO THE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.2.3 Fair Value of Collateral and Credit Enhancements Held

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

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	2015		2014	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Cash and cash equivalents (excluding cash in hand)	2,831,597	2,831,597	11,199,925	11,199,925
Balances with banks & financial institutions	326,321	326,321	3,329,562	3,329,562
Derivative financial instruments	-	-	245	245
Financial assets held for trading	196,193	196,193	184,243	184,243
Loans and receivables	98,411,195	469,873	90,218,355	11,715,039
Financial investments - Available-for-sale	939,199	939,199	224,068	224,068
Financial investments-Held-to-maturity	5,266,407	5,266,407	4,746,558	4,746,558
Other financial assets	253,723	253,723	126,346	126,346
Total	108,224,635	10,283,313	110,029,302	31,525,986



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

Group	2015		2014	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	3,091,238	3,091,238	3,091,238	3,091,238
Balances with banks & financial institutions	1,830,668	1,830,668	4,725,904	4,725,904
Derivative financial instruments	-	-	245	245
Financial assets held for trading	503,268	503,268	378,312	378,312
Loans and receivables	97,996,856	1,107,600	90,341,901	12,162,491
Financial investments-Available-for-Sale	2,043,342	2,043,342	1,316,819	1,316,819
Financial investments-Held-to-maturity	5,266,407	5,266,407	4,746,558	4,746,558
Total	110,731,779	13,842,523	104,600,977	26,421,567

55.2.4 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.

55.2.5 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 secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

Company

As at 31st March	2015			2014		
	Gross Amount	do Not Qualify for offsetting	Net Amount	Gross Amount	do Not Qualify for offsetting	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets						
Loans and receivables	2,048,599	964,016	1,084,583	2,177,500	888,431	1,289,069



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55 RISK MANAGEMENT (CONTD.)

55.2.5 Financial Assets & Liabilities not subject to Offsetting (Contd.)

Group

As at 31st March

	2015			2014		
	Gross Amount Rs. '000	do Not Qualify for offsetting Rs. '000	Net Amount Rs. '000	Gross Amount Rs. '000	do Not Qualify for offsetting Rs. '000	Net Amount Rs. '000
Financial assets						
Loans and receivables	2,048,599	964,016	1,084,583	2,177,500	888,431	1,289,069

55.3 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
- 5% 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 advances to customers as a percentage of customer savings accounts and fixed deposits.



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

Liquidity Ratios As at 31st March	Company		Group	
	2015	2014	2015	2014
Advances to deposit ratios (times)	2.89	2.20	2.89	2.21
Liquidity assets to deposit (%)	24%	36%	28%	40%

55.3.1 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 2015.

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.

55.3.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities

Company

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets							
Cash and cash equivalents	3,139,139	-	-	-	-	-	3,139,139
Balances with banks & financial institutions	-	-	326,321	-	-	-	326,321
Financial investments - 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 investments - Available for sale	-	939,199	-	-	-	-	939,199
Financial investments-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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55 RISK MANAGEMENT (CONTD.)

55.3.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities (Contd.)

Company

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Cash and cash equivalents	11,452,997	-	-	-	-	-	11,452,997
Balances with banks & financial institutions	3,329,562	3,260,713	68,849	-	-	-	6,659,124
Derivative financial instrument	-	-	245	-	-	-	245
Financial investments - held for trading	184,243	-	-	-	-	-	184,243
Loans and receivables	5,348,069	11,250,274	35,408,813	54,583,684	11,027,324	56,391	117,674,555
Financial investments - Available for sale	224,068	-	-	-	-	-	224,068
Financial investments - held to maturity	-	648,284	4,519,446	-	-	35,961	5,203,691
Other financial assets	-	126,346	-	-	-	-	126,346
Total undiscounted financial assets	20,538,939	15,285,617	39,997,353	54,583,684	11,027,324	92,352	141,525,269
Financial Liabilities							
Due to banks	292,314	5,027,534	3,873,287	3,433,184	2,228,039	10,665	14,865,023
Due to customers	2,053,004	8,645,594	24,526,430	3,451,528	2,254,659	37,907	40,969,122
Debt securities issued	2,170,646	4,993,764	13,114,371	18,746,906	5,877,120	-	44,902,807
Other financial liabilities	-	2,869,668	-	-	-	-	2,869,668
Total undiscounted financial liabilities	4,515,964	21,536,560	41,514,088	25,631,618	10,359,818	48,572	103,606,620
Net undiscounted financial assets/(liabilities)	16,022,975	(6,250,943)	(1,516,735)	28,952,066	667,506	43,780	37,918,649

Group

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
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 investments - 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 receivable	115,394	69,222	10,039	-	-	-	194,655
Financial investments - Available for sale	1,104,143	939,199	-	-	-	-	2,043,342
Financial investments - 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
Total undiscounted financial liabilities	6,288,913	19,631,367	32,216,578	28,096,558	12,454,598	230,833	98,918,847
Net undiscounted financial assets/(liabilities)	3,738,289	2,326,526	5,277,933	27,034,703	1,303,688	(206,719)	39,474,420



Group

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets							
Cash and cash equivalents	11,695,561	-	-	-	-	-	11,695,561
Balances with banks & financial institutions	32,026	3,612,849	999,598	158,890	-	-	4,803,363
Derivative financial instrument	-	-	245	-	-	-	245
Financial investments - held for trading	378,312	-	-	-	-	-	378,312
Loans and receivables	5,348,069	11,519,631	36,535,819	56,648,390	11,444,448	56,391	121,552,748
Reinsurance and insurance receivable	-	368,073	112,558	-	-	-	480,631
Financial investments - Available for sale	275,582	189,524	890,891	-	-	-	1,355,997
Financial investments - held to maturity	-	648,284	4,519,446	-	-	35,961	5,203,691
Total undiscounted financial assets	17,729,550	16,338,361	43,058,557	56,807,280	11,444,448	92,352	145,470,548
Financial liabilities							
Due to banks	381,248	5,027,534	3,885,037	3,348,737	2,173,236	10,665	14,826,457
Due to customers	2,053,004	8,645,594	24,526,430	3,451,528	2,254,659	37,907	40,969,122
Debt Securities issued	2,170,646	4,993,764	13,114,371	18,746,906	5,877,120	-	44,902,807
Other financial liabilities	310,484	2,936,556	159,206	426,144	-	-	3,832,390
Total undiscounted financial liabilities	4,915,382	21,603,448	41,685,044	25,973,315	10,305,015	48,572	104,530,776
Net undiscounted financial assets/(liabilities)	12,814,168	(5,265,087)	1,373,513	30,833,965	1,139,433	43,780	40,939,772

55.3.3 Commitments and Guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Company

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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



NOTES TO THE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.3.3 Commitments and Guarantees (Contd.)

Company

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Guarantees	-	1,400	7,850	225,000	-	234,250
Letter of credits	-	3,776	27,103	-	-	30,879
Accidents of leased out vehicles	-	-	-	84,957	-	84,957
Capital commitment	-	39,663	-	37,950	-	77,613
Forward exchange contracts	-	66,225	1,885,327	-	-	1,951,552
Total commitments and guarantees	-	111,064	1,920,280	347,907	-	2,379,251

Group

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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

Group

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Guarantees	-	1,400	7,850	225,000	-	234,250
Letter of credits	-	3,776	27,103	-	-	30,879
Accidents of leased out vehicles	-	-	-	84,957	-	84,957
Capital commitment	-	27,544	276,831	279,235	-	583,610
Forward exchange contracts	-	66,225	1,885,327	-	-	1,951,552
Total commitments and guarantees	-	98,845	2,197,111	589,192	-	2,885,248

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

55.4 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.

55.4.1 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 loans and borrowings.



The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31st March 2015 and 31st March 2014 to a reasonable possible change in interest rates, with all other variable constant.

As at 31st March	2015 Rs. '000	2014 Rs. '000
Rate sensitive assets and rate sensitive liabilities		
Assets	-	-
Liabilities	4,269,800	7,599,518
Gap	4,269,800	7,599,518
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	(27,622)	(10,735)
1%	(55,245)	(21,469)
-0.50%	27,622	10,735
-1%	55,245	21,469

Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the Company's/Group's interest rate risk exposure on non-trading financial assets and liabilities. The Company's/Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Company

As at 31st March 2015

	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
Financial 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 receivable	100,536,007	5,310,253	12,211,991	25,147,218	44,878,083	12,952,905	35,557	-
-Impairment charges	(2,124,812)	-	-	-	-	-	-	-
Net loans and receivables	98,411,195	-	-	-	-	-	-	-
Financial investments - Available for sale	939,199	-	-	-	-	-	-	939,199
Financial investments - 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
Financial liabilities								
Due to banks	21,228,600	127,797	6,226,515	5,465,437	6,985,284	2,423,567	-	-
Due to customers	34,022,572	5,996,583	6,266,128	17,089,622	3,662,920	980,312	27,007	-
Debt securities issued	28,690,194	426,566	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)



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55 RISK MANAGEMENT (CONTD.)

55.4.1 Interest Rate Risk (Contd.)

	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
Company - As at 31st March 2014								
Financial assets								
Cash and cash equivalents	11,452,997	9,612,329	-	-	-	-	-	1,840,668
Balances with banks & financial institutions	3,329,562	-	3,260,713	68,849	-	-	-	-
Derivative financial instrument	245	-	-	-	-	-	-	245
Loans and receivable	91,566,211	5,348,745	7,260,056	25,867,035	43,130,388	9,912,256	47,731	-
-Impairment charges	(1,347,856)	-	-	-	-	-	-	-
Net loans and receivables	90,218,355	-	-	-	-	-	-	-
Financial investments - Available-for-sale	224,068	-	-	-	-	-	-	224,068
Financial investments - Held-to-maturity	4,746,558	-	633,084	4,088,474	-	-	25,000	-
Other financial assets	126,346	-	-	-	-	-	-	126,346
Total	110,098,131	14,961,074	11,153,853	30,024,358	43,130,388	9,912,256	72,731	2,064,981

Financial liabilities								
Due to banks	14,131,807	463,724	4,905,771	3,635,748	4,969,871	146,299	10,394	-
Due to customers	40,921,485	2,223,794	8,518,380	24,263,226	4,732,608	1,145,571	37,906	-
Debt securities issued	34,473,380	2,379,542	4,168,316	10,603,373	11,322,149	6,000,000	-	-
Other financial liabilities	1,857,324	-	-	-	-	-	-	1,857,324
Total	91,383,996	5,067,060	17,592,467	38,502,347	21,024,628	7,291,870	48,300	1,857,324
Total interest sensitivity gap	18,714,135	9,894,014	(6,438,614)	(8,477,989)	22,105,760	2,620,386	24,431	207,657

Group - As at 31st March 2015

Financial 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 receivable	100,166,651	3,847,775	12,547,955	25,450,330	44,793,067	13,490,649	36,875	-
-Impairment charges	(2,169,795)	-	-	-	-	-	-	-
Net loans and receivables	97,996,856	-	-	-	-	-	-	-
Reinsurance and insurance receivable	187,300	-	-	-	-	-	-	187,300
Financial investments - Available for sale	2,043,342	1,049,675	-	-	-	-	-	993,667
Financial investments - 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

Financial 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	33,930,221	5,904,232	6,266,128	17,089,622	3,662,920	980,312	27,007	-
Debt securities issued	28,586,186	322,557	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	-	-	-	-
Total	88,165,656	6,407,829	14,615,577	30,540,673	22,635,962	10,568,870	230,833	3,165,912
Total interest sensitivity gap	23,076,136	136,500	2,161,703	(1,858,272)	22,157,105	2,946,035	(193,958)	(103,182)



Group

As at 31st March 2014

	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
Financial assets								
Cash and cash equivalents	11,695,561	9,802,354	-	-	-	-	-	1,893,207
Balances with banks & financial institutions	4,725,904	4,595	3,612,730	964,269	144,310	-	-	-
Derivative financial instrument	245	-	-	-	-	-	-	245
Loans and receivable	91,704,889	5,348,745	7,546,611	26,455,563	42,531,597	9,774,642	47,731	-
-Impairment charges	(2,169,795)	-	-	-	-	-	-	-
Net loans and receivables	89,535,094	-	-	-	-	-	-	-
Reinsurance and insurance receivable	137,576	-	25,018	112,558	-	-	-	-
Financial investments- available for sale	1,316,819	51,515	532,010	509,225	-	-	-	224,069
Financial investments - Held-to-maturity	4,746,558	-	633,084	4,088,474	-	-	25,000	-
Total	112,157,757	15,207,209	12,349,453	32,130,089	42,675,907	9,774,642	72,731	2,117,521
Financial liabilities								
Due to banks	15,776,883	310,022	4,905,771	5,271,410	5,128,323	150,963	10,394	-
Due to customers	40,839,278	2,223,794	8,518,380	24,263,226	4,666,421	1,129,550	37,907	-
Debt securities issued	34,369,214	2,372,352	4,155,721	10,571,333	11,287,938	5,981,870	-	-
Other financial liabilities	1,728,158	-	-	-	-	-	-	1,728,158
Total	92,713,533	4,906,168	17,579,872	40,105,969	21,082,682	7,262,383	48,301	1,728,158
Total interest sensitivity gap	19,444,224	10,301,041	(5,230,419)	(7,975,880)	21,593,225	2,512,259	24,430	389,363

55.4.2 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. Hedging strategies are used for repayment of such borrowings. 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 2014 and the effect to the Gains/Losses in case of a market exchange rates up/drop by 1%. No currency exposure is arised in the year ended 31st March 2015 since the Company has used hedging strategies to minimise such risk. 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 %	2015 Effect on profit before tax Rs. '000	2014 Effect on profit before tax Rs. '000
USD	1	-	25,894
USD	-1	-	(25,894)



NOTES TO THE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.4.3 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%.

