

Independent Auditor's Report



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

BAN/D/PLF/2022/01

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

20 June 2022

Chairman
People's Leasing & Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People's Leasing & Finance PLC and its subsidiaries for the year ended 31 March 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Leasing & Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2022 comprising the statement of financial position as at 31 March 2022, and 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 to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2022 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

අංක 306/72, පොල්දැව් පාර, මිත්තරමුල්ල, ශ්‍රී ලංකාව

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 தேசிய கணக்காய்வு அலுவலகம்
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Key Audit Matter	How My Audit Addressed the Key Audit Matter
<p>Impairment allowances for Loan and receivables</p> <p>As at 31 March 2022, Loan and receivables net of impairment allowances amounted to LKR 163,321 million and is disclosed in note 25. These collectively contributed 79% to the Group's total assets.</p> <p>Impairment allowances for Loan and receivables is a key audit matter due to:</p> <ul style="list-style-type: none"> materiality of the reported allowance which involved complex calculations; and significant judgements used in assumptions and estimates made by the management as reflected in note 25.6, which in the current year was influenced by the need to assess the change in current economic conditions on forward looking information and the continuing impact of COVID-19 debt moratorium relief measures. 	<p>My audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> Assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. Evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls. Checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Group. For Loan and receivables assessed on a collective basis for impairment: <ul style="list-style-type: none"> Tested key calculations used in the impairment allowances. Assessed whether significant judgements used in assumptions and estimate made by the management in the underlying methodology and management overlays were reasonable. I also evaluated the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. My procedures were based on the best available information up to the date of my report. For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> Assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on the borrower's particular circumstances. Checked the accuracy of the underlying individual impairment calculations. Evaluated the reasonableness of key inputs used in the provision for credit impairment made with the particular focus on current economic conditions. Such evaluations were carried out considering value and timing of cash flow forecasts particularly relating to elevated risk industries, status of recovery action and collateral values. Assessed the adequacy of the related financial statement disclosures set out in notes 11 & 25.
<p>Financial reporting related IT based Internal controls</p> <p>A significant part of the Group's financial reporting process is primarily reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, financial reporting related IT based Internal controls is considered a key audit matter.</p>	<p>My audit procedures included the following :</p> <ul style="list-style-type: none"> Obtained an understanding of the Internal control environment of the processes relating to financial reporting and related disclosures. Identified and test checked relevant controls of key IT systems related to the Group's financial reporting process. Evaluated the design and operating effectiveness of IT controls, including those related to user access and change management. Checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.

1.4 Other Information Included in the Group's 2022 Annual Report.

The other information comprises the information included in the Group's 2022 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Group's 2022 Annual Report, if I conclude that are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be

included in my report to Parliament in pursuance of provisions in Article 154(6) of the Constitution that will be tabled in due course.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s and the Group’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Group.

1.6 Auditor’s Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company’s and Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No.7 of 2007 includes specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No.7 of 2007 and section 12 (a) of National Audit Act, No. 19 of 2018.
- The Financial Statements of the Company comply with the requirement of section 151 of the Companies Act, No.07 of 2007.
- The Financial Statements presented is consistent with the preceding year as per

the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

- The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018;
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W. P. C. Wickramaratne
Auditor General

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Statement of Profit or Loss

For the year ended 31st March	Page Note	Page No.	Company			Group		
			2022 Rs. '000	2021 Rs. '000	Change %	2022 Rs. '000	2021 Rs. '000	Change %
Gross income	5	224	26,741,380	27,103,798	(1.34)	32,630,986	33,645,265	(3.01)
Interest income	6.1	225	23,881,526	24,983,445	(4.41)	25,926,792	26,821,838	(3.34)
Less: Interest expense	6.2	225	10,832,186	13,064,310	(17.09)	11,205,126	13,375,197	(16.22)
Net interest income	6	224	13,049,340	11,919,135	9.48	14,721,666	13,446,641	9.48
Net earned premium	7	226	-	-	-	4,939,071	5,028,549	(1.78)
Fee and commission income	8	227	1,876,524	1,818,675	3.18	1,321,513	1,198,054	10.30
Net gains/(losses) on financial assets - FVTPL	9	228	26,783	162,616	(83.53)	86,525	228,258	(62.09)
Other operating income	10	228	956,547	139,062	587.86	357,085	368,566	(3.12)
Total operating income			15,909,194	14,039,488	13.32	21,425,860	20,270,068	5.70
Less: Impairment charges for loans and receivables and other losses	11	229	655,425	1,043,837	(37.21)	951,756	1,352,489	(29.63)
Impairment charges for goodwill	34	281	121,611	99,209	22.58	121,611	99,209	22.58
Net operating income			15,132,158	12,896,442	17.34	20,352,493	18,818,370	8.15
Less: Expenses								
Personnel expenses	12	232	4,002,414	3,465,373	15.50	4,946,747	4,354,636	13.60
Depreciation and amortisation	13	232	700,043	722,994	(3.17)	638,664	647,693	(1.39)
Benefits, claims and underwriting expenditure	14	233	-	-	-	3,228,475	2,663,347	21.22
Other operating expenses	15	234	2,134,497	1,612,859	32.34	2,607,480	2,048,058	27.31
Total operating expenses			6,836,954	5,801,226	17.85	11,421,366	9,713,734	17.58
Operating profit before taxes on financial services			8,295,204	7,095,216	16.91	8,931,127	9,104,636	(1.91)
Less : Tax on financial services	16	234	1,645,111	1,222,628	34.56	1,705,797	1,273,966	33.90
Profit before income tax expense			6,650,093	5,872,588	13.24	7,225,330	7,830,670	(7.73)
Less : Income tax expense	17	235	1,991,084	1,839,568	8.24	2,407,161	2,234,336	7.73
Profit for the year			4,659,009	4,033,020	15.52	4,818,169	5,596,334	(13.90)
Profit attributable to								
Equity holders of the Company			4,659,009	4,033,020	15.52	4,805,731	5,294,015	(9.22)
Non-controlling interest	49	302	-	-	-	12,438	302,319	(95.89)
Profit for the year			4,659,009	4,033,020	15.52	4,818,169	5,596,334	(13.90)
Basic / Diluted earnings per ordinary share (Rs.)	18	238	2.47	2.14	15.42	2.55	2.81	(9.25)
Dividend per Ordinary share (Rs.)	19	238	1.25	0.60	108.33			

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

Statement of Comprehensive Income

For the year ended 31st March	Page No.	Company			Group		
		2022 Rs. '000	2021 Rs. '000	Change %	2022 Rs. '000	2021 Rs. '000	Change %
Profit for the year		4,659,009	4,033,020	15.52	4,818,169	5,596,334	(13.90)
<i>Other comprehensive income, net of tax</i>							
<i>Items to be reclassified to profit or loss in subsequent years (net of tax):</i>							
Net gains/(losses) arising from translating the Financial Statements of the foreign subsidiary	48.4 302	-	-	-	1,439,171	141,728	915.45
Net items to be reclassified to profit or loss in subsequent years		-	-	-	1,439,171	141,728	915.45
<i>Items not to be reclassified to profit or loss in subsequent years (net of tax):</i>							
<i>Net actuarial gains/(losses) on defined benefit plans</i>							
Actuarial gains and losses on retirement benefit obligation	43 294	(31,732)	107,003	(129.66)	(28,272)	106,891	(126.45)
Deferred tax effect on actuarial gains and losses	44.1 298	7,616	(29,961)	125.42	7,795	(27,690)	128.15
<i>Financial assets - Fair value through other comprehensive income</i>							
Gains/(losses) on re-measuring	48.3 302	(207,831)	(15,263)	(1,261.67)	(207,831)	(5,512)	(3,670.52)
Deferred tax effect on above	44.1 298	49,817	-	100.00	49,817	-	100.00
Recycling to Statement of Profit or Loss for impairment		-	-	-	-	-	-
Net items not to be reclassified to profit or loss in subsequent years		(182,130)	61,779	394.81	(178,491)	73,689	342.22
Other comprehensive income for the year, net of tax		(182,130)	61,779	394.81	1,260,680	215,417	485.23
Total comprehensive income for the year		4,476,879	4,094,799	9.33	6,078,849	5,811,751	4.60
<i>Attributable to:</i>							
Equity holders of the Company		(182,130)	61,779	394.81	555,132	212,979	160.65
Non-controlling interest	49 302	-	-	-	705,548	2,438	28,839.62
Other comprehensive income for the year, net of tax		(182,130)	61,779	394.81	1,260,680	215,417	485.23
Total comprehensive income for the year		4,476,879	4,094,799	9.33	6,078,849	5,811,751	4.60

