**People’s Leasing & Finance PLC**

**(A Subsidiary of People’s Bank)**

Rated AA-(lka) by Fitch Ratings Lanka and Internationally rated B+/B by Standard & Poor’s and B by Fitch Ratings International.

**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

**INDEPENDENT AUDITOR’S REPORT**

**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 31 March 2017, 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 277 to 396 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 polices used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2017, 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 2017, 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.

19 May 2017

Colombo

Partners: W R H Fernando FCA FCMA, M P D Cooray FCA FCMA, R N de Saram ACA FCMA, Ms.N A De Silva FCA, Ms.Y A De Silva FCA, W K B S P Fernando FCA FCMA, K R M Fernando FCA FCMA Ms.L K H L Fonseka FCA, A P A Gunasekara FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (Lond), H M A Jayesinghe FCA FCMA, Ms. A A Ludowyke FCA FCMA, Ms. G G S Manathunga FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| STATEMENT OF PROFIT OR LOSS | | |  |  |  |  |  |
|  |  | **Company** | | | **Group** | | |
| For the year ended 31 March |  | **2017 Rs. '000** | 2016 Rs. '000 | Change % | **2017 Rs. '000** | 2016 Rs. '000 | Change % |
|  |  |  |  |  |  |  |  |
| **Income** |  | **23,859,038** | 19,186,228 | 24.36 | **27,732,754** | 22,579,702 | 22.82 |
|  |  |  |  |  |  |  |  |
| Interest income |  | **22,041,263** | 17,876,083 | 23.30 | **22,784,273** | 18,301,167 | 24.50 |
| Less: Interest expenses |  | **11,829,601** | 7,941,063 | 48.97 | **11,819,756** | 8,006,050 | 47.64 |
| **Net interest income** |  | **10,211,662** | 9,935,020 | 2.78 | **10,964,517** | 10,295,117 | 6.50 |
|  |  |  |  |  |  |  |  |
| Net earned premium |  | **-** | - | - | **3,694,027** | 3,283,171 | 12.51 |
| Fee and commission income |  | **1,133,735** | 952,351 | 19.05 | **621,711** | 528,304 | 17.68 |
| Net gains/(losses) on financial assets - held-for-trading |  | **8,257** | (40,355) | 120.46 | **43,869** | (71,903) | 161.01 |
| Other operating income |  | **675,783** | 398,149 | 69.73 | **588,874** | 538,963 | 9.26 |
| **Total operating income** |  | **12,029,437** | 11,245,165 | 6.97 | **15,912,998** | 14,573,652 | 9.19 |
| Less: Impairment charges for loans and receivables and other losses |  | **215,765** | 258,350 | (16.48) | **282,819** | 290,703 | (2.71) |
| **Net operating income** |  | **11,813,672** | 10,986,815 | 7.53 | **15,630,179** | 14,282,949 | 9.43 |
| **Less:** |  |  |  |  |  |  |  |
| Personnel expenses |  | **2,556,242** | 1,807,017 | 41.46 | **2,971,179** | 2,070,552 | 43.50 |
| Depreciation of property, plant and equipment |  | **177,214** | 197,097 | (10.09) | **263,644** | 280,493 | (6.01) |
| Amortisation of intangible assets |  | **9,779** | 13,127 | (25.50) | **12,764** | 17,817 | (28.36) |
| Benefits, claims and underwriting expenditure |  | **-** | - | - | **2,583,812** | 2,249,778 | 14.85 |
| Other operating expenses |  | **2,670,768** | 2,170,233 | 23.06 | **2,696,254** | 2,251,051 | 19.78 |
| **Total operating expenses** |  | **5,414,003** | 4,187,474 | 29.29 | **8,527,653** | 6,869,691 | 24.13 |
|  |  |  |  |  |  |  |  |
| **Operating profit before value added tax (VAT) and nation building tax (NBT) on financial services** |  | **6,399,669** | 6,799,341 | (5.88) | **7,102,526** | 7,413,258 | (4.19) |
| Less :VAT and NBT on financial services |  | **923,775** | 656,253 | 40.77 | **944,418** | 670,181 | 40.92 |
| **Operating profit after VAT and NBT on financial services** |  | **5,475,894** | 6,143,088 | (10.86) | **6,158,108** | 6,743,077 | (8.68) |
| Share of (loss) of an associate (net of tax) |  | **-** | - | - | **(73,875)** | (36,170) | (104.24) |
| **Profit before income tax expense** |  | **5,475,894** | 6,143,088 | (10.86) | **6,084,233** | 6,706,907 | (9.28) |
| Less : Income tax expense |  | **1,466,640** | 1,795,734 | (18.33) | **1,642,617** | 1,965,361 | (16.42) |
| **Profit for the year** |  | **4,009,254** | 4,347,354 | (7.78) | **4,441,616** | 4,741,546 | (6.33) |
|  |  |  |  |  |  |  |  |
| **Profit attributable to** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Equity holders of the Company |  | **4,009,254** | 4,347,354 | (7.78) | **4,255,132** | 4,708,130 | (9.62) |
| Non controlling interest |  | **-** | - | - | **186,484** | 33,416 | 458.07 |
| **Profit for the year** |  | **4,009,254** | 4,347,354 | (7.78) | **4,441,616** | 4,741,546 | (6.33) |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Basic earnings per ordinary share (Rs.) |  |  |  |  | **2.69** | 2.98 | (9.73) |
| Dividend per Ordinary share (Rs.) |  | **1.25** | 1.25 | - |  |  |  |