As at 31st March	2015			2014		
	Net asset value Rs. '000	Profit before tax Rs. '000	Other comprehensive income Rs. '000	Net asset value Rs. '000	Profit before tax Rs. '000	Other comprehensive income Rs. '000
1% Increase/Decrease in Equity Market Prices						
Financial investment - Held for trading	1,977	1,977	-	1,842	1,842	-
Financial investments - Available for sale	532,158	-	532,158	2,241	-	2,241

55.5 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.

55.6 Insurance Risks

People's Insurance Limited (PIL) is a fully owned subsidiary of the Company whose principle line of business is carrying out general insurance business. The following are the risks and their management arising from PIL for its statutory year ended 31st March.

55.6.1 Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PIL is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PIL maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PIL are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PIL has taken necessary action to comply with and complied with applicable regulations throughout the year.

54.6.2 Nature and Extent of Risks Arising from Insurance Contracts

Objectives, Policies and Processes for Managing Risks Arising from Insurance Contracts

PIL willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PIL's risk management framework focuses on strategic risk, assumed risks and the potential risks. PIL identifies and categorises risks in terms of their source, their impact on PIL and preferred strategies for dealing with them.



Method used to Manage Risks

Risk Appetite and Risk Tolerance

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

Identification of Shock Losses

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

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

As at 31st March

	2015			2014		
	Gross liabilities Rs. '000	Reinsurance receivable Rs. '000	Net liabilities Rs. '000	Gross liabilities Rs. '000	Reinsurance receivable Rs. '000	Net liabilities Rs. '000
Motor	841,945	47,931	794,014	667,150	16,980	650,170
Marine	4,012	1,608	2,404	17,279	1,656	15,623
Fire	131,635	64,345	67,290	107,104	52,341	54,763
Miscellaneous	202,181	1,510	200,671	222,726	40,583	182,143
Total	1,179,773	115,394	1,064,379	1,014,259	111,560	902,699



NOTES TO THE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.) 55.6 Insurance Risks (Contd.)

Claims Development Table

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

Gross Non- Life Insurance Contract Outstanding Claims Provision for 2015 of PIL

Accident Period	Development Period																								Total
	2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
2015 Q1	109	-	(1,005)	(5)	940	526	1,426	3,737	253	3,185	1,718	1,172	3,187	3,022	3,554	5,745	5,910	5,600	(56,014)	73,463	480,434	-	-	-	-
2014 Q4	-	(25)	-	(502)	(600)	(1,39)	(1,443)	(568)	(1,870)	8,826	380	4,918	2,234	2,340	(2,411)	3,587	8,245	(56,768)	75,000	449,975	-	-	-	-	-
2014 Q3	-	-	66	(187)	(142)	211	559	(2,228)	367	531	(76)	3,846	(5,482)	2,790	4,423	6,351	(69,924)	97,355	535,592	-	-	-	-	-	-
2014 Q2	-	1,626	-	178	220	1,416	(272)	797	1,181	1,328	88	(655)	12,168	3,508	2,363	(64,359)	92,325	469,869	-	-	-	-	-	-	-
2014 Q1	-	4	250	55	977	(229)	574	2,444	3,800	(5,833)	1,865	9,695	6,761	12,800	(63,027)	60,828	438,801	-	-	-	-	-	-	-	-
2013 Q4	-	4	-	(100)	(2,280)	392	(6,664)	4,942	2,839	2,727	5,726	995	4,260	(62,136)	62,041	467,873	-	-	-	-	-	-	-	-	-
2013 Q3	-	(735)	518	(212)	(201)	525	9,604	(591)	1,372	(3,771)	4,072	10,576	(54,728)	98,546	493,283	-	-	-	-	-	-	-	-	-	-
2013 Q2	-	184	(50)	256	126	3,043	7,217	3,797	4,927	16,834	3,885	(32,213)	24,817	444,461	-	-	-	-	-	-	-	-	-	-	-
2013 Q1	-	(34)	2,550	767	5,921	3,532	6,739	14,195	9,242	17,305	(57,356)	(154,997)	563,678	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q4	(60)	67	1,023	940	(344)	61,976	(190)	5,720	(55,206)	(36,313)	(87,480)	664,924	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q3	50	(1,538)	(334)	(3,390)	(886)	(62,462)	(2,465)	(38,633)	11,266	(23,199)	673,686	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q2	-	1,659	(86)	5,476	1,480	2,945	361	(62,895)	74,405	428,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q1	(11)	177	(169)	420	2,851	(2,651)	(42,538)	79,027	392,184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q4	30	(273)	619	1,278	2,360	(45,833)	67,234	439,598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q3	141	273	(712)	6,604	(24,514)	(174,650)	335,263	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q2	(63)	(297)	(2,479)	(14,654)	33,484	585,381	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q1	50	445	(5,856)	17,655	178,613	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q4	92	(282)	(1,664)	111,155	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q3	94	(4,264)	72,186	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q2	(814)	33,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q1	3,762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	3,380	30,379	64,858	125,735	198,005	373,985	375,406	449,341	444,761	410,287	546,510	508,260	556,894	505,330	500,228	480,025	475,357	516,056	554,578	523,438	480,434	8,123,245	-	-	-

Claims Development Table

Rs. (000)

Accident Period	Development Period												Total									
	2010		2010		2010		2010		2010		2010			2015 Q1								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4										
2015 Q1	(5)	(11)	(126)	(33)	(25)	(1,510)	(636)	(1,706)	(1,118)	(2,532)	(9,756)	(1,397)	(1,257)	(2,340)	(1,628)	(4,935)	(4,697)	(6,413)	(39,054)	(194,376)	(257,638)	
2014 Q4	-	(88)	-	(23)	(660)	-	(992)	(1,683)	(1,698)	(291)	(2,286)	(930)	(2,408)	(2,852)	(4,032)	(7,654)	(8,887)	(26,802)	(211,387)	(217,320)	-	
2014 Q3	-	-	(3)	(2)	(4,659)	(1,480)	(845)	(874)	(317)	(1,040)	(1,470)	(2,204)	(4,155)	(4,082)	(3,218)	(9,605)	(29,774)	(218,718)	(255,358)	-	-	
2014 Q2	-	(1,626)	-	(215)	(58)	(587)	(1,092)	(1,295)	(2,267)	(390)	(1,819)	(3,852)	(4,540)	(7,114)	(9,712)	(17,300)	(199,169)	(208,415)	-	-	-	
2014 Q1	-	(4)	(34)	(334)	(1,014)	(1,001)	(384)	(793)	(1,044)	(2,923)	(2,685)	(3,946)	(4,919)	(15,095)	(27,795)	(205,402)	(206,128)	-	-	-	-	
2013 Q4	-	(7)	(19)	(26)	(6,616)	(4,091)	(1,400)	(3,352)	(3,016)	(2,644)	(8,637)	(4,961)	(13,997)	(30,727)	(199,444)	(213,482)	-	-	-	-	-	
2013 Q3	-	(800)	-	(214)	(125)	(375)	(965)	(1,858)	(4,836)	(2,542)	(7,940)	(9,788)	(39,233)	(23,250)	(233,138)	-	-	-	-	-	-	
2013 Q2	-	(18)	(3)	(1,862)	(133)	(614)	(1,058)	(2,001)	(5,594)	(2,496)	(7,548)	(37,737)	(164,618)	(203,701)	-	-	-	-	-	-	-	
2013 Q1	-	(3)	(73)	(470)	(1,942)	(582)	(1,895)	(5,273)	(4,859)	(3,996)	(21,117)	(99,258)	(295,014)	-	-	-	-	-	-	-	-	
2012 Q4	-	(46)	(3)	(484)	(313)	(783)	(1,502)	(8,018)	(12,033)	(5,023)	(88,308)	(312,489)	-	-	-	-	-	-	-	-	-	
2012 Q3	-	(22)	(38)	(618)	(1,825)	(1,593)	(4,643)	(10,031)	(14,962)	(93,878)	(322,749)	-	-	-	-	-	-	-	-	-	-	
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(2,740)	712	(13,656)	(146,659)	(244,350)	-	-	-	-	-	-	-	-	-	-	-	
2012 Q1	(19)	(2)	(314)	(495)	(6,782)	(10,429)	(26,833)	(158,460)	(217,021)	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q4	-	(668)	(331)	2,695	5,077	(10,468)	(126,800)	(195,489)	-	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q3	(141)	(297)	(502)	(10,431)	(11,149)	(95,174)	(180,867)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q2	-	(232)	(468)	(7,710)	(59,843)	(124,942)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q1	(215)	(1,217)	(3,469)	(48,920)	(80,276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q4	(159)	(2,081)	(28,348)	(51,904)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q3	(30)	(11,216)	(25,541)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q2	-	(1,736)	(10,791)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q1	(812)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cumulative payments to date	(3,117)	(29,132)	(59,291)	(124,103)	(182,363)	(256,368)	(349,200)	(404,487)	(415,423)	(362,104)	(474,316)	(476,551)	(530,141)	(489,161)	(478,968)	(458,379)	(448,655)	(460,348)	(505,799)	(411,696)	(257,638)	(7,177,239)
Total net claims outstanding	-	553	4,788	625	12,191	10,749	23,223	30,345	24,175	45,898	26,904	26,865	24,917	11,953	20,449	20,931	24,485	45,190	41,880	108,121	227,684	731,926

365 DAYS OF COMPRE- HENSIVE SERVICE

SUPPLEMENTARY INFORMATION

Supplementary information to backup the main contents of the report, a value addition to all valued stakeholders.

- 446 Capital Adequacy Ratio
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CAPITAL ADEQUACY RATIO

Capital adequacy ratio serves to promote the stability and efficiency of the Company by reducing the likelihood of the finance companies becoming insolvent.

The higher capital adequacy ratio above the minimum requirement indicates the strength & the stability of PLC.