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

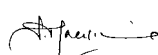
Statement of Financial Position

As at 31st March	Page Note	Page No.	Company			Group		
			2022 Rs. '000	2021 Rs. '000	Change %	2022 Rs. '000	2021 Rs. '000	Change %
Assets								
Cash and cash equivalents	22	248	4,668,830	2,703,031	72.73	5,402,587	3,844,694	40.52
Balances with banks & financial institutions	23	248	5,117,866	5,399,071	(5.21)	9,529,518	8,231,101	15.77
Financial assets - Fair value through profit or loss	24	249	25,140	109,787	(77.10)	849,298	1,281,753	(33.74)
Loans and receivables - Amortised cost	25	251	151,274,454	141,387,907	6.99	163,320,846	147,004,004	11.10
Insurance and reinsurance receivables	26	267	-	-	-	1,322,528	1,024,461	29.10
Financial assets - Fair value through other comprehensive income	27	268	1,333,278	309,118	331.32	1,632,941	735,494	122.02
Debt instrument - Amortised cost	28	269	9,827,221	6,994,206	40.51	16,013,525	10,931,714	46.49
Investments in subsidiaries	29	271	3,213,788	3,213,788	-	-	-	-
Investment property	30	273	-	-	-	820,664	820,664	-
Other assets	31	274	749,154	575,660	30.14	831,826	932,458	(10.79)
Property, plant and equipment	32	275	1,413,776	1,049,250	34.74	4,090,682	4,034,265	1.40
Right of use assets	33	280	1,972,380	2,242,444	(12.04)	1,539,484	1,591,297	(3.26)
Deferred tax assets	44	297	1,146,726	415,841	175.76	1,444,813	594,495	143.03
Goodwill and intangible assets	34	281	21,965	146,446	(85.00)	139,603	265,506	(47.42)
Total assets			180,764,578	164,546,549	9.86	206,938,315	181,291,906	14.15
Liabilities								
Due to banks	35	283	11,749,332	6,439,310	82.46	15,300,361	9,003,873	69.93
Due to customers	36	285	103,367,904	101,502,931	1.84	111,453,750	103,743,716	7.43
Debt securities issued	37	287	17,244,313	13,825,553	24.73	17,103,223	13,684,516	24.98
Other financial liabilities	38	289	3,636,528	4,132,110	(11.99)	4,043,322	4,111,235	(1.65)
Insurance liabilities and reinsurance payable	39	290	-	-	-	5,903,363	5,015,885	17.69
Operating lease liabilities	40	292	2,059,050	2,286,386	(9.94)	1,588,115	1,614,660	(1.64)
Current tax liabilities	41	293	1,851,676	362,450	410.88	2,098,784	883,900	137.45
Other liabilities	42	294	1,369,054	1,069,121	28.05	1,399,030	1,156,822	20.94
Retirement Benefit Obligation	43	294	668,411	587,257	13.82	748,944	657,778	13.86
Deferred tax liabilities	44	297	-	-	-	323,621	297,568	8.76
Total liabilities			141,946,268	130,205,118	9.02	159,962,513	140,169,953	14.12
Equity								
Stated capital	45	299	17,071,961	14,892,036	14.64	17,071,961	14,892,036	14.64
Statutory reserve fund	46	300	2,639,946	2,406,995	9.68	2,729,351	2,464,951	10.73
Retained earnings	47	301	19,481,611	17,159,777	13.53	23,122,852	20,682,106	11.80
Other reserves	48	301	(375,208)	(117,377)	219.66	897,111	421,319	112.93
Total equity attributable to equity holders of the Company			38,818,310	34,341,431	13.04	43,821,275	38,460,412	13.94
Non-controlling interest	49	302	-	-	-	3,154,527	2,661,541	18.52
Total equity			38,818,310	34,341,431	13.04	46,975,802	41,121,953	14.24
Total liabilities and equity			180,764,578	164,546,549	9.86	206,938,315	181,291,906	14.15
Contingent liabilities and commitments	50	303	6,852,234	10,998,111	(37.70)	6,899,223	11,045,100	(37.54)
Net asset value per ordinary share (Rs.)	51	304	20.57	20.15	2.10	23.22	22.56	2.91

We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Omal Sumanasiri
Chief Manager - Finance

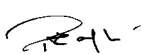


Shamindra Marcelline
Chief Executive Officer

The Board of Directors is responsible for these Financial Statements.
Approved and signed for and on behalf of the Board by;



Sujeewa Rajapakse
Chairman



Rohan Pathirage
Director

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

24 June 2022

Colombo

Statement of Changes In Equity

Company			Other Reserves		Total Equity
	Capital	Statutory Reserve Fund	Fair Value Reserve	Retained Earnings	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 1st April 2020	13,915,414	2,205,344	(102,114)	14,227,988	30,246,632
Total comprehensive income for the year					
Profit/(loss) for the year	-	-	-	4,033,020	4,033,020
Other comprehensive income (net of tax)	-	-	(15,263)	77,042	61,779
Total comprehensive income for the year	-	-	(15,263)	4,110,062	4,094,799
Transactions with equity holders, recognised directly in equity					
Transfers to reserves	-	201,651	-	(201,651)	-
Dividend paid - Interim	-	-	-	(162,770)	(162,770)
- Final	976,622	-	-	(813,852)	162,770
Total transactions with equity holders	976,622	201,651	-	(1,178,273)	-
Balance as at 31st March 2021	14,892,036	2,406,995	(117,377)	17,159,777	34,341,431
Balance as at 1st April 2021	14,892,036	2,406,995	(117,377)	17,159,777	34,341,431
Total comprehensive income for the year					
Profit/(loss) for the year	-	-	-	4,659,009	4,659,009
Other comprehensive income (net of tax)	-	-	(207,831)	25,701	(182,130)
Total comprehensive income for the year	-	-	(207,831)	4,684,710	4,476,879
Transactions with equity holders, recognised directly in equity					
Transfers to reserves	-	232,950	(50,000)	(182,950)	-
Dividend paid - Interim	2,179,925	-	-	(2,179,925)	-
Total transactions with equity holders	2,179,925	232,950	(50,000)	(2,362,875)	-
Balance as at 31st March 2022	17,071,961	2,639,945	(375,208)	19,481,612	38,818,310