|  |  |  |
| --- | --- | --- |
| **SELECTED PERFORMANCE INDICATORS** | | |
|  |  |  |
|  | **Company** | |
| As at 31st March |  |  |
|  | **2017** | **2016** |
| **Regulatory Capital Adequacy** |  |  |
| Core Capital (Tier1 Capital) - (Rs. '000) | **24,231,162** | 22,222,893 |
| Total Capital Base - (Rs. '000) | **22,581,118** | 20,616,472 |
| Core Capital to Risk Weighted Assets Ratio (Minimum 5%) | **17.56%** | 19.56% |
| Total Capital to Risk Weighted Assets Ratio (Minimum 10%) | **16.37%** | 18.14% |
| Capital Funds to Total Deposit Liabilities Ratio (%) | **174.69%** | 144.44% |
|  |  |  |
| **Asset Quality** |  |  |
| Gross Non-Performing Advances (Rs. '000) | **1,883,616** | 2,184,935 |
| Gross Non-Performing Advances Ratio (%) | **1.39** | 1.96 |
| Net Non-Performing Advances Ratio (%) | **0.91** | 1.40 |
|  |  |  |
| **Profitability** (%) |  |  |
|  |  |  |
| Interest Margin | **7.89%** | 8.92% |
| Return on Average Assets (before Tax) | **3.99%** | 5.19% |
| Return on Average Equity | **16.89%** | 19.80% |
|  |  |  |
| **Regulatory Liquidity (Rs. '000)** |  |  |
|  |  |  |
| Required Minimum Amount of Liquid Assets | **7,780,950** | 5,531,469 |
| Available Amount of Liquid Assets | **8,418,503** | 8,169,670 |
| Required Minimum Amount of Government Securities | **3,856,800** | 4,005,926 |
| Available Amount of Government Securities | **5,392,651** | 6,417,788 |
|  |  |  |
| **Memorandum information** |  |  |
|  |  |  |
| Number of employees | **2,085** | 1,834 |
| Number of branches | **103** | 92 |
| Number of service centers | **101** | 110 |
| Number of pawning centers | **-** | - |
|  |  |  |
| Ratios were given based on the information published in the Annual Report. | | |