Capital Adequacy Ratio

As at 31st March 2015
Rs '000

Total Tier I Core Capital	20,609,895
Total Capital Base (Note 3)	19,401,709
Total Risk Weighted Assets (Note 1)	101,921,701
Core Capital Ratio % (Minimum 5%)	20.22
Total Risk Weighted Capital Ratio % (Minimum 10%)	19.04

$$\text{Core Capital Ratio (Minimum 5\%)} = \frac{\text{Core Capital}}{\text{Risk Weighted Assets}} \times 100$$

$$\text{Total Risk Weighted Capital Ratio (Minimum 10\%)} = \frac{\text{Capital Base}}{\text{Risk Weighted Assets}} \times 100$$

Note 1- Risk Weighted Assets

Assets	Principal Amount of On-Balance Sheet Items Rs. '000	Credit Equivalent of Off-Balance Sheet Items Rs. '000	Total Rs. '000	Risk Weight %	Risk Weighted Assets Amount Rs. '000
On-Balance Sheet - Total assets	111,278,175	329,188	111,607,363	-	101,921,701
Cash & current accounts with banks	1,530,243	-	1,530,243	0	-
Deposits with banks	385,933	-	385,933	20	77,187
Deposit with finance companies	-	-	-	20	-
Due from Central Bank of Sri Lanka	-	-	-	0	-
Sri Lanka Govt treasury bills	4,632,896	-	4,632,896	0	-
Sri Lanka Govt/Central Bank securities	2,182,795	-	2,182,795	0	-
Other securities guaranteed by Sri Lanka Government	-	-	-	0	-
Loans and advances :	98,574,577	329,188	98,903,765	-	97,872,783
Against deposits with the Company	953,258	4,188	957,446	0	-
Against SL Govt guarantee/ securities	-	-	-	0	-
Against dues/ securities/guarantees of Central Bank of Sri Lanka	-	-	-	0	-
Against deposits with banks	-	-	-	20	-
Against deposits with finance companies	-	-	-	20	-
Staff loans secured by Provident Fund balances	-	-	-	0	-
Loans against gold and gold jewellery	-	-	-	0	-
Less than 10% in total advances	-	-	-	0	-
Between 10-50% in total advances	-	-	-	10	-
Greater than 50% in total advances	-	-	-	25	-
Loans against real estates (Performing)	147,072	-	147,072	50	73,536
Other loans and advances	97,474,247	325,000	97,799,247	100	97,799,247
Other investments (excluding items deducted from the total capital)	1,802,206	-	1,802,206	100	1,802,206
Fixed assets	1,108,681	-	1,108,681	100	1,108,681
Other assets	1,060,844	-	1,060,844	100	1,060,844



Note 2- Off Balance Sheet Items

Instruments	Principal amount of Off-Balance Sheet Items Rs. '000	Credit Conversion Factor %	Credit equivalent of Off-Balance Sheet Items Rs. '000
Off-Balance Sheet Items - Total	907,332	-	329,188
Direct credit substitutes	325,000	100	325,000
General guarantees of indebtedness	325,000	100	325,000
Transaction-related contingencies	8,375	50	4,188
Others	8,375	50	4,188
Short-term self-liquidating trade-related contingencies	-	20	-
Sale and repurchase agreements and assets sale with recourse where the credit risk remains with the bank	-	100	-
Obligations under an on-going underwriting agreement	-	50	-
Other commitments with an original maturity of up to One Year or which can be unconditionally cancelled at any time	573,957	0	-
Undrawn Credit Lines	573,957	0	-
Other commitments with an original maturity of over one year	-	50	-

Note 3 - Capital Base

Constituents of Capital	Rs '000
Tier 1 : Core capital	20,609,895
Issued and paid-up ordinary shares/common stock (Cash)	11,886,073
Non-cumulative, non-redeemable preference shares	-
Share premium	-
Statutory reserve fund	1,204,116
Published retained profits/(Accumulated losses)	6,478,251
General and other reserves	1,350,000
Surplus/loss after tax arising from the sale of fixed and long-term investments	-
Unpublished current year's profits/losses	-
Minority interest (consistent with the above capital constituents)	-
Goodwill (-)	(308,545)
Tier 2 : Supplementary capital	-
Eligible revaluation reserves	-
Eligible general provisions (Within the meaning of limit iii)	-
Approved hybrid (debt/equity) capital instruments	-
Minority interests arising from preference shares issued by subsidiaries	-
Eligible approved unsecured subordinated term debt (Within the meaning of limit i)	-
Eligible Tier 2 Capital	-
Total capital	20,609,895
Deductions	1,208,186
Equity investments in unconsolidated banking and financial subsidiaries	650,000
Investments in capital of other banks/financial associates	558,186
Capital base	19,401,709

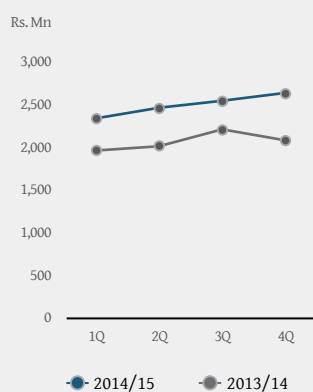
QUARTERLY ANALYSIS

STATEMENT OF PROFIT OR LOSS

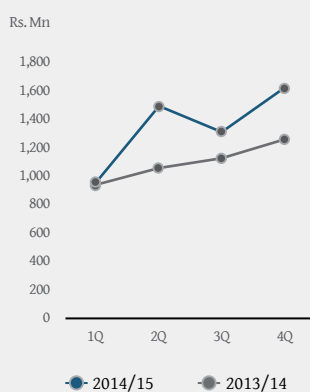
Company (Rs. Mn)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	Apr - Jun		July - Sep		Oct - Dec		Jan - Mar			
	2014	2013	2014	2013	2014	2013	2015	2014	2015	2014
Interest income	4,934	4,725	4,917	4,756	4,760	4,965	4,637	5,088	19,248	19,534
Less: Interest expense	2,622	2,786	2,462	2,758	2,197	2,721	1,967	3,001	9,248	11,266
Net interest income	2,312	1,939	2,455	1,998	2,563	2,244	2,670	2,087	10,000	8,268
Net fee and commission income	186	143	235	204	217	281	236	226	874	854
Other operating income	43	26	172	99	38	34	167	81	420	240
Total operating income	2,541	2,108	2,862	2,301	2,818	2,559	3,073	2,394	11,294	9,362
Less: Impairment charges for										
loans and receivables	617	377	252	310	415	428	362	102	1,645	1,218
Net operating income	1,924	1,731	2,610	1,991	2,403	2,131	2,711	2,292	9,649	8,144
Less:										
Personnel expenses	380	276	384	343	409	365	393	354	1,565	1,338
Depreciation of property, plant and equipment	49	47	51	47	51	44	50	43	201	182
Amortisation of intangible assets	4	3	4	5	4	4	4	4	16	15
Other operating expenses	479	419	569	466	539	507	542	538	2,129	1,930
Total operating expenses	912	745	1,008	861	1,003	920	989	939	3,911	3,465
Operating profit before value added tax (VAT)	1,012	986	1,602	1,130	1,400	1,211	1,722	1,353	5,738	4,679
Less: Value Added Tax (VAT) on financial services	66	60	101	74	88	81	107	77	363	292
Operating profit before income tax	946	926	1,501	1,056	1,312	1,130	1,615	1,276	5,375	4,387
Less: Income tax expense	275	270	426	309	389	333	532	352	1,622	1,263
Profit for the period	671	656	1,075	747	923	797	1,083	924	3,753	3,124

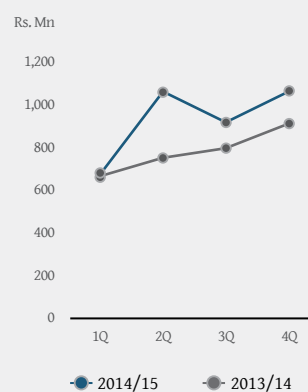
Net Interest Income



Profit Before Tax



Profit After Tax

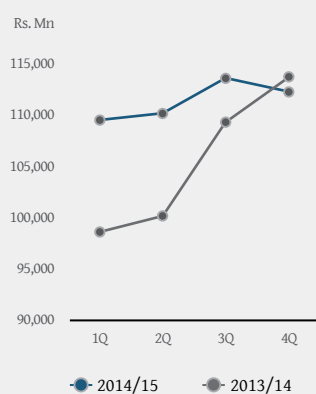


STATEMENT OF FINANCIAL POSITION

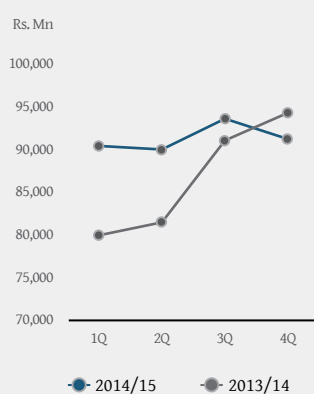
Company (Rs. Mn)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	As at 30th June		As at 30th Sep		As at 31st Dec		As at 31st Mar	
	2014	2013	2014	2013	2014	2013	2015	2014
Assets								
Cash and cash equivalents	7,232	3,562	5,242	2,392	5,617	5,119	3,139	11,453
Balances with banks & financial institutions	312	581	317	598	322	5,199	326	3,330
Derivative financial instrument	-	-	-	-	-	-	-	-
Financial assets held-for-trading	200	167	209	162	193	177	196	184
Loans and receivables	92,732	90,055	94,182	91,507	96,929	92,583	98,411	90,218
Financial investments – Available-for-sale	269	196	875	190	897	176	939	224
Financial investments – Held-to-maturity	4,797	652	4,554	1,657	5,210	2,539	5,266	4,747
Investments in subsidiaries	1,475	1,475	1,875	1,475	1,875	1,475	1,875	1,475
Investments in associates	-	-	-	-	-	-	-	-
Property, plant and equipment	797	732	948	811	1,068	801	1,109	801
Goodwill and intangible assets	344	352	345	352	342	349	338	348
Investment property	55	56	55	56	55	56	-	55
Other assets	1,064	644	1,430	810	1,316	896	724	941
Total assets	109,277	98,472	110,032	100,010	113,824	109,370	112,323	113,776
Liabilities								
Due to banks	10,953	14,505	13,288	16,870	18,224	20,547	21,229	14,132
Due to customers	40,803	24,240	39,922	29,770	37,994	35,393	34,023	40,921
Debt securities issued	31,380	36,288	29,514	28,982	29,317	27,997	28,690	34,473
Other financial liabilities	4,676	3,271	4,656	3,987	5,839	5,226	3,234	1,857
Derivative financial instrument	131	-	174	-	131	-	92	-
Current tax liabilities	557	232	479	510	573	711	550	447
Deferred tax liabilities	1,573	1,201	1,573	1,201	1,573	1,201	1,949	1,573
Other liabilities	165	57	182	60	190	67	1,420	1,177
Total liabilities	90,238	79,794	89,788	81,380	93,841	91,142	91,187	94,580
Equity								
Capital	12,786	12,586	12,836	12,636	12,886	12,686	12,936	12,736
Statutory reserve fund	1,050	894	1,103	930	1,150	970	1,204	1,016
Retained earnings	3,771	3,967	4,693	3,734	5,511	3,252	6,490	4,002
Other reserves	1,432	1,231	1,612	1,330	436	1,320	506	1,442
Total equity	19,039	18,678	20,244	18,630	19,983	18,228	21,136	19,196
Total liabilities and equity	109,277	98,472	110,032	100,010	113,824	109,370	112,323	113,776

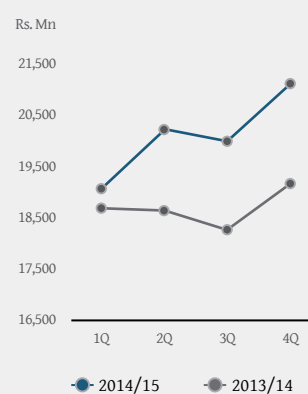
Total Assets



Total Liabilities



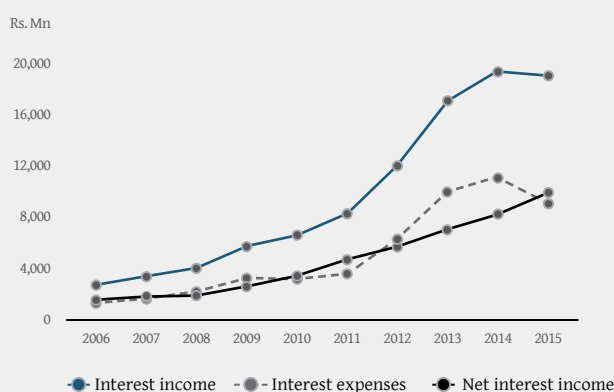
Total Equity



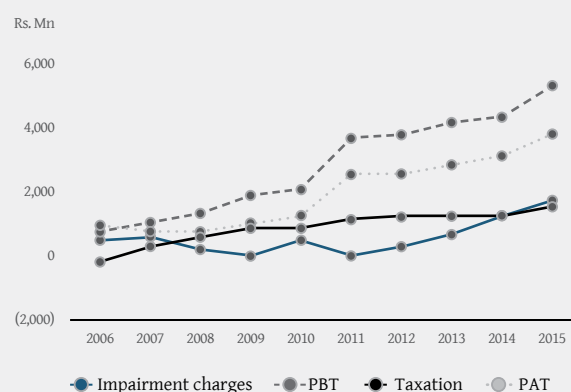
TEN YEAR SUMMARY

For the Year Ended 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating results (Rs. Mn)										
Gross income	20,542	20,628	18,205	12,912	9,212	7,155	6,396	4,590	3,861	2,904
Interest income	19,248	19,534	17,245	12,002	8,263	6,523	5,745	3,973	3,294	2,606
Interest expenses	9,248	11,266	10,140	6,302	3,542	3,133	3,209	2,161	1,548	1,178
Net interest income	10,000	8,268	7,105	5,700	4,722	3,390	2,536	1,812	1,747	1,428
Non-interest income	1,294	1,094	960	910	949	632	651	617	566	299
Impairment charges	1,645	1,218	698	308	18	533	55	223	625	451
Other operating expense **	4,274	3,757	3,232	2,522	1,931	1,389	1,242	853	672	508
PBT	5,375	4,387	4,135	3,781	3,721	2,100	1,890	1,353	1,016	767
Taxation	1,622	1,263	1,285	1,206	1,142	900	843	550	268	(151)
PAT	3,753	3,124	2,850	2,575	2,580	1,200	1,047	803	748	918