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

Group			Other Reserves		Retained Earnings	Total	Non-controlling Interest	Total Equity
	Capital	Statutory Reserve Fund	Fair Value Reserve	Foreign currency translation reserve				
	Rs. '000	Rs. '000	Rs. '000	Rs. '000				
Balance as at 1st April 2020	13,915,414	2,235,077	(116,005)	401,108	16,517,824	32,953,418	2,356,784	35,310,202
Total comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	5,294,015	5,294,015	302,319	5,596,334
Other comprehensive income (net of tax)	-	-	(5,512)	141,728	76,763	212,979	2,438	215,417
Total comprehensive income for the year	-	-	(5,512)	141,728	5,370,778	5,506,994	304,757	5,811,751
Transactions with equity holders, recognised directly in equity								
Transfers to reserves	-	229,874	-	-	(229,874)	-	-	-
Dividend paid - Interim	-	-	-	-	(162,770)	(162,770)	-	(162,770)
Final	976,622	-	-	-	(813,852)	162,770	-	162,770
Total transactions with equity holders	976,622	229,874	-	-	(1,206,496)	-	-	-
Balance as at 31st March 2021	14,892,036	2,464,951	(121,517)	542,836	20,682,106	38,460,412	2,661,541	41,121,953
Balance as at 1st April 2021	14,892,036	2,464,951	(121,517)	542,836	20,682,106	38,460,412	2,661,541	41,121,953
Total comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	4,805,731	4,805,731	12,438	4,818,169
Other comprehensive income (net of tax)	-	-	(207,831)	733,623	29,340	555,132	705,548	1,260,680
Total comprehensive income for the year	-	-	(207,831)	733,623	4,835,071	5,360,863	717,986	6,078,849
Transactions with equity holders, recognised directly in equity								
Transfers to reserves	-	264,401	(50,000)	-	(214,401)	-	-	-
Dividend paid - Interim	2,179,925	-	-	-	(2,179,925)	-	(225,000)	(225,000)
Total transactions with equity holders	2,179,925	264,401	(50,000)	-	(2,394,326)	-	(225,000)	(225,000)
Balance as at 31st March 2022	17,071,961	2,729,352	(379,348)	1,276,459	23,122,851	43,821,275	3,154,527	46,975,802

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

Statement of Cash Flows

Accounting Policy

The Statement of Cash Flows has been prepared by using the 'Direct Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the year ended 31st March	Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash flows from operating activities						
Income from cash and cash equivalent	6.1	225	159,743	73,753	176,533	103,501
Payments to loans and receivables			(123,938,484)	(47,647,269)	(128,649,697)	(51,042,311)
Receipts from loans and receivables			137,014,283	78,976,592	139,838,871	81,166,978
Investment in balances with banks & financial institutions			(30,785,830)	(24,145,286)	(34,428,160)	(26,225,019)
Receipts from balances with banks & financial institutions			31,510,851	22,294,433	34,065,096	25,405,664
Investment in debt instrument at amortized cost			(31,590,690)	(22,598,347)	(37,483,431)	(23,561,339)
Receipts from debt instrument at amortized cost			29,316,856	20,089,756	31,022,471	20,339,756
Payment of due to customers			(122,737,129)	(99,054,813)	(124,719,248)	(97,571,015)
Receipts from due to customers			116,799,179	83,652,942	124,371,580	83,337,190
Receipt from other income			2,079	1,711	219,280	216,256
Investment in financial assets - fair value through profit or loss			(4,573,220)	(8,881,716)	(5,221,552)	(10,028,730)
Proceeds from financial assets - fair value through profit or loss			4,684,650	9,966,264	5,740,532	10,173,826
Receipt from Financial assets - fair value through OCI			3,756	-	156,320	979,028
Investment in Financial assets - fair value through OCI			(1,150,081)	-	(1,175,931)	(264,333)
Payment for personnel expenses			(3,709,482)	(3,575,458)	(4,653,596)	(4,377,522)
Payment for operating lease liability			(667,068)	(655,969)	(385,273)	(409,587)
Payment for other operating activities			(3,444,374)	(872,388)	(3,623,513)	(885,891)
Premium received from customers			-	-	4,641,005	5,199,021
Claims paid			-	-	(2,340,996)	(2,712,682)
Dividend income from investments			711,841	110,673	6,216	918
Gratuity paid	43	294	(33,471)	(10,353)	(39,309)	(13,148)
Income tax paid	41.1	294	(1,175,310)	(3,349,938)	(1,958,933)	(3,534,648)
Net cash generated from/(used in) operating activities			(3,601,901)	4,374,587	(4,841,735)	6,295,913
Cash flows from investing activities						
Purchase of property, plant and equipment	32	275	(385,714)	(104,690)	(307,456)	(152,324)
Proceeds from the sale of property, plant and equipment			14,005	54,832	131,604	210,359
Purchase of intangible assets	34	281	(10,325)	(360)	(12,835)	(11,661)
Net cash (used in)/generated from investing activities			(382,034)	(50,218)	(188,687)	46,374
Cash flows from financing activities						
Payment for due to banks	35.1	283	(1,946,889)	(3,886,355)	(2,504,664)	(5,315,691)
Borrowing from due to banks	35.1	283	7,000,000	1,000,000	7,250,000	1,500,000
Payment for debt securities issued	37.1	287	(8,456,772)	(6,589,468)	(8,440,722)	(6,570,514)
Borrowing from debt securities issued			10,000,000	-	10,000,000	-
Dividend paid to shareholders			80	(1,345)	80	(1,345)
Dividend paid to non-controlling interest			-	-	(150,000)	-
Net cash (used in)/generated from financing activities			6,596,419	(9,477,168)	6,154,694	(10,387,550)
Net (decrease) in cash & cash equivalents			2,612,484	(5,152,799)	1,124,272	(4,045,263)
Cash and cash equivalents at the beginning of the year			1,986,657	7,139,456	2,952,815	6,998,078
Cash and cash equivalents at the end of the year			4,599,141	1,986,657	4,077,087	2,952,815
Cash and cash equivalents			4,668,831	2,703,031	5,402,587	3,844,694
Bank overdraft			(69,690)	(716,374)	(1,325,500)	(891,879)
Cash and cash equivalents at the end of the year			4,599,141	1,986,657	4,077,087	2,952,815

The Notes appearing on pages 215 to 339 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. Corporate and Group Information

1.1 Corporate Information

People's Leasing & Finance PLC (the 'Company'), is a Public Limited Liability Company incorporated on 22 August 1995 and domiciled in Sri Lanka. It is a licensed finance company under the Finance Business Act No. 42 of 2011. The Company has a primary listing on the Colombo Stock Exchange on 24 November 2011. The Company was re-registered under the Companies Act No. 07 of 2007.

Its registered office and the principal place of the business is at No. 1161, Maradana Road, Colombo 08.

Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 March 2022 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the 'Group').

Parent Entity and Ultimate Parent Entity

The Company's parent entity is People's Bank which is a Government owned entity.

Number of Employees

The staff strength of the Company and Group as at 31st March 2022 is 2,245 and 3,148 respectively. (2,343 and 3,304 as at 31st March 2021).

1.2 Group Information

Principal Activities and Nature of Operations Company

People's Leasing & Finance PLC

The principal business activities are providing finance leases, hire-purchase assets financing, term loans, Islamic finance, margin trading, share trading, issue of debt instruments, factoring, gold loans and mobilisation of public deposits.

Subsidiaries

Name of the Subsidiaries	Principal Activities	Country of Incorporation	% Equity Interest	
			2022	2021
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, sale of vehicles, insurance assessment, and vehicles repairing.	Sri Lanka	100%	100%
People's Leasing Property Development Limited	Carrying out mixed development projects and property development activities.	Sri Lanka	100%	100%
People's Insurance PLC	Carrying out general insurance business	Sri Lanka	75%	75%
People's Leasing Havelock Properties Limited	Construct and operate an office complex.	Sri Lanka	100%	100%
People's Micro-commerce Ltd	Providing non-bank financial services to low income earners and micro enterprises.	Sri Lanka	100%	100%
Lankan Alliance Finance Limited	Providing lease/loans and advances, issue of debt instruments and mobilization of public deposits	Bangladesh	51%	51%

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2. Basis of Preparation and Other Significant Accounting Policies

2.1 Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2022 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at www.casrilanka.com / www.slaasc.lk.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

Details of the Group's General Accounting Policies followed during the year are given in Notes 3 on page 218.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the certification on the Statement of Financial Position.