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| --- | --- | --- | --- | --- | --- | --- |
| STATEMENT OF COMPREHENSIVE INCOME | | | | | | |
|  | **Company** | | | **Group** | | |
| **For the year ended 31 March** | **2017 Rs. '000** | 2016 Rs. '000 | Change % | **2017 Rs. '000** | 2016 Rs. '000 | Change % |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Profit for the year** | **4,009,254** | 4,347,354 | (7.78) | **4,441,616** | 4,741,546 | (6.33) |
|  |  |  |  |  |  |  |
| **Other comprehensive income** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| ***Items to be reclassified to profit or loss in subsequent years (net of tax):*** |  |  |  |  |  |  |
| Cash flow hedges |  |  |  |  |  |  |
| Gains/(losses) on derivative financial investments | **879** | (6,971) | 112.61 | **879** | (6,971) | 112.61 |
|  |  |  |  |  |  |  |
| Financial assets - Available-for-sale |  |  |  |  |  |  |
| Gains/(losses) on re-measuring | **(93,771)** | 50,316 | (286.36) | **(89,497)** | 32,855 | (372.40) |
| Recycling to Statement of Profit or Loss | **-** | (24,565) | 100.00 | **-** | (24,565) | 100.00 |
| **Net items to be reclassified to profit or loss in subsequent years** | **(92,892)** | 18,780 | (594.63) | **(88,618)** | 1,319 | (6,818.57) |
|  |  |  |  |  |  |  |
| ***Items not to be reclassified to profit or loss in subsequent years (net of tax):*** |  |  |  |  |  |  |
| Actuarial gains and losses on retirement benefit obligation | **(22,380)** | (26,951) | 16.96 | **(25,157)** | (26,893) | 6.46 |
| Deferred tax effect on above | **6,270** | 7,546 | (16.91) | **6,493** | 6,968 | (6.82) |
|  |  |  |  |  |  |  |
| Deemed cost adjustment on transfers | **-** | 7,302 | 100.00 | **-** | - | - |
| Deferred tax effect on above | **-** | (2,045) | 100.00 | **-** | - | - |
|  |  |  |  |  |  |  |
| **Net items not to be reclassified to profit or loss in subsequent years** | **(16,110)** | (14,148) | (13.87) | **(18,664)** | (19,925) | 6.33 |
| **Other comprehensive income for the year, net of tax** | **(109,002)** | 4,632 | (2,453.24) | **(107,282)** | (18,606) | 476.60 |
| **Total comprehensive income for the year** | **3,900,252** | 4,351,986 | (10.38) | **4,334,334** | 4,722,940 | (8.23) |
|  |  |  |  |  |  |  |
| **Attributable to:** |  |  |  |  |  |  |
| Equity holders of the Company | **3,900,252** | 4,351,986 | (10.38) | **4,333,892** | 4,727,319 | (8.32) |
| Non controlling interest | **-** | - | - | **442** | (4,379) | 110.09 |
|  | **3,900,252** | 4,351,986 | (10.38) | **4,334,334** | 4,722,940 | (8.23) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| STATEMENT OF FINANCIAL POSITION | | |  |  |  |  |
|  | **Company** | | | **Group** | | |
| As at 31 March | **2017 Rs. '000** | 2016 Rs. '000 | Change % | **2017 Rs. '000** | 2016 Rs. '000 | Change % |
|  |  |  |  |  |  |  |
| **Assets** |  |  |  |  |  |  |
| Cash and cash equivalents | **5,591,170** | 3,206,733 | 74.36 | **6,379,909** | 3,555,643 | 79.43 |
| Balances with banks and financial institutions | **2,089,989** | 847,448 | 146.62 | **3,789,047** | 2,543,016 | 49.00 |
| Financial assets - Held-for-trading | **201,215** | 211,651 | (4.93) | **529,301** | 527,438 | 0.35 |
| Loans and receivables | **134,054,702** | 109,872,415 | 22.01 | **135,469,783** | 111,156,437 | 21.87 |
| Insurance and reinsurance receivables | **-** | - | - | **267,523** | 206,303 | 29.67 |
| Financial assets - Available-for-sale | **275,703** | 500,357 | (44.90) | **1,094,569** | 1,739,956 | (37.09) |