Growth in Net Interest Income



Growth in Operating Results

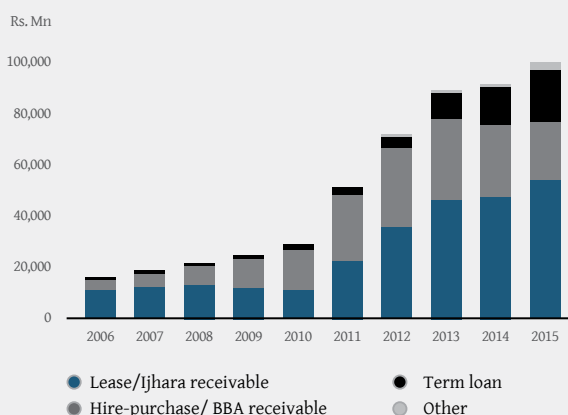


As at 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assets (Rs. Mn)										
Cash, balances with banks & repo	3,465	14,783	4,705	1,730	1,529	2,085	1,652	484	212	231
Loans and receivables	98,411	90,218	88,404	71,289	49,385	26,717	22,533	19,222	15,913	14,454
Investments in subsidiaries	1,875	1,475	1,475	3,118	1,805	900	225	-	-	-
Investments in government securities	5,266	4,747	540	-	-	-	-	-	-	-
Other assets	3,305	2,553	2,313	2,521	3,130	1,146	1,148	966	921	557
Total assets	112,323	113,776	97,437	78,658	55,849	30,848	25,558	20,672	17,046	15,242

Interest Earning Assets to Total Assets



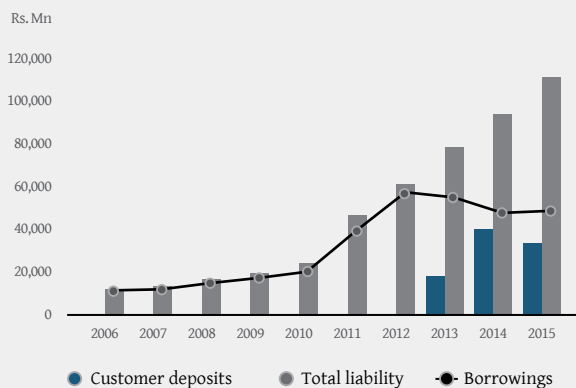
Portfolio Composition & its Growth



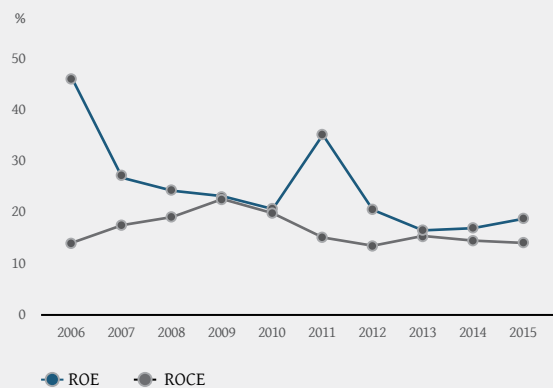
As at 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Liabilities and shareholders' funds (Rs. Mn)										
Borrowings	49,919	48,605	56,232	58,740	39,930	20,072	17,003	14,752	11,626	11,360
Customers deposits ***	34,023	40,921	18,847	-	-	-	-	-	-	-
Other liabilities	7,246	5,054	4,335	3,109	7,477	4,547	3,108	2,303	2,390	1,311
Stated capital	12,936	12,736	12,536	12,058	1,850	1,850	1,850	850	950	1,000
Reserves	8,200	6,460	5,487	4,751	6,592	4,379	3,597	2,767	2,080	1,571
Total equity	21,136	19,196	18,023	16,809	8,442	6,229	5,447	3,617	3,030	2,571
Total liabilities and shareholders' funds	112,323	113,776	97,437	78,658	55,849	30,848	25,558	20,672	17,046	15,242

For the Year Ended 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net cash flows (Rs. Mn)										
From operating activities	(7,422)	17,218	6,819	(4,956)	(19,535)	(1,257)	(1,458)	(2,501)	85	(1,632)
From investing activities	(231)	(170)	(88)	(1,507)	(88)	(998)	(1,405)	(57)	(245)	(73)
From financing activities	(667)	(8,927)	(4,007)	6,031	18,977	2,481	3,555	2,208	(246)	1,707
Total net cash inflow/outflow	(8,320)	8,121	2,724	(432)	(646)	226	692	(350)	(406)	2

Total Liability against External Funding



Movement in ROE & ROCE



For the Year Ended 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Other financial indicators										
Return on equity (ROE) (%)	18.61	16.79	16.36	20.39	35.17	20.56	23.10	24.15	26.70	46.19
Return on assets (ROA) (%)	4.75	4.15	4.70	5.62	8.59	7.45	8.18	7.17	6.29	5.63
Return on capital employed (ROCE) (%)	13.92	14.40	15.33	13.35	15.02	19.90	22.71	19.13	17.50	13.96
Debt equity (Times)	2.36	2.68	3.29	3.49	5.11	4.18	4.38	4.67	4.74	5.79
Debt equity with contingencies (Times)	2.57	2.80	3.39	3.51	5.12	4.19	4.39	4.69	3.75	5.80
Current ratio (Times)	0.93	0.88	0.85	0.58	0.71	0.82	0.92	0.86	0.97	0.86
Cost to income ratio (%)	34.63	37.01	36.54	32.58	27.49	27.70	30.49	33.65	28.00	29.44
Interest cover (Times)	1.58	1.39	1.41	1.60	2.05	1.67	1.59	1.63	1.66	1.65

* Prior to 2012, all figures are as per Sri Lankan Accounting Standards (SLAS) prevailed at that time.

** Figures include all operating expenses other than impairment charges.

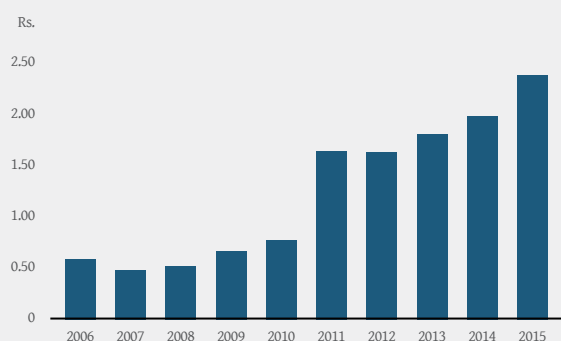
*** After receiving the finance business license in 2013, the Company started accepting public deposits.



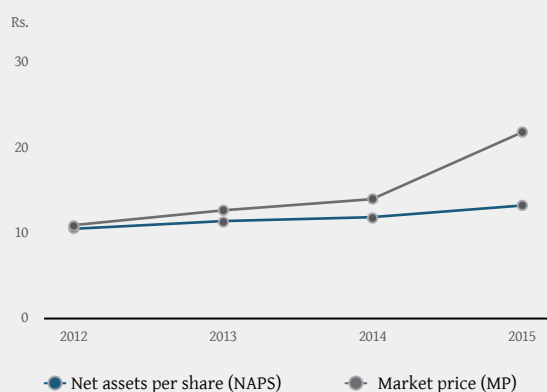
TEN YEAR SUMMARY CONTD.

For the Year Ended 31st March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Investor information										
Earnings per share (EPS) (Rs.)*	2.38	1.98	1.80	1.63	1.63	0.76	0.66	0.51	0.47	0.58
Net assets per share (NAPS) (Rs.)	13.38	12.15	11.41	10.64	5.34	3.94	3.45	2.29	1.92	1.63
Market price per share (Rs.)**										
Highest	28.00	15.70	16.70	18.30	-	-	-	-	-	-
Lowest	14.20	13.00	10.30	11.00	-	-	-	-	-	-
Closing	22.10	14.30	13.10	11.60	-	-	-	-	-	-
Market capitalisation (Rs.)	34,915	22,592	20,436	18,096	-	-	-	-	-	-
Price earnings ratio (PE) (Times)	9.30	7.23	7.28	7.12	-	-	-	-	-	-
Dividend per ordinary share (DPS) (Rs.)	1.25	1.25	1.25	1.00	1.50	1.50	1.50	1.50	1.50	1.50
Dividend paid (Rs.)	1,975	1,975	1,950	855	75	75	75	75	75	75
Dividend yield (%)	5.66	8.74	9.54	8.62	-	-	-	-	-	-
Dividend cover (Times)	1.90	1.58	1.46	3.01	34.40	16.00	13.96	10.70	9.97	12.23
Dividend payout (DP) (%)	52.62	63.22	68.42	33.20	2.91	6.25	7.16	9.34	10.03	8.17

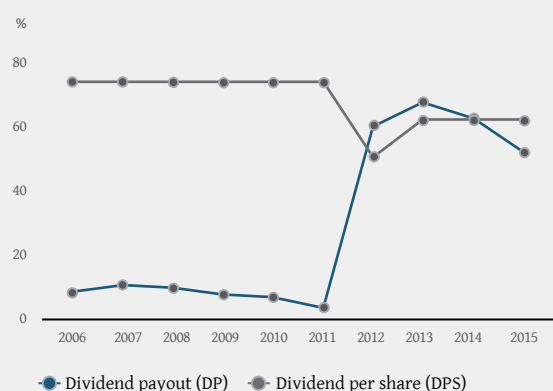
Earnings per Share



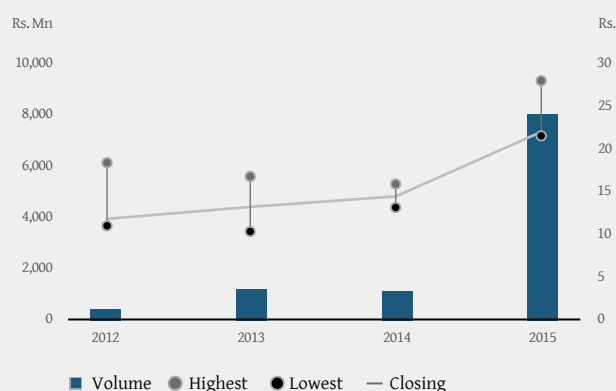
NAPS & MP



DPS & DP



Movement of Share Price with Volume



* EPS have been adjusted for weighted average number of shares outstanding as at 31st March 2015.

** The Company's ordinary share quoted on the CSE on 03.11.2011.



For the Year Ended 31st March 2015 2014 2013 2012 2011 2010 2009 2008 2007 2006

Statutory ratios

Capital adequacy ratios

Core capital ratio (CCR) - minimum 5%	20.22	19.12	21.15	25.50	-	-	-	-	-	-
TRWCR - minimum 10%	19.04	18.05	20.06	25.50	-	-	-	-	-	-

Non financial information

No. of employees	1,666	1,575	1,388	1,050	855	586	498	442	407	362
Profit before tax per employee (Rs. Mn)	3.32	2.96	3.39	3.97	5.17	3.87	3.80	3.06	2.50	2.10
Branches (No.)	89	85	33	34	30	23	19	19	18	18
No. of shareholders	8,880	10,054	9,488	10,113	8	9	9	9	9	9
No. of ordinary shares (Mn)	1,580	1,580	1,560	1,560	50	50	50	50	50	50

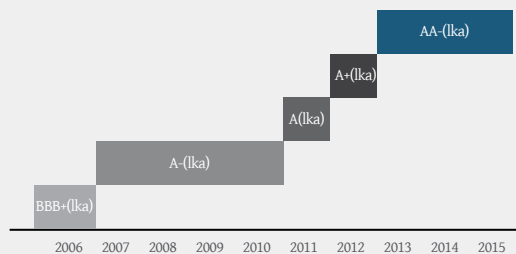
Credit ratings & key accolades

Fitch Ratings Lanka	AA-(lka)	AA-(lka)	AA-(lka)	A+(lka)	A(lka)	A-(lka)	A-(lka)	A-(lka)	A-(lka)	BBB+(lka)
Fitch Ratings International	B+	B+	B+	-	-	-	-	-	-	-
Standard & Poor's	B+/B	B+/B	B+/B	-	-	-	-	-	-	-