Notes to the Financial Statements

These financial statements include the following components:

- a Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review;
- a Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end;
- a Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 March 2022 (including comparatives) were approved and authorised for issue on 24 June 2022 in accordance with the resolution of the Board of Directors on 24 June 2022.

2.4 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

Item	Basis of Measurement	Note
Financial assets - Fair value through profit or loss	Fair Value	24
Financial assets - Fair value through other comprehensive income	Fair Value	27
Investment property	Fair Value	30
Retirement benefit obligation	Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses .	43

2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 52 on page 305 (Current/ non-current analysis). No adjustments have been made for inflationary factors affecting the Financial Statements.

2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.7 Functional and Presentation Currency

The Financial Statements of the Group and the Company are presented in Sri Lanka Rupees (Rs.), which is the currency of primary economic environment, in which the Group operates (Group functional currency).

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on "Presentation of Financial Statements".

2.9 Materiality and Aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.10 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs and LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

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

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

Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore,

management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Going Concern In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected income, cost management, profitability, the ability to defer non-essential capital expenditure, unused credit lines and the ability to continue providing services to ensure businesses continue as least impacted as possible. Having presented the outlook for each industry of group to the holding company Board and After evaluating the above by the Management, and after due consideration of the range and likelihood of outcomes, the Management is satisfied that the Company have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

Classification of Financial Assets and Liabilities

As per SLFRS 9, the Significant Accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 3.5.2 on page 219.
- The contractual cash flow characteristics of the financial assets as set out in Note 3.5.2 on page 219.

Impairment losses on Financial Assets

The measurement of impairment losses both under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Group/Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

Impairment Losses on Loans and Receivables

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the 'impairment losses on loans and receivables' are given in Note 25.6 on page 260 to the financial statements.

Impairment charges on financial investments

Financial investments are categorised under amortised cost subject to impairment in accordance with SLFRS 9 -Financial Investment. The Company/Group does not have historical loss experience on debt instruments at amortised cost. Thus the Group considers PDs published by the external sources i.e. - Bloomberg for external credit rating. LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%, and for all other instruments, industry average is considered as LGD.

Credit risk has not increased significantly relating to financial investments, since initial recognition. Therefore Group did not record expected credit loss in the financial statements for those investments.

Impairment of FVOCI

Details of the 'Impairment of FVOCI' are given in Note 27 on page 268 to the financial statements.

Useful Life Time of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Useful Life Time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 34 on page 281 to the financial statements.

GRI | 207-1, 207-2, 207-4

Transfer Pricing Regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

GRI | 207-1, 207-2, 207-4

Deferred Tax

Details of the 'deferred tax' are given in Note 44 on page 297 to the financial statements.

Retirement Benefit Obligation

Details of the 'retirement benefit obligation' are given in Note 43 on page 294 to the financial statements.

Notes to the Financial Statements

Valuation of General Insurance Contract Liabilities of Subsidiary People's Insurance PLC

The estimates of general insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims Incurred, But Not yet Reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjusted estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims, inflation or loss ratios.

2.11 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. General Accounting Policies

3.1 Basis of Consolidation

The Consolidated Financial Statements of the Group for the year ended 31st March 2022 include the Company, its subsidiaries and its associate company. The financial statements of the Company's subsidiaries and associate are prepared for the same reporting year except for People's Insurance PLC, a subsidiary of People's Leasing & Finance PLC, whose financial year ends on December 31st. For consolidation purpose same reporting year has been used.

3.1.1 Business Combination and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets

plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

3.1.2 Common Control Business Combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by The Institute of Chartered Accountants of Sri Lanka.

3.1.3 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

3.1.4 Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at the spot exchange rate at the date of the transactions were affected. In this regard, the Group's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between

amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.3 SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 replaces revenue recognition guidance, including LKAS 18 on "Revenue", LKAS 11 on "Construction Contracts" and IFRIC 13 on "Customer Loyalty Programmes" and is effective for annual reporting periods beginning on or after 1 April, 2018.

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised. SLFRS 15 requires new qualitative and quantitative disclosure aimed at enabling users of Financial Statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Entities are required to apply five-step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount at which the entity expects to be entitled.

3.4 Due and Amended Standard and Interpretation

In these financial statements, the Group has applied Sri Lanka Accounting Standard - Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform, and Amendments to SLFRS 16 - COVID - 19 Related Rent Concessions for financial reporting which became effective for the annual reporting periods beginning on or after 1st January 2020, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

3.4.1 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

3.4.2 Amendments to SLFRS 16 - COVID - 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020. Early application of this amendment was permitted. In case entity has early adopted this amendment above disclosure should not be included under impending standard note - it may be reflected under the note "Changes in accounting policies /new and amended standards adopted during the year". The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

3.5.1 Date of Recognition

All financial assets and liabilities except 'regular way trades' are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. 'Regular way trades' means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

3.5.2 Classification and Subsequent Measurement of Financial Assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

Business Model Assessment

With effect from 1 April 2018, the Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

Notes to the Financial Statements

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the SOFP.

Financial Assets Measured at amortised Cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 22,23,25,26,28 and 35 to 41 on pages 248,249,251,267,269 and 283 to 293.

Financial Assets Measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. Financial assets measured at FVOCI are given in Notes 27 on page 268.

Financial Assets Measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in Notes 24 on page 249.

Financial Assets Designated at Fair Value Through Profit or Loss

As per SLFRS 9, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

3.5.3 Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset which have expired;
- The Group and Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
 - The Group and Company has transferred substantially all the risks and rewards of the asset; or
 - The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

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

Financial Liabilities

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

3.5.4 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.5.5 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21 on page 241.

3.6 Impairment of Non-financial Assets

The carrying amounts of the Group's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's

recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash - generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in Statement of Profit or Loss.

Notes to the Financial Statements

3.7 Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

3.8 Borrowing Costs

As per Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing Costs', the Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

GRI | 207-1, 207-2, 207-4

3.9 Income tax

Details of the 'income tax expense' are given in Note 17 on page 235 to the financial statements.

GRI | 207-1, 207-2, 207-4

3.10 Deferred Tax

Details of the 'deferred tax' are given in Note 44 on page 297 to the financial statements.

3.11 Crop Insurance Levy (CIL)

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

3.12 Tax on Financial Services

Details of the 'VAT, NBT and Debt repayment Levy on financial services' are given in Note 16 on page 234 to the financial statements.

4. Standards Issued But Not Yet Effective

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2022. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2022. Following amendment is not expected to have a material impact on the Financial Statements of the Company/Group in the foreseeable future.

SLFRS 17- Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023. Early application is permitted, if the entity is applying both Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" and Sri Lanka Accounting Standard - SLFRS 15 "Revenue from Contracts with Customers" on or before the date on which it first apply SLFRS 17.

SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards - Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

SLFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The Company/Group is

currently assessing the potential impact on its Financial Statements resulting from this amendment.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to LKAS 16

In March 2021, the CA Sri Lanka adopted amendments to LKAS16 - Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to LKAS 37

In March 2021, the CA Sri Lanka adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, CA Sri Lanka adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively. The Company/Group is currently assessing the potential impact on its Financial Statements resulting from this amendment.

Notes to the Financial Statements

5. Gross Income

Accounting Policy

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company/Group and revenue can be reliably measured. The specific recognition criteria, for each type of income, given under the respective income notes.