| Financial assets - Held-to-maturity | **2,968,042** | 4,930,236 | (39.80) | **2,968,042** | 4,930,236 | (39.80) |
| Investments in subsidiaries | **2,075,000** | 1,875,000 | 10.67 | **-** | - | - |
| Investments in associate | **586,427** | 586,427 | - | **476,382** | 550,257 | (13.43) |
| Investment property | **100,800** | 90,752 | 11.07 | **-** | - | - |
| Property, plant and equipment | **1,254,744** | 1,120,600 | 11.97 | **5,015,558** | 4,209,533 | 19.15 |
| Goodwill and intangible assets | **320,183** | 329,963 | (2.96) | **320,411** | 333,175 | (3.83) |
| Deferred tax assets | **-** | - | - | **26,234** | 14,524 | 80.63 |
| Other assets | **938,788** | 764,066 | 22.87 | **1,026,638** | 1,334,274 | (23.06) |
| **Total assets** | **150,456,763** | 124,335,648 | 21.01 | **157,363,397** | 131,100,792 | 20.03 |
|  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |
| Due to banks | **35,584,408** | 26,431,628 | 34.63 | **37,085,398** | 28,059,677 | 32.17 |
| Due to customers | **44,722,552** | 33,836,428 | 32.17 | **44,465,568** | 33,677,260 | 32.03 |
| Debt securities issued | **38,673,277** | 34,387,677 | 12.46 | **38,569,262** | 34,283,621 | 12.50 |
| Other financial liabilities | **2,725,166** | 2,730,484 | (0.19) | **2,563,187** | 2,888,399 | (11.26) |
| Derivative financial instruments | **8,363** | - | 100.00 | **8,363** | - | 100.00 |
| Insurance liabilities and reinsurance payable | **-** | - | - | **3,537,110** | 3,181,588 | 11.17 |
| Current tax liabilities | **289,978** | 937,999 | (69.09) | **337,291** | 1,017,694 | (66.86) |
| Deferred tax liabilities | **1,923,171** | 1,821,897 | 5.56 | **1,975,528** | 1,855,248 | 6.48 |
| Other liabilities | **1,832,555** | 1,417,667 | 29.27 | **1,896,911** | 1,467,033 | 29.30 |
| **Total liabilities** | **125,759,470** | 101,563,780 | 23.82 | **130,438,618** | 106,430,520 | 22.56 |
|  |  |  |  |  |  |  |
| **Equity** |  |  |  |  |  |  |
| Capital | **13,236,073** | 13,136,073 | 0.76 | **13,236,073** | 13,136,073 | 0.76 |
| Statutory reserve fund | **1,621,946** | 1,421,483 | 14.10 | **1,621,946** | 1,421,483 | 14.10 |
| Retained earnings | **9,400,084** | 7,682,230 | 22.36 | **10,560,834** | 8,600,098 | 22.80 |
| Other reserves | **439,190** | 532,082 | (17.46) | **420,957** | 509,575 | (17.39) |
| Total shareholders’ equity | **24,697,293** | 22,771,868 | 8.46 | **25,839,810** | 23,667,229 | 9.18 |
| Non -controlling interest | **-** | - | - | **1,084,969** | 1,003,043 | 8.17 |
| **Total equity** | **24,697,293** | 22,771,868 | 8.46 | **26,924,779** | 24,670,272 | 9.14 |
| **Total liabilities and equity** | **150,456,763** | 124,335,648 | 21.01 | **157,363,397** | 131,100,792 | 20.03 |
|  |  |  |  |  |  |  |
| **Contingent liabilities and commitments** | **6,439,978** | 2,351,810 | 173.83 | **6,715,524** | 2,950,490 | 127.61 |
| **Net asset value per share (Rs.)** | **15.63** | 14.41 | 8.47 | **16.36** | 14.98 | 9.21 |
|  |  |  |  |  |  |  |
| **Certification** |  |  |  |  |  |  |
| We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007. | | | | | | |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| (Sgd.) |  | (Sgd.) |  |  |  |  |
| **Sanjeewa Bandaranayake** |  | **D.P. Kumarage** | |  |  |  |
| Chief Financial Officer |  | 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; | |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| (Sgd.) |  | (Sgd.) |  |  |  |  |
| **Hemasiri Fernando** |  | **M.P. Amirthanayagam** | |  |  |  |
| Chairman |  | Deputy Chairman | |  |  |  |
|  |  |  |  |  |  |  |
| 19 May 2017 |  |  |  |  |  |  |
| Colombo |  |  |  |  |  |  |