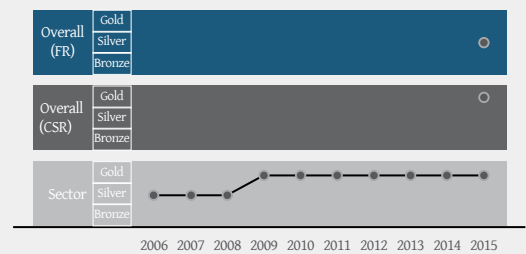
CA Sri Lanka Annual Report Awards:

Overall - Financial Reporting (FR)	Silver	-	-	-	-	-	-	-	-	-
Overall - CSR	Gold	-	-	-	-	-	-	-	-	-
Sector	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Silver	Silver	Silver
SLIM Nielsen - Financial										
Service Provider of the Year	Winner	Winner	Winner	-	-	-	-	-	-	-
Business Today - Top 25	14th	18th								
Listed Corporate Entities	Position	Position	-	-	-	-	-	-	-	-
CCCSL - Ten Best Corporate										
Citizen Award	Winner	-	Winner	-	Winner	Winner	-	-	-	-
SAFA - Best Presented	Second	Certificate	Certificate							
Annual Report Awards	runner-up	of Merit	of Merit	-	-	-	-	-	-	-

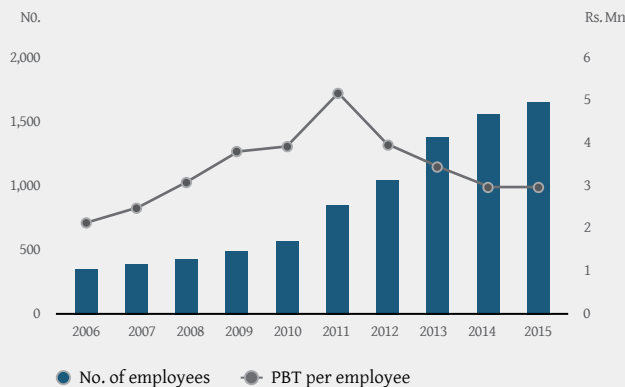
Credit Rating - Fitch Ratings Lanka



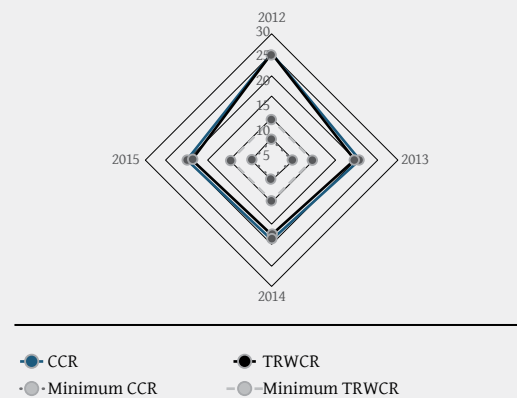
CA Annual Report Awards



No. of Employees & PBT per Employee



Company's CCR & TRWCR vs Statutory Minimum Requirement



INDEPENDENT ASSURANCE REPORT



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF PEOPLE'S LEASING & FINANCE PLC ON THE SUSTAINABILITY REPORTING UNDER THE INTEGRATED ANNUAL REPORT 2014-15

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- 2014-15 ("the Report").

- Reasonable assurance on the information on financial performance as specified on pages 62-63 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 06th May 2015. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

KEY ASSURANCE PROCEDURES

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant Company's personnel to understand the process for collection, analysis, aggregation and presentation of data.

Partners: A D D Talawatte FCA FCMA, M P D Fernando FCA FCMA, Rande Sarama ACA FCMA, M S A De Silva FCA, M S A De Silva FCA, M R H Fernando FCA FCMA, N K B S P Fernando FCA FCMA, M L K H Fonseka FCA, A P A Gunasekera FCA FCMA, A Herath FCA, D H H Gunawardana FCA FCMA LLB LL.D, M A Jayasinghe FCA FCMA, M A A Jayasinghe FCA FCMA, M G G M Jayasinghe FCA, N M Suman ACA ACMA, R E Muralidharan FCA ACMA

A member firm of Ernst & Young Global Limited



- 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 31st March 2015.
- 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 pages 62-63 of the Report are properly derived from the audited financial statements of the Company for the year ended 31st March 2015.
- 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

29th April 2015
Colombo

GRI CHECKLIST

GRI: G4 – “IN ACCORDANCE” COMPREHENSIVE

GRI Indicator	Description	Page Number	External Assurance
Strategy and Analysis			
G4-1	Statement from the Chairman and CEO	17-19, 21-27	✓
G4-2	Description of key impacts, risk and opportunities	49-52	✓
Organisational Profile			
G4-3	Name of the organisation	4	✓
G4-4	Primary brands, products and services	144	✓
G4-5	Location of the organisation’s Headquarters	Inner Back	✓
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	30	✓
G4-7	Nature of ownership and legal form	30	✓
G4-8	Markets served (including geographic breakdown, sectors served and types of customers and beneficiaries)	79	✓
G4-9	Scale of the organisation	30	✓
G4-10	Total workforce by employment type, employment contract and region broken down by gender	121-123	✓
G4-11	Percentage of total employees covered by collective bargaining agreements	133	✓
G4-12	Organisation’s supply chain	72-73	✓
G4-13	Significant changes during the reporting period regarding the organisation’s size, structure, ownership or its supply chain	312, 320, 341, 374	✓
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	150, 296	✓
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribe or which it endorses	4, 177	✓
G4-16	Membership of associations (such as industry associations) and national or international advocacy organisations in	31	✓
Identified Material Aspects and Boundaries			
G4-17	Organisation’s entities covered by the report	5	✓
G4-18	Process for defining report content	34-37	✓
G4-19	Material aspects identified in the process for defining report content	35-37	✓



GRI: G4 – “IN ACCORDANCE” COMPREHENSIVE

GRI Indicator	Description	Page Number	External Assurance
G4-20	Aspect boundary within the organisation	36-37	✓
G4-21	Aspect boundary outside the organisation	36-37	✓
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements	4	✓
G4-23	Significant changes from previous reporting periods in the scope, aspects and boundaries	35	✓
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	34	✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	34	✓
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	72, 118, 140, 166, 273	✓
G4-27	Key topics and concerns raised through stakeholder engagements and how the organisation responded to them	72, 118, 140, 166, 273	✓
Report Profile			
G4-28	Reporting period	4	✓
G4-29	Date of most recent previous report	4	✓
G4-30	Reporting cycle	4	✓
G4-31	Contact point for questions regarding the report or its contents	4	✓
G4-32	Compliance with GRI G4 guidelines, GRI content index and external assurance report	4-5	✓
G4-33	Policy and current practice with regard to seeking external assurance for the report	4, 454-455	✓
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	39, 198, 209-210	✓
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executive and other employees	39	✓



GRI CHECKLIST CONTD.

GRI: G4 – “IN ACCORDANCE” COMPREHENSIVE			
GRI Indicator	Description	Page Number	External Assurance
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	209	✓
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	39	✓
G4-38	Composition of the highest governance body and its committees	202	✓
G4-39	Whether the Chair of the highest governance body is also an executive officer	201	✓
G4-40	Process and criteria used for nomination and selection of members to the highest governance body and its committees	203	✓
G4-41	Processes in place for the highest governing body to ensure conflicts of interests are avoided and managed	203	✓
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	209	✓
G4-43	Measures taken to develop and enhance the highest governance body’s collective knowledge of economic, environmental and social topics	203	✓
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	203-204	✓
G4-45	Highest governance body’s role in the identification and management of economic, environmental and social impacts, risk and opportunities.	206	✓
G4-46	Highest governance body’s role in reviewing the effectiveness of the organisation’s risk management processes for economic, environmental and social topics	206	✓
G4-47	Frequency of the highest governance body’s review of economic, environmental and social impacts, risks and opportunities	208	✓
G4-48	Highest committee or position that formally reviews and approves the organisation’s sustainability report and ensures that all material Aspects are covered	39	✓

GRI: G4 – “IN ACCORDANCE” COMPREHENSIVE

GRI Indicator	Description	Page Number	External Assurance
G4-49	Process for communicating critical concerns to the highest governance body	209	✓
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	209	✓
G4-51	Remuneration policies for the highest governance body and senior executives	204	✓
G4-52	Process for determining remuneration	204	✓
G4-53	How stakeholders’ views are sought and taken into account regarding remuneration including the results of votes on remuneration policies and proposals	204	✓
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	204	✓
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	204	✓
Ethics and Integrity			
G4-56	Organisation’s values, principles, standards and norms of behavior	Inner front cover, 211	✓
G4-57	Internal and external mechanism for seeking advice on ethical and lawful behavior and matters related to organisational integrity	211	✓
G4-58	Internal and external mechanism for reporting concerns about unethical or unlawful behavior and matters related to organisational integrity	211	✓

DMA and Indicators	Material Aspects	Page number	External Assurance
Category : Economy			
Material Aspects : Economic Performance			
G4 – DMA		62	✓
G4-EC1	Direct economic value generated and distributed	62-63	✓
G4-EC2	Financial implications and other risks and opportunities for the organisation’s activities due to climate change	69	✓



GRI CHECKLIST CONTD.

DMA and Indicators	Material Aspects	Page number	External Assurance
G4-EC3	Coverage of the organisation's defined benefit plan obligations	67	✓
G4-EC4	Financial assistance received from the government	69	✓
Material Aspects : Market Presence			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	67	✓
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	67	✓
Material Aspects : Indirect Economic Impact			
G4-EC7	Development and impact of infrastructure investments and services supported	68	✓
G4-EC8	Significant indirect economic impacts, including the content of impacts	62, 99	✓
Material Aspects : Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	72-73	✓
Category : Environmental			
Material Aspects : Materials			
G4-DMA		169	✓
G4-EN1	Materials used by weight or volume	175	✓
G4-EN2	Percentage of materials used that are recycled input materials	175	✓
Material Aspects : Energy			
G4-EN3	Energy consumption within the organisation	171	✓
G4-EN4	Energy consumption outside the organisation	171	✓
G4-EN5	Energy intensity	171	✓
G4-EN6	Reduction of energy consumption	172	✓
G4-EN7	Reductions in energy requirements of products and services	146	✓
Material Aspects : Water			
G4-EN8	Total water withdrawal by source	176	✓
G4-EN9	Water sources significantly affected by withdrawal of water	Not Material	✓
G4-EN10	Percentage and total volume of water recycled and reused	Not Material	✓
Material Aspects : Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	178	✓

DMA and Indicators	Material Aspects	Page number	External Assurance
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	178	✓
G4-EN13	Habitats protected or restored	178	✓
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations by level of extinction risk	178	✓
Material Aspects : Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	172	✓
G4-EN16	Energy indirect greenhouse (GHG) emissions (Scope 2)	172	✓
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	172	✓
G4-EN18	Greenhouse gas (GHG) emissions intensity	172	✓
G4-EN19	Reduction of greenhouse gas (GHG) emissions	172	✓
G4-EN20	Emissions of Ozone-Depleting Substances (ODS)	172	✓
G4-EN21	NOx, SOx and other significant air emissions	172	✓
Material Aspects : Effluents and Waste			
G4-EN22	Total water discharged by quality and destination	Not Material	✓
G4-EN23	Total weight of waste by type and disposal method	174	✓
G4-EN24	Total number and volume of significant spills	Not Material	✓
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention	176	✓
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	Not Material	✓
Material Aspects : Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	177	✓
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	177	✓
Material Aspects : Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	180	✓

GRI CHECKLIST CONTD.

DMA and Indicators	Material Aspects	Page number	External Assurance
Material Aspects : 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	176	✓
Material Aspects : Overall			
G4-EN31	Total environmental protection expenditures and investments by type	179	✓
Material Aspects : Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	170	✓
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	170	✓
Material Aspects : Environmental Grievance Mechanism			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	180	✓
Category : Social			
Sub Category : Labor Practices and Decent Work Place			
G4-DMA		119	✓
Material Aspects : Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	123, 125	✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	128	✓
G4-LA3	Return to work and retention rates after parental leave, by gender	126	✓
Material Aspects : Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	133	✓
Material Aspects : 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	132	✓
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	132	✓

DMA and Indicators	Material Aspects	Page number	External Assurance
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	132	✓
G4-LA8	Health and safety topics covered in formal agreements with trade unions	132	✓
Material Aspects : Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	129	✓
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	129	✓
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	127	✓
Material Aspects : 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	122	✓
Material Aspects : 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	128	✓
Material Aspects : Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	170	✓
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	170	✓
Material Aspects : Labor Practices Grievance Mechanism			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	134	✓
Sub Category : Human Rights			
G4-DMA		135	✓
Material Aspects : Investment			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	73	✓

GRI CHECKLIST CONTD.