For the year ended 31st March	Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest income	6.1	225	23,881,526	24,983,445	25,926,792	26,821,838
Net earned premium	7	226	-	-	4,939,071	5,028,549
Fee and commission income	8	227	1,876,524	1,818,675	1,321,513	1,198,054
Net gains/(losses) on financial assets - FVTPL	9	228	26,783	162,616	86,525	228,258
Other operating income	10	228	956,547	139,062	357,085	368,566
Total			26,741,380	27,103,798	32,630,986	33,645,265

6. Net Interest Income

Accounting Policy

Recognition of Income and Expenses

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest Income and Expenses

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Under SLFRS 9, interest income and Interest expense are recorded using the Effective Interest rate method for all financial assets measured at amortised cost and all financial liabilities measured at amortised cost respectively.

Revenue can be recognized only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 – "Financial instrument", Customer default point (Uncertainty about the recoverability) has been change to 90 days past due. Accordingly interest income can be recognized only up to 90 days past due in accordance with SLFRS 9.

Interest on Overdue Rentals

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

For the year ended 31st March	Page	Company		Group		
		Note	No.	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000
Interest income	6.1	225	23,881,526	24,983,445	25,926,792	26,821,838
Interest expenses	6.2	225	10,832,186	13,064,310	11,205,126	13,375,197
Net interest income			13,049,340	11,919,135	14,721,666	13,446,641

6.1 Interest income

For the year ended 31st March	Page	Company		Group		
		Note	No.	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000
Cash and cash equivalents			159,743	73,753	176,533	103,501
Balances with banks & financial institutions			443,816	340,778	587,209	471,229
Loans and receivables	6.1.1	225	22,633,122	24,190,261	24,170,060	25,589,345
Debt instrument - Amortised cost			644,845	378,653	992,990	657,763
Total interest income			23,881,526	24,983,445	25,926,792	26,821,838

6.1.1 Interest income - Loans and Receivables

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Lease/Ijarah receivable	12,449,735	14,176,359	12,453,101	14,178,588
Hire-Purchase/ Murabah receivable	1,628	5,479	791,468	823,834
Term loans and receivables	10,181,759	10,008,423	10,925,491	10,586,923
	22,633,122	24,190,261	24,170,060	25,589,345

6.2 Interest Expenses

For the year ended 31st March	Page	Company		Group		
		Note	No.	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000
Due to banks	6.2.1	226	903,595	671,106	1,117,531	949,639
Due to customers	6.2.1	226	7,802,922	10,228,458	8,057,701	10,316,632
Debt securities issued	6.2.1	226	1,875,532	1,935,761	1,859,429	1,916,991
SLFRS 16-Incremental Borrowing Cost	40	292	250,137	228,985	170,465	191,935
Total interest expenses			10,832,186	13,064,310	11,205,126	13,375,197

Notes to the Financial Statements

6. Net Interest Income Contd...

6.2.1 Interest Expenses - Product Wise

For the year ended 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Due to banks						
Interest on bank overdraft			1,027	1,272	34,866	25,769
Interest on short term loan			-	14,963	11	16,372
Interest on term loan			235,166	4,980	415,253	257,608
Interest on securitisation			667,402	649,891	667,401	649,890
Subtotal			903,595	671,106	1,117,531	949,639
Due to customers						
Interest cost on deposits			7,802,922	10,228,458	8,057,701	10,316,632
Subtotal			7,802,922	10,228,458	8,057,701	10,316,632
Debt securities issued						
Interest on debentures	37.1	287	1,875,532	1,935,761	1,859,429	1,916,991
Subtotal			1,875,532	1,935,761	1,859,429	1,916,991
Operating lease liabilities						
SLFRS 16-Incremental Borrowing Cost			250,137	228,985	170,465	191,935
Subtotal			250,137	228,985	170,465	191,935
Total interest expenses			10,832,186	13,064,310	11,205,126	13,375,197

7. Net Earned Premium

Accounting Policy

Product Classification of Insurance and Investment Contracts

SLFRS 4 - "Insurance Contracts", requires contracts written by insurer to be classified as either 'Insurance contracts' or 'Investment contracts' depending in the level of insurance risk transferred.

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

Investment contracts are those contracts that transfer significant financial risk, and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the People's Insurance PLC (Subsidiary of PLC) are insurance contracts and therefore classified as insurance contracts under SLFRS 4 - Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

Revenue Recognition of Gross Written Premium

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks. GWP is accounted on accrual basis.

Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Rebates that form part of the premium rate, such as no claim rebates are deducted from GWP.

Insurance - Revenue Recognition Gross Written Premium

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Reinsurance Premium

Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned Premium Reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 365 basis.

Unearned Reinsurance Premium Reserve

Unearned reinsurance premium is the proportion of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies.

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Gross written premium	-	-	6,049,693	6,133,052
Less : Premium ceded to reinsurers	-	-	1,142,976	956,324
Less : Change in reserve unearned premium	-	-	(32,354)	148,179
Total	-	-	4,939,071	5,028,549

8. Fee and Commission Income**Accounting Policy****Fee and Commission Income**

The Group earns fee and commission income from a diverse range of services it provides to its customers. Commission income is recognised on accrual basis. Fee income can be divided into the following two categories;

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period.

Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Notes to the Financial Statements

8. Fee and Commission Income (Contd...)

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Service charges	522,316	583,452	160,404	149,021
Other fees and commission	1,354,208	1,235,223	1,161,109	1,049,033
Total	1,876,524	1,818,675	1,321,513	1,198,054

9. Net Gains/(Losses) on Financial Assets - FVTPL

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net gain/(Loss) on financial assets - FVTPL				
Net mark-to-market (losses)/gain	(8,496)	(10,455)	30,325	25,864
Net capital gains	35,279	173,071	56,200	202,394
Total	26,783	162,616	86,525	228,258

10. Other Operating Income

Accounting Policy

Other Operating income includes income earned on other sources, which are not directly related to the normal operations of the group is recognized on accrual basis.

Dividend Income

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

Net Trading Income from Sale of Vehicles

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

Operating Lease Income

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

Gain or Losses on Disposal of Property, Plant & Equipment

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

Hiring Income

Hiring income from vehicle on hire is recognised in the Statement of Profit or Loss based on the agreement entered between the owner and tenant for the year.

Valuation Income

Valuation income is recognised when they are realised or realisable

Insurance Fee Income

Insurance Policy holders are charged for policy administration services and other contract fees. These fees are recognised as income upon receipt or become due.

Other Income

Other income is recognised on an accrual basis.

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gain on sale of property, plant and equipment	17,529	22,823	55,778	74,774
Hiring income	-	-	2,436	24,939
Operating leases income	-	-	25,030	27,487
Rent income from investment property	-	-	75,712	72,248
Net trading income from sale of vehicles	99	4,620	99	4,620
Dividend income from - FVOCI	5,591	640	5,591	640
- Subsidiaries	930,625	110,000	-	-
- FVTPL	625	33	625	278
Valuation income	-	-	106,662	92,166
Insurance fee income	-	-	57,588	55,761
Other income	2,078	946	27,564	15,653
Total	956,547	139,062	357,085	368,566

11. Impairment Charges for Loans and Receivables and Other Losses

Accounting Policy

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 - Financial Instruments. The methodology adopted by the Company and the Group is explained in Note 25 on page 251 to these financial statements.