DMA and Indicators	Material Aspects	Page number	External Assurance
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	135	✓
Material Aspects : Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	136	✓
Material Aspects : Freedom of Association and Collective Bargaining			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	133	✓
Material Aspects : Child Labor			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	136	✓
Material Aspects : Forced or Compulsory Labor			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	136	✓
Material Aspects : Security Practices			
G4-HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	136	✓
Material Aspects : Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	136	✓
Material Aspects : Assessment			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	136	✓
Material Aspects : Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	170	✓
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	73, 170	✓

DMA and Indicators	Material Aspects	Page number	External Assurance
Material Aspects : Human Rights Grievance Mechanism			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	134	✓
Sub Category : Society			
G4-DMA		156	✓
Material Aspects : Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	156	✓
G4-SO2	Operations with significant actual and potential negative impacts on local communities	165	✓
Material Aspects : Anti-corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	149	✓
G4-SO4	Communication and training on anti-corruption policies and procedures	149	✓
G4-SO5	Confirmed incidents of corruption and actions taken	149	✓
Material Aspects : Public Policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Not Reported	✓
Material Aspects : Anti-competitive Behavior			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	149	✓
Material Aspects : Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	151	✓
Material Aspects : Supplier Assessment for Impacts on Society			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	170	✓
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	165-170	✓
Material Aspects : Grievance Mechanism for Impacts on Society			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Not Reported	✓

GRI CHECKLIST CONTD.

DMA and Indicators	Material Aspects	Page number	External Assurance
Sub Category : Product responsibility			
G4-DMA		143	✓
Material Aspects : Customer Health and Safety			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	146	✓
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	146	✓
Material Aspects : 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	146-147	✓
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	146	✓
G4-PR5	Results of surveys measuring customer satisfaction	145	✓
Material Aspects : Marketing Communications			
G4-PR6	Sale of banned or disputed products	147	✓
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	147	✓
Material Aspects : Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	149-150	✓
Material Aspects : Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	149-151	✓

ABBREVIATIONS

A INST TT	Associateship in the Institute of Travel and Tourism	IUCN	International Union for Conservation of Nature
ACA	Associate Chartered Accountant	KMP	Key Management Personnel
AFSA	Asian Financial Services Association	KRI	Key Risk Indicators
AGM	Annual General Meeting	LACP	League of American Communications Professionals
AIB	American Institute of Baking	LKAS	Sri Lanka Accounting Standards
AIF	Al-Safa Islamic Finance	MBA	Master of Business Administration
ALCO	Assets and Liability Management Committee	MIS	Management Information Systems
ANOC	Association of National Olympic Committees	MSc	Master of Science
ATM	Automated Teller Machine	MVA	Market Value Added
AWPLR	Average Weighted Prime Lending Rate	NASCO	National Sales Congress
B.A	Bachelor of Arts	NBFI	Non-Bank Financial Institution
B.Com	Bachelor of Commerce	NBT	Nation Building Tax
BAC	Board Audit Committee	NIBM	National Institute of Business Management
BCP	Business Continuity Plan	NIM	Net Interest Margin
BMS	Building Management System	OCA	Olympic Council of Asia
BPO	Business Process Outsourcing	PAT	Profit After Tax
BSc	Bachelor of Science	PBT	Profit Before Tax
CBSL	Central Bank of Sri Lanka	PGDip	Post Graduate Diploma
CEO	Chief Executive Officer	PIL	People's Insurance Limited
CIM	Chartered Institute of Marketing	PLC	People's Leasing & Finance PLC
CIMA	Chartered Institute of Management Accountants	PLFML	People's Leasing Fleet Management Limited
CKD	Chronic Kidney Disease	PLHPL	People's Leasing Havelock Properties Limited
CMA	Certified Management Accountant	PLPDL	People's Leasing Property Development Limited
CMT	Crisis Management Team	PML	People's Microfinance Limited
CNCI	Ceylon National Chamber of Industries	POS	Point-Of-Sale
CSE	Colombo Stock Exchange	RNC	Remuneration & Nomination Committee
CSR	Corporate Social Responsibility	ROA	Return On Assets
DGM	Deputy General Manager	ROCE	Return On Capital Employed
DMS	Document Management System	ROE	Return On Equity
DNV	Det Norske Veritas	RPT	Related Party Transaction
DRP	Disaster Recovery Plan	RPTRC	Related Party Transactions Review Committee
EIR	Effective Interest Rate	SAFA	South Asian Federation of Accountants
EPF	Employees Provident Fund	SBU	Strategic Business Unit
EPS	Earnings per Share	SEC	Securities and Exchange Commission of Sri Lanka
ERM	Enterprise Risk Management	SLB&B	Sri Lanka Business & Biodiversity
ETF	Employees Trust Fund	SLBC	Sri Lanka Broadcasting Corporation
EVA	Economic Value Addition	SLCF	Sri Lanka Carbon Fund
FBIM	Fellowship of the British Institute of Management	SLFRS	Sri Lanka Financial Reporting Standards
FCMA	Fellow Chartered Management Accountant	SLIBFI	Sri Lanka Islamic Banking and Finance Industry
GDP	Gross Domestic Product	SLIBOR	Sri Lanka Inter Bank Offered Rate
GHG	Green House Gas	SLICM	Sri Lanka Institute of Credit Management
GL	General Ledger	SLIM	Sri Lanka Institute of Marketing
GRI	Global Reporting Initiative	SLITAD	Sri Lanka Institute of Training & Development
HR	Human Resources	SMC	Senior Management Committee
IBSL	Insurance Board of Sri Lanka	SME	Small And Medium Enterprises
ICASL	Institute of Chartered Accountants of Sri Lanka	SUROL	Society for the Uplift and Rehabilitation of Leprosy
ICT	Information and Communications Technology	TOR	Terms of Reference
IFRS	International Financial Reporting Standards	TRWCR	Total Risk Weighted Capital Ratio
IPFM	Institute of Professional Financial Managers	UDA	Urban Development Authority
IRMC	Integrated Risk Management Committee	VAPT	Vulnerability Assessment and Penetration Test
IRMOC	Integrated Risk Management Operating Committee	VAT	Value Added Tax
ISMS	Information Security Management System	VRF	Variable Refrigerant Flow
ISO	International Organization for Standardisation	WBCSD	World Business Council for Sustainable Development
IT	Information Technology		

BASIS OF RATIOS

Ratio	Definition
Advances to deposits (Times)	$\frac{\text{Total portfolio}}{\text{Total deposits}}$
Collective impairment to total loans & advances (%)	$\frac{\text{Collective impairment} \times 100}{\text{Gross portfolio}}$
Cost to income ratio (%)	$\frac{\text{Total operating cost without VAT on financial services} \times 100}{\text{Total operating income}}$
Current ratio (Times)	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Debt equity (Times)	$\frac{\text{Borrowings}}{\text{Equity}}$
Debt equity with contingencies (Times)	$\frac{(\text{Borrowings} + \text{contingencies})}{\text{Equity}}$
Debt to total assets (Times)	$\frac{\text{Borrowings}}{\text{Total assets}}$
Dividend cover (Times)	$\frac{\text{Profit/loss attributable to ordinary shareholders}}{\text{Total dividends}}$
Dividend payout (%)	$\frac{\text{Total dividends} \times 100}{\text{Profit/loss attributable to ordinary shareholders}}$
Dividend yield (%)	$\frac{\text{Dividend per ordinary share} \times 100}{\text{Market price per share}}$
Earnings per share (EPS) (Rs.)	$\frac{\text{Profit/loss attributable to ordinary shareholders}}{\text{Number of shares}}$
Earnings yield (%)	$\frac{\text{Earnings per share} \times 100}{\text{Market price per share}}$
Gross non-performing advances ratio (%)	$\frac{\text{Non-performing portfolio (net of interest In suspense and unearned income)} \times 100}{\text{Gross portfolio (net of interest in suspense and unearned income)}}$
Individual impairment to total loans & advances (%)	$\frac{\text{Individual impairment} \times 100}{\text{Gross portfolio} \times 100}$
Interest cover (Times)	$\frac{\text{Profit before interest and tax}}{\text{Interest cost}}$

Ratio	Definition
Lending to loans & advances ratio (%)	$\frac{\text{Current year granting*100}}{\text{Gross loans \& advances}}$
Market capitalisation (Rs.)	Market price per share*Number of shares
Net assets per share (NAPS) (Rs.)	$\frac{\text{Total shareholders' equity}}{\text{Number of shares}}$
Net interest margin	$\frac{\text{Net interest income*100}}{\text{Average interest earning assets}}$
Non-performing ratio (%)	$\frac{\text{Gross non performing portfolio*100}}{\text{Gross portfolio}}$
Operating profit margin (%)	$\frac{\text{Operating profit before VAT on financial services*100}}{\text{Gross income}}$
Price earnings (PE) (Times)	$\frac{\text{Market price per share}}{\text{Earnings per share}}$
Price to book value (PBV) (Times)	$\frac{\text{Market price}}{\text{Net assets per share}}$
Provision cover (Times)	$\frac{\text{Provisions (CBSL)}}{\text{Non-performing assets}}$
Return on asset (ROA) (%)	$\frac{\text{Profit before tax*100}}{\text{Total average assets}}$
Return on capital employed (ROCE) (%)	$\frac{\text{Profit before interest and tax*100}}{\text{(Borrowings+Deposits+Equity)}}$
Return on equity (ROE) (%)	$\frac{\text{Profit after tax*100}}{\text{Average equity}}$
Total impairment provision to gross portfolio (%)	$\frac{\text{Total impairment provision*100}}{\text{Gross portfolio}}$
Total return of share %	$\frac{\text{((Closing market price-Opening market price)+DPS)*100}}{\text{Opening market price}}$

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 asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

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

Capital Adequacy Ratio

The relationship between capital and risk-weighted assets as defined in the framework developed by the Bank for International Settlements and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows

Inflows and outflows of cash and cash equivalents

Collectively Assessed Impairment
Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commercial Paper (CP)

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing interest rates.

Commitments

Credit facilities approved but not yet utilised by the customers as at the date of the statement of financial position.

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

Operating expenses excluding loan/ lease loss provision as a percentage of net interest 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.

Currency Swaps

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred Tax

Sum set aside for tax in the Financial Statements for taxation that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rule and accounting conventions.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

The removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Derivatives

A financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover

Profit attributable to shareholders divided by gross dividends. This ratio measures the number of times dividend is covered by current year's attributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

Discount rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

E

Earnings per Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Economic Value Added (EVA)

A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

F

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.

Financial Asset

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

A contractual obligation to deliver cash or another financial asset to another entity.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Foreign Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Gearing

Long term borrowings divided by the total funds available for shareholders.

Group

A Group is a parent and all its subsidiaries.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Guarantees

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations.

H

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavorable price movements (interest rate, foreign exchange rates, commodity prices, etc).

GLOSSARY CONTD.

HTM (Held to Maturity) Investments

Non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net interest income expressed as a percentage of average interest earning assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment Properties

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.

Impairment Allowance for Loans and Receivables

Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

K

Key Management Personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks and treasury bills.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable

Financial liabilities, other than short term trade payables on normal credit terms.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loss Given Default (LGD)

The estimated ratio (percentage) of the loss of an exposure to the amount outstanding at default upon default of counterparty.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

Market Risk

The risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Assets Value per Ordinary Share

Shareholders' fund excluding preference shares if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between income earned from interest bearing assets and cost incurred on financial instrument/facilities used for funding the interest bearing assets.

Non-performing Advances

Rentals receivables in arrears for more than six rentals have been categorised as non-performing.

NPA Ratio

Total non-performing leases, hire purchase loans and other advances divided by total advances portfolio.

Net Interest Margin

Net interest income divided by average interest earning assets.

Non-Controlling Interest

The equity in a subsidiary not attributable, directly or indirectly to a parent.

O

Operational Risk

The losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent

An entity that controls one or more subsidiaries.

Price Earnings Ratio (P/ E Ratio)

Market price of a share divided by earnings per share.

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

R

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Average Assets (ROA)

Profit before tax divided by the average assets.

Return on Equity (ROE)

Net profit after tax, expressed as percentage of average shareholders' funds.

Reverse Repurchase Agreements

Transactions involving the purchase of securities by the Company and resale back to the seller at a future date and specified price.

Risk Weighted Assets

On statement of financial position assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S

Segmental Analysis

Analysis of financial information by segments of an entity specifically, the different businesses and the different geographical areas in which it operates.

Shareholders' Funds

This consists of issued and fully paid up ordinary shares, redeemable preference shares and other reserves.

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.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company

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	Fax	Contact Person	E-mail
Central					
Dambulla	513/1, Kadapaha, Anuradhapura Road, Dambulla	066-2284252	066-2284158	Mr. D. G. N. Suresh	nalaka@plc.lk
Digana	118, Rajawella 2, Rajawella	081-2376923	081-2376223	Mr. S. M. Wijethilaka	wijethilaken@plc.lk
Gampola	No. 131, Nuwara Eliya Road, Gampola	081-2353030	081-2354154	Mr. M. M. C. P. Bandara	chirathp@plc.lk
Hatton	199/B/1, Dimbulla Rd, Hatton	051-2225683	051-2225681	Mr. S. N. Rathnayake	nuwanr@plc.lk
Kandy	177, D. S. Senanayaka Weediya, Kandy	081-2236280	081-4471654	Mr. N. M. A. Bandara	asela@plc.lk
Kandy - Alsafa	26, Hill Street, Kandy	081-2205043	081-2205043	Mr. M. R. M. Ameen	ameen@plc.lk
Mahaiyawa	No. 288, Katugasthota Road, Kandy	081-2205947	081-2205937	Mr. T. G. N. P. S. Munasinghe	senakam@plc.lk
Matale	96/1/1/, King's Street, Matale	066-2226400	066-2226402	Mr. W. M. A. Weerakoon	aselaw@plc.lk
Nawalapitiya	75, Ambagamuwa Road, Nawalapitiya	054-2224481	054-2224485	Mr. G. A. K. U. Shantha	shantha@plc.lk
Nuwara Eliya	36, K. Ramanathan Complex, Park Road, Nuwara Eliya	052-2224120	052-2224122	Mr. C. R. B. Madawala	roshanb@plc.lk
Pilimathalawa	No. 174, Kandy Road, Pilimathalawa	081-2056336	081-2056339	Mr. C. B. Dissanayaka	chinthana@plc.lk
Eastern					
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara	063-2223053	063-2224850	Mr. W. A. T. D. Willarachchige	dinesh@plc.lk
Batticaloa	No. 26, New Kalmunai Road, Batticaloa	065-2226512	065-2226754	Mr. A. B. Sutharsan	bernard@plc.lk
Kalawanchikudi	Ward No 9, Main Street, Kalawanchikudi	065-2251660	065-2251662	Mr. I. G. Sanjeevan	sanjeewang@plc.lk
Kalmunai	No. 82, Main Street, Kalmunai	067-2225486	067-2225485	Mr. S. A. G. Shihan Abdul Gaffoor	shihang@plc.lk
Kanthale	72/1, Agrabodhi Mawatha, kantale	026-2234484	026-2234936	Mr. K. M. P. G. N. J. Bandara	nalaka@plc.lk
Kattankudy	No. 187, Main Street, Kattankudy	065-2248341	065-2248340	Mr. T. R. N. Ismail	rizwani@plc.lk
Muttur	Main Street, Muttur	026-2238276	026-2238277	Mr. M. F. Suhury	ishak@plc.lk
Trincomalee	445/1, Dockyard Road, Trincomalee	026-2225285	026-2225286	Mr. M. Kirupakaran	kiru@plc.lk
North Cental					
Anradhapura	387, Harischandra Mawatha, Anuradhapura	025-2224903	025-2234966	Mr. A. K. M. M. J. Amunugama	mahen@plc.lk
Kekirawa	12/A, Thalawa Rd, Kekirawa	025-2264821	025-2264566	Mr. D. P. S. D. Thushantha	thushantha@plc.lk
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa	027-2225793	027-2222961	Mr. N. V. I. C. Nagodavithana	nagoda@plc.lk
Thambuttegama	No. 326, Queen Junction, Kurunegala Road, Thambuttegama	025-2276180	025-2275511	Mr. P. H. D. C. Samarasinghe	chanakas@plc.lk



Branch	Address	Telephone	Fax	Contact Person	E-mail
North Western					
Chilaw	No. 10, Colombo Road, Chilaw	032-2224101	032-2224103	Mr. G. N. P. K. C. Karunarathne	keshikag@plc.lk
Giriulla	Sangarakshitha Vidyala Building, Ground Floor, Kurunegala Road, Giriulla	037-2288801	037-2288805	Mr. M. A. Priyankara	priyankaram@plc.lk
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya	037-2283490	037-2281525	Mr. D. M. P. Kumarasinghe	singhe@plc.lk
Kurunegala	103A, Colombo Road, Kurunegala	037-2221582	037-2231505	Mr. L. T. S. Priyantha	susil@plc.lk
Melsiripura	237, Dambulla Road, Melsiripura	037-2250229	037-2250782	Mr. G. M. M. R. B. Karunaratne	rakkitha@plc.lk
Puttalam	No. 97B, Kurunegala Road, Puttalam	032-2266893	032-2266895	Mr. M. J. M. Najath	najath@plc.lk
Wariyapola	No. 41, Kurunegala Road, Wariyapola	037-2233426	037-2233425	Mr. S. P. Jayasinghe	sumith@plc.lk
Wennappuwa	No.327 1/1, Colombo Road, Wennappuwa	031-2245663	031-2245662	Mr. A. M. S. Agalla	agalla@plc.lk
Northern					
Chunnakam	No. 15, K. K. S. Rd, Chunnakam	021-2241105	021-2242072	Mr. K. Kamalakaran	kamalakaran@plc.lk
Jaffna	No. 12, Stanley Road, Jaffna	021-2228031	021-2228031	Mr. K. Anantheraja	anantheraja@plc.lk
Kilinochchi	253, Kandy Road, Kilinochchi	021-2280125	021-2285308	Mr. M. Kandeepan	rajiven@plc.lk
Mannar	109, Hospital Road Sinnakadai, Mannar	023-2251342	023-2251370	Mr. F. R. Manokanth	manokanth@plc.lk
Vavuniya	91/1, Station Road, Vauniya	024-2225485	024-2225861	Mr. J. M. R. Senevirathne	rasikasl@plc.lk
Sabaragamuwa					
Balangoda	No. 118, A Barns Rathwaththa Mawatha, Balangoda	045-2289500	045-2289502	Mr. K. P. C. Prabath	chamilp@plc.lk
Embilipitiya	122, New Town Road, Embilipitiya	047-2261971	047-2261972	Mr. S. Abeywickrama	samanthaa@plc.lk
Kegalle	345, Main Street, Kegalle	035-2230101	035-2230195	Mr. B. Vidhyarathne	buddhikav@plc.lk
Ratnapura	102, Colombo Road, Ratnapura	045-2224755	045-2230678	Mr. Y. Premarathne	premarathne@plc.lk
Sothern					
Akuressa	No. 75, Matara Road, Akuressa.	041-2284711	041-2283199	Mr. V. P. Saman	samanp@plc.lk
Ambalangoda	15A, Wickramasooriya Road, Ambalangoda	091-2255647	047-2242503	Mr. S. M. H. N. Ajith	ajith@plc.lk
Ambalanthota	32 1/1, Tissa Road, Ambalanthota	047-2225265	047-2225266	Mr. N. J. N. Wikramathilaka	janakaw@plc.lk
Bentota	147, Galle Road, Bentota	034-2271630	034-2271633	Mr. L. K. N. Tharanga	nuwant@plc.lk
Deniyaya	No. 144, Main Street, Deniyaya	041-2273341	041-2273241	Mr. A. E. Wanniarachchi	amilaw@plc.lk
Elpitiya	40, Ambalangoda Rd, Elpitiya	091-2290837	091-2258891	Mr. G. T. S. Hewawasam	sampathh@plc.lk
Galle	118, Matara Road, Galle	091-2247521	091-2227388	Mr. N. C. Weerasinghe	nishantha@plc.lk
Hambantota	102/K, Baddewela Rd, Hambanthota	047-2221276	047-2251680	Mr. P. M. M. Nalin	maduka@plc.lk



BRANCH NETWORK CONTD.

Branch	Address	Telephone	Fax	Contact Person	E-mail
Matara	45/A, Anagarika Dharmapala Mw, Matara	041-2220129	041-2233742	Mr. S. P. R. Pradeep	ruwanp@plc.lk
Neluwa	No. 08, Dellawa Road, Neluwa	091-2255647	091-2255649	Mr. H. M. Aruna Shantha	arunah@plc.lk
Tangalle	138A, Matara Road, Tangalle	047-2242501	047-2242503	Mr. N. W. E. I. S. Dias	sandaruwan@plc.lk
Thissamaharamaya	No. 171, Main Street, Tissamaharama	047-2239703	047-2239671	Mr. P. V. A. S. Chaminda	shanaka@plc.lk
Uva					
Badulla	No. 33, 9 Modern Complex, Cocowatta Road, Badulla	055-2223903	055-2223977	Mr. Y. M. W. P. C. Yapa	yapa@plc.lk
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	057-2221145	057-2221149	Mr. J. M. R. C. Jayaweera	chandike@plc.lk
Mahiyanganaya	No. 03, Siri Jayasanka Building Kandy Road, Mahiyanganaya	055-2257739	055-2257737	Mr. A. H. C. Samantha	chandanas@plc.lk
Monaragala	No. 32, Pothuvil Road, Monaragala	055-2277485	055-2277486	Mr. C. K. Kumarapperuma	chamilk@plc.lk
Welimada	No. 11 A, Boralanda Road, Welimada	057-2244994	057-2244995	Mr. A. D. S. Niroshana	sasankan@plc.lk
Wellawaya	No. 128, Monaragala Road, Wellawaya	055-2274035	055-2274025	Mr. S. M. D. T. Kumara	tharanga@plc.lk
Western					
Awissawella	15, Kudagama Road, Awissawella	036-2233791	036-2233793	Mr. R. M. S. U. B. Ratnayake	saminda@plc.lk
Battaramulla	No. 261, Main Street, Battaramulla	011-2886820	011-2886824	Mr. R. S. Ranasinghe	shiron@plc.lk
Colpetty	No. 385, Galle Road, Colombo 03	0112-376476	0112-376477	Mr. W. G. C. Dharmarathna	chamindad@plc.lk
Dehiwala	No. 119, Galle Road, Dehiwala	011-2720720	011-2725904	Mr. V. R. Ramanayake	vajira@plc.lk
Gampaha	No. 65, Yakkala Road, Gampaha	033-2232732	033-2232733	Mr. P. A. D. S. Senavirathne	samanthas@plc.lk
Grandpass	No. 361, Grandpass Road, Colombo 14	011-2340013	011-2340025	Mr. K. P. B. H. Wariyapola	kanchana@plc.lk
Havelock	No. 62, Havelock Road, Colombo 05	011-2592424	011-2592445	Mr. L. S. C. Fernando	sumudu@plc.lk
Homagama	121/3, Highlevel Rd, Homagama	011-2098141	011-2098144	Mr. D. M. D. B. Samarajeewa	bandula@plc.lk
Horana	No. 101, Rathnapura Rd, Horana	034-2267701	034-2261270	Mr. G. H. G. Buddika	buddhikah@plc.lk
Ja-Ela	112/A, Negambo Road, Ja-Ela	011-228074	011-2228076	Mr. D. A. Gomes	dulip@plc.lk
Kadawatha	657A, Kandy Rd, Bandarawatta, Kadawatha	011-2926908	011-2926911	Mr. T. M. D. Bellana	tharaka@plc.lk
Kaduwela	501/1, Awissawella Road, Kaduwela	011-2548580	011-2548590	Mr. N. A. Jayasinghe	jayaruk@plc.lk
Kalutara	No. 314 1/1, Main Street, Kalutara South	034-2235799	034-2235800	Mr. U. N. P. Fernando	niranjan@plc.lk
Kelaniya	965, Kandy Road, Wedamulla, Kelaniya	011-2914112	011-2914114	Mr. M. G. R. Priyankara	mgrpriyankara@plc.lk