Loss on Disposal of Collaterals Including Write Offs

Loans and receivables (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans and receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

Bad Debts Recovered

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

For the year ended 31st March	Note	Page No.	Company		Group	
			2022	2021	2022	2021
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individual impairment	11.3/11.4	231	487,288	(148,063)	487,288	(260,794)
Collective impairment	11.3/11.4	231	132,344	665,766	442,868	971,185
Other receivable			6,760	18,672	(5,623)	55,707
Loss on disposal of collaterals including write offs			104,746	603,692	104,746	683,057
Recovery of written-off debts/disposal losses			(75,713)	(96,230)	(77,523)	(96,666)
Total	11.1/11.2	230	655,425	1,043,837	951,756	1,352,489

Notes to the Financial Statements

11. Impairment Charges for Loans and Receivables and Other Losses (Contd...)

11.1 Impairment Charge/(Reversal) for Loans and Other Losses (Detailed Breakdown) - Company

For the year ended 31st March	2022			
	Disposal loss/write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	28,415	2,766,525	(2,187,125)	607,815
Hire-Purchase/ Murabah receivable	(6,795)	17,586	(10,232)	559
Term Loan and receivables	7,413	2,078,221	(2,045,342)	40,292
Other receivables	-	389,417	(382,658)	6,759
Total	29,033	5,251,749	(4,625,357)	655,425

For the year ended 31st March	2021			
	Disposal loss/write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	293,766	1,538,226	(1,733,151)	98,841
Hire-Purchase/ Murabah receivable	(5,316)	68,635	(10,712)	52,607
Term Loan and receivables	219,012	3,096,373	(2,441,668)	873,717
Other receivables	-	18,672	-	18,672
Total	507,462	4,721,906	(4,185,531)	1,043,837

11.2 Impairment Charge/(Reversal) for Loans and Other Losses (Detailed Breakdown) - Group

For the year ended 31st March	2022			
	Disposal loss/write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	28,415	2,766,525	(2,187,125)	607,815
Hire-Purchase/ Murabah receivable	(6,795)	73,823	(10,232)	56,796
Term Loan and receivables	5,603	2,332,507	(2,045,342)	292,768
Other receivable	-	377,035	(382,658)	(5,623)
Total	27,223	5,549,890	(4,625,357)	951,756

For the year ended 31st March	2021			
	Disposal loss/Write-offs (net of recovery)	Charge	(Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease/Ijarah receivable	293,766	1,538,226	(1,733,151)	98,841
Hire-Purchase/ Murabah receivable	(5,316)	188,858	(10,712)	172,830
Term Loan and receivables	297,941	3,168,837	(2,441,667)	1,025,111
Other receivable	-	55,707	-	55,707
Total	586,391	4,951,628	(4,185,530)	1,352,489

11.3 Impairment Charge to the Income Statement - Company

For the year ended 31st March	2022			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost - Loans and advances				
- Individual impairment	-	-	487,288	487,288
- Collective impairment	506,739	(222,248)	(152,147)	132,344
Total	506,739	(222,248)	335,141	619,632

For the year ended 31st March	2021			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost - Loans and advances				
- Individual impairment	-	-	(148,063)	(148,063)
- Collective impairment	156,312	(69,899)	579,353	665,766
Total	156,312	(69,899)	431,290	517,703

11.4 Impairment Charge to the Income Statement - Group

For the year ended 31st March	2022			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost - Loans and advances				
- Individual impairment	-	-	487,288	487,288
- Collective impairment	720,725	(226,076)	(51,781)	442,868
Total	720,725	(226,076)	435,507	930,156

For the year ended 31st March	2021			
	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost - Loans and advances				
- Individual impairment	-	-	(260,794)	(260,794)
- Collective impairment	244,872	(71,348)	797,661	971,185
Total	244,872	(71,348)	536,867	710,391

Notes to the Financial Statements

12. Personnel Expenses

Accounting Policy

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

Employees are eligible for Employees' Provident Fund (EPF) contribution and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - Employee Benefits.

For the year ended 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Remuneration			3,675,122	3,117,406	4,536,777	3,928,410
Employee benefit - Defined contribution plans - EPF			195,504	188,764	247,093	237,748
Employee benefit - Defined contribution plans - ETF			48,895	47,461	60,674	58,590
Employee benefit - Retirement benefit obligation - Gratuity	43	294	82,893	111,742	102,203	129,888
Total			4,002,414	3,465,373	4,946,747	4,354,636

13. Depreciation and Amortisation

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows;

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

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 32 on page 275.

Amortisation of Right of Use Assets

The right of use asset is subsequently depreciated. Depreciation is over the shorter of the useful life of the asset and the lease term

Amortisation of Intangible Assets

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

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

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

All classes of intangible assets together with the reconciliation of carrying amounts and accumulated amortisation at the beginning and at the end of the year are given in Note 34 on page 281.

For the year ended 31st March	Page No.	Company		Group	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Depreciation of property, plant and equipment	32 275	168,564	167,360	296,458	292,245
Amortisation - Right of use assets	33 280	518,284	543,769	325,327	340,349
Amortisation of intangible assets	34 281	13,195	11,865	16,879	15,099
Total		700,043	722,994	638,664	647,693

14. Benefits Claims and Underwriting Expenditure

Accounting Policy

Recognition of Gross Claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

Recognition of Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the re-insured business.

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Net Benefits and claims	-	-	2,704,556	2,109,279
Underwritings and net acquisition costs	-	-	523,919	554,068
Total	-	-	3,228,475	2,663,347

Notes to the Financial Statements

15. Other Operating Expenses

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year.

Crop Insurance Levy (CIL)

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

Directors' Emoluments

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

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Directors' emoluments	4,939	3,863	12,711	7,919
Auditors' remunerations	7,385	7,385	14,444	13,321
Non-audit fees to auditors	1,317	1,888	1,317	2,216
Professional fees	23,689	12,155	34,112	24,821
Advertising expenses	12,618	28,473	53,709	63,059
Legal fees	8,702	11,666	12,829	12,042
Deposits Insurance Premium	148,678	151,868	148,678	151,868
Crop Insurance Levy	45,973	36,745	45,973	36,745
Operational expenses arising from investment property	-	-	11,145	4,465
Office administration and establishment expenses	1,881,196	1,358,816	2,272,562	1,731,602
Total	2,134,497	1,612,859	2,607,480	2,048,058

GRI | 207-1, 207-2, 207-4

16. Tax on Financial Services

Accounting Policy

Vat On Financial Services

VAT on financial services is calculated in accordance with Value Added Tax(VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non cash benefits including terminal benefits. Vat on financial service was charged at 15% from 1st April 2021 to December 2021 and 18% applied with effect from 1 January 2022 (2021 - 15%).

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
VAT/NBT on financial services	1,645,111	1,222,628	1,705,797	1,273,966
Total	1,645,111	1,222,628	1,705,797	1,273,966

GRI | 207-1, 207-2, 207-4

17. Income Tax Expense

Accounting Policy

This note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard - LKAS 12 on "Income Taxes". As per Sri Lanka Accounting Standard - LKAS 12 "Income Taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation.

Current Tax

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, and the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018 at the rates specified below.

Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 44 on page 297 to the Financial Statements

Company	Note	Page No.	Tax rate	
			2022	2021
People's Leasing & Finance PLC			24%	24%
People's Leasing Fleet Management Limited			24%	24%
People's Micro-commerce Ltd			24%	24%
People's Insurance PLC	17.1	235	24%	24%
People's Leasing Property Development Limited	17.2	235	24%	20%-24%
People's Leasing Havelock Properties Limited	17.3	236	Exempt	Exempt
Lankan Alliance Finance Limited	17.4	236	40.00%	40.00%

17.1 People's Insurance PLC

Current tax is the expected tax payable on the taxable income for the year using tax rate enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous year. 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. 24 of 2017.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of the previous period. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate. The Company is liable for income tax at 24% (2021 - 24%) in terms of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

17.2 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. Non BOI income is liable for normal rate of 24%.