Branch	Address	Telephone	Fax	Contact Person	E-mail
Kirindiwela	153 Sujaya Building, Gampaha Road, Kirindiwela	033-5622733	033-2247580	Mr. W. A. D. J. Ashley	ashleyw@plc.lk
Maharagama	134/C/2, High Level Rd. Maragama	011-2851628	011-2851646	Mr. P. S. Jayasuriya	sugath@plc.lk
Mathugama	No. 4/29, Agalawaththa Road, Mathugama	034-2249230	034-2249231	Mr. W. T. Danendra	danendra@plc.lk
Metropolitan	No. 67, Sir Chittampalam A Gardiner Mawatha, Colombo 02	011-2481000	011-2481123	Mr. W. A. S. N. Weerakkody	nandana@plc.lk
Minuwangoda	26/H, Colombo Rd, Minuwangoda	011-2298641	011-2298655	Mr. B. L. S. P. Buthpitiya	sanjeewab@plc.lk
Mirigama	69/A, Giriulla Road, Mirigama	033-2275256	033-2275521	Mr. R. D. R. Dayarathna	raweendrad@plc.lk
Moratuwa	No. 207- 1/1, New Galle Road, Moratuwella, Moratuwa	011-2648471	011-2648472	Mr. H. G. C. Dias	chrisantha@plc.lk
Negombo	No. 29/1, Colombo Road, Negambo	031-2223230	033-2224882	Mr. M. B. P. N. De Silva	nalini@plc.lk
Nittambuwa	83, kandy Rd, Nittambuwa	033-2298110	033-2298122	Mr. S. B. D. Samarajeewa	dusshantha@plc.lk
Nugegoda	290, Highlevel Road, Nugegoda	011-2813990	011-2813991	Mr. P. N Wimalasena	priyanka@plc.lk
Panadura	482, Arthur v dies Mw, Panadura	038-2237331	038-2237332	Mr. D. A. Walpitagama	amila@plc.lk
Pettah	No. 319, Main Street, Colobmo 11	011-2437708	011-2473549	Mr. G. Thushyanthan	ganesan@plc.lk
Piliyandala	71, Moratuwa Rd, Piliyandala	011-2609835	011-2609838	Mr. L. M. A. K. Priyadarshana	arunap@plc.lk
Union Place	No. 167, Union Place, Colombo 02	0112-377877	0112-304463	Mr. M. B. M. Aslam	aslamb@plc.lk
Ward Place	No. 24A, Ward Place Colobmo 07	011-2678691	011-2678696	Mr. W. M. D. W. Weerakoon	duleepa@plc.lk
Wattala	540, Negombo Rd, Wattala	011-2948441	011-2947411	Mr. P. A. C. K. Kumara	chandana@plc.lk
Wellawatta	No. 507, Wellawatta, Colombo 06	011-2361562	011-2361564	Mr. L. S. Segarajasinghe	shamala@plc.lk

OUR JOURNEY



Year 1995/96

People's Leasing was incorporated in 1995 as a private limited liability company with an initial capital of Rs.10 million.

Year 1996/97

The Company commenced commercial operations on 31st May 1996. Mr. D. P. Kumarage was appointed as Chief Executive Officer.

Year 1997/98

The first branch of People's Leasing was opened in Kandy. "The People's Friendly Leasing" was launched.

Year 1998/99

People's Leasing further expanded its branch network to Ratnapura, Kurunegala and Matara to strengthen its geographical accessibility.

Year 1999/00

People's Leasing ranked fourth in the leasing industry depicting annual granting of Rs.1.26 billion and became a member of the Leasing Association of Sri Lanka.

Year 2000/01

Company changed from a private limited liability to a public limited liability company with a new corporate logo, vision, mission and values oriented towards "Speed & Flexible Total Customer Service".

Year 2001/02

The Company connected all branches online and the team increased to 125. In the same year People's Bank infused Rs.40 million as ordinary share capital of the Company.

Year 2002/03

With annual granting worth of Rs.4.6 billion, the Company became the market leader in the leasing sector and became a registered leasing establishment under the Finance Leasing act No.56 of 2000, with the Central Bank of Sri Lanka.

Year 2003/04

The Company opened a fully-fledged model corporate city office at Union Place. The Director of Commerce ratified the Company as an approved Credit Agency.

Year 2004/05

The Company became a corporate member of the Asian Leasing and Finance Association.

Year 2005/06

People's Leasing launched a new division: The Islamic Finance Services Unit under the Shari'ah guidelines.

Year 2006/07

Company celebrated its 10th year anniversary, while fulfilling 10 CSR initiatives. Fitch Ratings Lanka upgraded company rating to 'A-(lka)'.

Year 2007/08

Company acquired a fully-fledged service station in Rattanapitiya being the first step of diversification.

Year 2008/09

Brand Finance Lanka ranked People's Leasing as the highest branded leasing company and Sting Consultants awarded Gold rating for the corporate accountability. During the year, the Company established two subsidiaries: People's Leasing Fleet Management Limited and People's Leasing Property Development Limited.

Year 2009/10

Company acquired 84.50 percent stake of the distressed Seylan Merchant Leasing PLC. Central Bank of Sri Lanka appointed People's Leasing as the managing agent of Industrial Finance Limited.



Year 2010/11

People's Leasing launched two new subsidiaries: People's Leasing Havelock Properties Limited, People's Microfinance Limited. Company was able to achieve Rs.5 billion granting level for the first time in PLC's history.

Fitch Rating Lanka upgraded the Company's National Long-Term rating to 'A-(lka)'.



Year 2011/12

Company moved to new Head Office building at Borella. Company transformed to a public limited quoted company, from a public limited company by successfully completing its initial public offering worth of Rs.7 billion adhering to the Colombo Stock Exchange's listing rules. Fitch Rating Lanka upgraded company's National Long-Term rating to 'A+ (lka)'.



Year 2012/13

People's Leasing received two foreign ratings: a rating equivalent to the sovereign of 'B+/B' long term and short term issuer credit rating by Standard and Poor's and was assigned a long term foreign and local currency issuer Default Ratings (IDRs) of 'B+', a rating one notch below the sovereign, by Fitch Rating International. Company's national long term rating was also upgraded to AA-(lka). Company was registered under the Finance Business Act No. 42 of 2011, to conduct finance business.



Year 2013/14

Amalgamation of People's Finance PLC with the Company was confirmed with effective from 2nd March 2013 and People's Leasing share issue was held. Throughout the year the branch network was further extended. Construction of People's Leasing Havelock Properties Limited was initiated. Company entered into hedging arrangements to manage foreign exchange rates risk.



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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth (19th) Annual General Meeting of People's Leasing & Finance PLC will be held on 30th June 2015 at 2.30 p.m. at People's Bank Staff Training College Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st March 2015 and the report of the Auditors thereon.
2. To declare a Final Dividend of cent 50 (Rs. 0.50) per Ordinary Share, as recommended by the Board of Directors.
3. To re-elect as a Director Mr. Hemasiri Fernando, 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 re-elect as a Director Mr. Michael Pradeep Amirthanayagam, 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.
5. To re-elect as a Director Mr. Jehan Prasanna Amaratunga, 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.
6. To re-elect as a Director Mr. Johnson Anthony Fernando, 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.
7. To re-elect as a Director Mr. Mohamed Anise Mohamed Rizwan, 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.
8. To re-elect as a Director Mr. Rathnayake Mudiyanseelage Jayasena, 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.
9. To re-appoint Messrs Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year.
10. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

By Order of the Board



Rohan Pathirage

Company Secretary

PEOPLE'S LEASING & FINANCE PLC

Colombo, on this 5th day of June 2015.

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.

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 Mudiyanseelage Jayasena

as my/ our Proxy to represent me/ us and vote on my/ our behalf at the Nineteenth Annual General Meeting of the Company to be held on 30th June 2015 at 2.30 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 2015 and the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend of cent 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 Mr. Hemasiri Fernando, 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 re-elect as a Director Mr. Michael Pradeep Amirthanayagam, 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"/>
5. To re-elect as a Director Mr. Jehan Prasanna Amaratunga, 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"/>
6. To re-elect as a Director Mr. Johnson Anthony Fernando, 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"/>
7. To re-elect as a Director Mr. Mohamed Anise Mohamed Rizwan, 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"/>
8. To re-elect as a Director Mr. Rathnayake Mudiyanseelage Jayasena, 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"/>
9. To reappoint Messrs Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2015

.....
Signature

.....
Shareholder's N.I.C./ P. P./ Co. Reg. No.

NOTES:

1. Proxy need not be a member of the Company.
2. Instructions as to completion of this Form of Proxy are given overleaf.

FORM OF PROXY CONTD.

INSTRUCTIONS AS TO COMPLETION

- As provided in Article 19(5) of the Articles of Association of the Company the instrument appointing a proxy should be in writing.
- 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.
- The Proxy shall -
 - 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.
 - 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.
 - in the case of joint-holders, be signed by the joint-holder whose name appears first in the Register of Members.
- 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.
- Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy.
- An extract of Articles 15, 18 and 22 of the Articles of Association of the Company which deal 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

 - Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
 - 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.
 - At a meeting of shareholders, a poll may be demanded by –
 - the chairperson; or
 - not less than five (5) shareholders having the right to vote at the meeting; or
 - 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.
- 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.
- If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
- 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.”

FEEDBACK FORM

We welcome your valuable feedback on this Integrated Annual Report 2014/15 report, on our commitments and our performance.

1. Your interest in PLC's performance is as a(n) *

- Employee
- Customer
- Supplier
- Shareholder
- Investor
- Finance Analyst
- Journalist
- Local Resident
- Educator/Student
- Special Interest Group
- Regulatory Body
- Other

2. Please rate your answer on the scale from Excellent to Poor for 2.1 to 2.5:

2.1 Meeting your information requirements:

- Excellent
- Very Good
- Good
- Average
- Poor

2.2 Openness and transparency:

- Excellent
- Very Good
- Good
- Average
- Poor

2.3 Clarity and ease of understanding:

- Excellent
- Very Good
- Good
- Average
- Poor

2.4 Appearance and layout:

- Excellent
- Very Good
- Good
- Average
- Poor

2.5 Overall impression of the report:

- Excellent
- Very Good
- Good
- Average
- Poor

3. Which sections did you find most useful?

- Economic Impact
- Environmental Stewardship
- Our People
- Delighting Customers
- Community Relations
- Other

4. Which sections did you find least useful?

- Economic Impact
- Environmental Stewardship
- Our People
- Delighting Customers
- Community Relations
- Other

5. In your opinion what are the sustainability topics/areas PLC needs to have better focus on?

6. How do you think we could improve?

7. Please provide your overall impressions and comments about the Integrated Annual Report 2014/15. *

Your Name :

Your Email :

Please send in your feedback to reach:

Inoka Jayawardhana,
Senior Manager, Group Corporate Affairs & Investor Relations
People's Leasing & Finance PLC
No.1161, Maradana Road, Colombo 08, Sri Lanka.
Tel: +94 112 631631
Direct: +94 112 631105
Fax: +94 112 481105
Email: inokaj@plc.lk

THANK YOU !

CORPORATE INFORMATION

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

March 31

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 3 year (2014/17) and four
year (2014/18) Debentures were
listed on the Debt Securities
Main Board of Colombo Stock
Exchange on 03rd October 2014.

REGISTERED OFFICE & PRINCIPLE PLACE OF BUSINESS

1161, Maradana Road,
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,
Bentota, Chilaw, Chunnakam,
Colpetty, Dambulla, Dehiwala,
Deniyaya, Digana, Elpitiya,
Embilipitiya, Galle, Giriulla,
Gampaha, Gampola, Grandpass,
Hambantota, Hatton, Havelock,
Homagama, Horana, Ja-Ela,
Jaffna, Kadawatha, Kaduwela,
Kalawanchikudi, Kalmunai,
Kalutara, Kandy, Kandy - Alsafa,
Kanthale, Kattankudy, Kegalle,
Kekirawa, Kelaniya, Kilinochchi,
Kirindiwela, Kuliyapitiya
Kurunegala, Mahaiyawa,
Maharagama, Mahiyanganaya,
Mannar, Matale, Matara,
Mathugama, Melsiripura,
Merigama, Metropolitan,
Minuwangoda, Monaragala,
Moratuwa, Mutur, Nawalapitiya,
Negombo, Neluwa, Nittambuwa,
Nugegoda, Nuwara Eliya,
Panadura, Pettah, Pilimathalawa,
Piliyandala, Polonnaruwa,
Puttalam, Ratnapura,
Tangalle, Thambuttegama,
Thissamaharamaya,

Trincomalee, Union Place,
Vavuniya, Ward Place,
Wariyapola, Wattala, Welimada,
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. Vasantha Kumar
Mr. J. A. Fernando
Mr. M. A. M. Rizwan
Mr. R. M. Jayasena

Board Sub-Committees

Integrated Risk Management
Committee
Mr. M. P. Amirthanayagam -
Chairman
Mr. N. Vasantha Kumar

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

Board Strategic Evaluation Committee

Mr. M. P. Amirthanayagam -
Chairman
Mr. J. P. Amaratunga
Mr. N. Vasantha 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 Limited
People's Microfinance Limited

Associate Companies

City Finance Corporation Limited

CORPORATE MEMBERSHIPS

Asian Leasing and Financial
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
Ketalagolla, Beligamuwa,
Galewela

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' stable by Standard &
Poor's Rating Services
'B+' stable 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.
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Fax: +94 11 2631980/81

optima

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