Notes to the Financial Statements

17. Income Tax Expense (Contd...)

17.3 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% concessional tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessional tax rate after the expiration of the 10% concessional tax period.

17.4 Lankan Alliance Finance Limited

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

GRI | 207-1, 207-2, 207-4

17.5 Income Tax Expense

For the year ended 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Statement of Profit or Loss						
Current income tax charge	17.6	236	2,664,536	1,909,079	3,173,817	2,505,247
Deferred tax (reversal)/charge for the year	44	297	(673,452)	(69,511)	(766,656)	(270,905)
Income tax expense recognised in Statement of Profit or Loss			1,991,084	1,839,568	2,407,161	2,234,336
Statement of Comprehensive Income						
Deferred tax charge/(reversal) for the year	44	297	(57,433)	29,961	(57,612)	(27,690)
Income tax charge/(reversal) recognised in Statement of Comprehensive Income			(57,433)	29,961	(57,612)	(27,690)
Effective tax rate (excluding deferred tax)			40.07%	32.51%	43.93%	31.99%
Effective tax rate			29.94%	31.32%	33.32%	28.53%

17.6 Reconciliation of Accounting Profit and Taxable Income

For the year ended 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Profit as per Statement of Profit or Loss			6,650,092	5,872,588	7,225,330	7,830,670
Add: Disallowable expenses			3,537,261	3,147,900	4,057,954	4,762,952
Add: Lease capital recoverable			5,788,713	4,992,617	5,788,713	4,992,617
Less: Allowable expenses			4,363,762	6,101,406	4,711,073	6,370,337
Less: Exempted /allowable income			4,483	(6,711)	236,240	62,903
Statutory income			11,607,821	7,918,410	12,124,684	11,152,999
Less: Tax loss utilised during the year	17.7	237	-	-	-	7,863
Assessable income			11,607,821	7,918,410	12,124,684	11,145,136
Taxable income			11,607,821	7,918,410	12,124,684	11,145,136
Income tax expense at the statutory income	17.8	237	2,712,280	1,999,971	3,221,561	2,601,127
(Over)/ under provision- previous years			(47,744)	(90,892)	(47,744)	(95,886)
Current tax on profits for the year			2,664,536	1,909,079	3,173,817	2,505,241
Deferred tax charged/(reversal) for the year	44	297	(673,452)	(69,511)	(766,656)	(270,905)
Tax expense for the year			1,991,084	1,839,568	2,407,161	2,234,336

17.7 Tax Losses Brought Forward and Utilised during the Year

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Tax Losses Brought Forward and Utilised during the Year				
Tax losses brought forward	-	-	67,971	75,834
Tax losses utilised during the year	-	-	-	(7,863)
Tax losses not utilised and carried forward	-	-	67,971	67,971

17.8 Income Tax Expense at the Statutory Income

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
People's Leasing & Finance PLC	2,712,280	1,999,971	2,712,280	1,999,971
People's Leasing Fleet Management Limited	-	-	68,653	22,303
People's Micro-commerce Ltd	-	-	93,247	71,377
People's Insurance PLC	-	-	219,958	422,685
People's Leasing Property Development Limited	-	-	26,562	4,269
Lankan Alliance Finance Limited	-	-	100,861	80,535
Total income tax at the effective rate	2,712,280	1,999,971	3,221,561	2,601,140

17.9 Summary of the Taxes Paid During the Year

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Direct taxes				
Income tax	1,175,310	3,349,938	1,958,933	3,534,648
Value added tax on financial services	1,568,235	834,720	1,597,458	864,943
Nation building tax on financial services	-	-	-	-
Crop insurance levy	48,509	18,373	60,462	24,679
Economic service charge	-	-	-	-
Debt Repayment Levy	-	-	-	-
Total direct taxes	2,792,054	4,203,031	3,616,853	4,424,270
Indirect taxes (collected and paid)				
Value added tax	148,433	132,211	529,610	556,156
Nation building tax	-	-	-	-
Stamp duty	173,443	133,173	181,192	141,036
Withholding tax on dividend and interest	-	-	-	-
Paye/APT tax	33,987	29,068	35,394	30,208
Total indirect taxes	355,863	294,452	746,196	727,400
Total taxes paid during the financial year	3,147,917	4,497,483	4,363,049	5,151,670

Notes to the Financial Statements

18. Basic / Diluted Earnings Per Ordinary Share (EPS)

Accounting Policy

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

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

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
Profit attributable to equity holders of the Company (Rs.)	4,659,008,652	4,033,019,637	4,805,730,508	5,294,015,655
Number of ordinary shares as at 31st March 2022 (Restated-2021)	1,887,195,002	1,887,195,002	1,887,195,002	1,887,195,002
Basic/ Diluted earnings per ordinary share (Rs.)	2.47	2.14	2.55	2.81

19. Dividend Per Ordinary Share

For the year ended 31st March	Company	
	2022	2021
Ordinary shares		
Out of normal profits (Rs.)	-	976,622,033
Total cash dividend paid (Rs.)	-	976,622,033
Scrip/Cash dividend Paid (Rs.)	2,179,924,683	976,622,033
Total dividend paid (Rs.)	2,179,924,683	976,622,033
Dividend per Ordinary share (Rs.)	1.25	0.60

Subsequent to the reporting date, the Board of Directors of the Company recommended the payment of a final dividend of Rs. 0.50 per share in the form of scrip dividend for the year ended 31 March 2022. This final dividend is yet to be approved at the Annual General Meeting. In accordance with the Sri Lanka Accounting Standard - LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognized as a liability as at 31 March 2022. Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, as per Sri Lanka Accounting Standard - LKAS 33 - Earnings per share.

20. Analysis of Financial Instruments by Measurement Basis

Accounting Policy

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 'Financial Instruments: Recognition and Measurement' under the headings of the Statement of Financial Position.

20.1 Company

As at 31st March 2022		Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents	22	248	-	4,668,830	4,668,830
Balances with banks & financial institutions	23	248	-	5,117,866	5,117,866
Financial assets -Fair value through profit or loss	24	249	25,140	-	25,140
Loans and receivables	25	251	-	151,274,454	151,274,454
Financial assets - Fair Value through other comprehensive income	27	268	-	-	1,333,278
Debt Instrument at amortised cost	28	269	-	9,827,221	9,827,221
Other financial assets	31	274	-	108,493	108,493
Total financial assets			25,140	170,996,864	172,355,282
As at 31st March 2022					
Liabilities					
Due to banks	35	283	-	11,749,332	11,749,332
Due to customers	36	285	-	103,367,904	103,367,904
Debt securities issued	37	287	-	17,244,313	17,244,313
Other financial liabilities	38	289	-	3,636,528	3,636,528
Lease Liability	40	293	-	2,059,050	2,059,050
Total financial liabilities			-	138,057,127	138,057,127

20.2 Company

As at 31st March 2021		Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents	22	248	-	2,703,031	2,703,031
Balances with banks & financial institutions	23	248	-	5,399,071	5,399,071
Financial assets -Fair value through profit or loss	24	249	109,787	-	109,787
Loans and receivables	25	251	-	141,387,907	141,387,907
Financial assets - Fair Value through other comprehensive income	27	268	-	-	309,118
Debt Instrument at amortised cost	28	269	-	6,994,206	6,994,206
Other financial assets	31	274	-	126,949	126,949
Total financial assets			109,787	156,611,164	157,030,069
As at 31st March 2021					
Liabilities					
Due to banks	35	283	-	6,439,310	6,439,310
Due to customers	36	285	-	101,502,931	101,502,931
Debt securities issued	37	287	-	13,825,553	13,825,553
Other financial liabilities	38	289	-	4,132,110	4,132,110
Lease Liability	40	292	-	2,286,386	2,286,386
Total financial liabilities			-	128,186,290	128,186,290

Notes to the Financial Statements

20. Analysis of Financial Instruments by Measurement Basis (Contd...)

20.3 Group

As at 31st March 2022			Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and cash equivalents	22	248	-	5,402,587	-	5,402,587
Balances with banks & financial institutions	23	248	-	9,529,518	-	9,529,518
Financial assets - Fair value through profit or loss	24	249	849,298	-	-	849,298
Loans and receivables - Amortised cost	25	251	-	163,320,846	-	163,320,846
Insurance and reinsurance receivables	26	267	-	1,322,528	-	1,322,528
Financial assets - Fair Value through other comprehensive income	27	268	-	-	1,632,941	1,632,941
Debt Instrument at amortised cost	28	269	-	16,013,525	-	16,013,525
Total financial assets			849,298	195,589,004	1,632,941	198,071,243
As at 31st March 2022						
Liabilities						
Due to banks	35	283	-	15,300,361	-	15,300,361
Due to customers	36	285	-	111,453,750	-	111,453,750
Debt securities issued	37	287	-	17,103,223	-	17,103,223
Other financial liabilities	38	289	-	4,043,322	-	4,043,322
Insurance liabilities and reinsurance payable	39	290	-	5,903,363	-	5,903,363
Lease liability	40	292	-	1,588,115	-	1,588,115
Total financial liabilities			-	155,392,134	-	155,392,134

20.4 Group

As at 31st March 2021			Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and cash equivalents	22	248	-	3,844,694	-	3,844,694
Balances with banks & financial institutions	23	248	-	8,231,101	-	8,231,101
Financial assets - Fair value through profit or loss	24	249	1,281,753	-	-	1,281,753
Loans and receivables - Amortised cost	25	251	-	147,004,004	-	147,004,004
Insurance and reinsurance receivables	26	267	-	1,024,461	-	1,024,461
Financial assets - Fair Value through other comprehensive income	27	268	-	-	735,494	735,494
Debt Instrument at amortised cost	28	269	-	10,931,714	-	10,931,714
Total financial assets			1,281,753	171,035,974	735,494	173,053,221
As at 31st March 2021						
Liabilities						
Due to banks	35	283	-	9,003,873	-	9,003,873
Due to customers	36	285	-	103,743,716	-	103,743,716
Debt Securities issued	37	287	-	13,684,516	-	13,684,516
Other Financial liabilities	38	289	-	4,111,235	-	4,111,235
Lease liability	40	292	-	1,614,660	-	1,614,660
Insurance liabilities and reinsurance payable	39	290	-	5,015,885	-	5,015,885
Total financial liabilities			-	137,173,885	-	137,173,885

21. Fair Value of Assets and Liabilities

Accounting Policy

The following is a description of how fair values are determined for financial and non-financial assets and liabilities that are recorded at fair value using valuation techniques. These incorporate the Group's/Company's estimate of assumptions that a market participant would make when valuing the instruments.

21.1 Financial Assets - Fair Value Through Other Comprehensive Income

Financial assets - Fair Value through other comprehensive income valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

21.2 Financial assets -Fair Value Through Profit or Loss

Financial assets -Fair value through profit or loss valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

21.3 Financial Assets and Liabilities Carried at Amortised Cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorized under level 3 in the fair value hierarchy.

21.4 Property, Plant and Equipment Disclosed at Fair Value

Freehold land and buildings are disclosed at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

21.5 Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Valuation Framework

The Company has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include;

- Periodic (daily, monthly or quarterly) reviewing of fair value measurements against observable market data.
- Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgments and assumptions.

21.6 Determination of Fair Value and Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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

Notes to the Financial Statements

21. Fair Value of Assets and Liabilities (Contd...)

Company 31 March 2022	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Quoted Investments	27	268	31.03.2022	231,838	-	-	231,838
Debentures			31.03.2022	-	-	1,101,440	1,101,440
Subtotal				231,838	-	1,101,440	1,333,278
Financial assets -Fair value through profit or loss							
Quoted Investments	24	249	31.03.2022	25,140	-	-	25,140
Subtotal				25,140	-	-	25,140
Total				256,978	-	1,101,440	1,358,418
Non financial assets disclosed at fair value							
Freehold land & buildings (included under property, plant & equipment).							
	32.4	279		-	-	1,047,943	1,047,943
Total				-	-	1,047,943	1,047,943

Company 31 March 2021	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Quoted Investments	27	268	31.03.2021	309,118	-	-	309,118
Subtotal				309,118	-	-	309,118
Financial assets -Fair value through profit or loss							
Quoted Investments	24	249	31.03.2021	9,768	-	-	9,768
Investment in Unit Trust	24	249	31.03.2021	-	100,019	-	100,019
Subtotal				9,768	100,019	-	109,787
Total				318,886	100,019	-	418,905
Non financial assets disclosed at fair value							
Freehold lands & buildings (included under property, plant & equipment).							
	32.4	279		-	-	864,058	864,058
Total				-	-	864,058	864,058

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

Group 31 March 2022	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Quoted Investments	27	268	31.03.2022	231,838	-	-	231,838
Treasury bills	27	268	31.03.2022	-	299,663	-	299,663
Debentures	27	268	31.03.2022	-	-	1,101,440	1,101,440
Subtotal				231,838	299,663	1,101,440	1,632,941
Financial assets - Fair value through profit or loss							
Quoted Investments	24	249	31.03.2022	174,801	-	-	174,801
Investment in Unit Trust	24	249	31.03.2022	-	674,497	-	674,497
Subtotal				174,801	674,497	-	849,298
Non financial assets - Investment property							
Land and building	30	273	31.03.2022	-	-	820,664	820,664
Subtotal				-	-	820,664	820,664
Total				406,639	974,160	1,922,104	3,302,903
Non financial assets disclosed at fair value							
Freehold land & buildings (included under property, plant & equipment).	32.4	279		-	-	6,297,943	6,297,943
Total				-	-	6,297,943	6,297,943

Group 31 March 2021	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial Assets							
Financial assets - Fair value through other comprehensive income							
Treasury bills			31.03.2021	-	426,376	-	426,376
Quoted Investments	27	268	31.03.2021	309,118	-	-	309,118
Subtotal				309,118	426,376	-	735,494
Financial assets - Fair value through profit or loss							
Quoted Investments	24	249	31.03.2021	24,753	-	-	24,753
Investment in Unit Trust	24	249	31.03.2021	-	1,257,000	-	1,257,000
Subtotal				24,753	1,257,000	-	1,281,753
Non financial assets - Investment property							
Land and building	30	273	31.03.2021	-	-	820,664	820,664
Subtotal				-	-	820,664	820,664
Total				333,871	1,683,376	820,664	2,837,911
Non financial assets disclosed at fair value							
Freehold land & buildings (included under property, plant & equipment).	32.4	279		-	-	5,964,058	5,964,058
Total				-	-	5,964,058	5,964,058

Notes to the Financial Statements

21. Fair Value of Assets and Liabilities (Contd...)

There were no material transfers between level 1 and level 2 during the 2021/2022 and 2020/2021. Valuation was carried out for lands and buildings by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 - Fair Value Measurement.

The following table show total fair value gains/losses recognised in Statement of Profit or Loss during the year relating to assets and liabilities held at the respective year ended.

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Financial Assets				
Financial assets - Fair value through profit or loss				
Quoted Investments	26,783	162,616	86,525	228,258
Total	26,783	162,616	86,525	228,258

Level 3 Fair Value Measurement

Reconciliation

The following note shows a reconciliation from the beginning balances to the ending balances of fair value measurements in level 3 of the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

	Note	Page No.	Company			Group		
			Investment property Rs. '000	Freehold Land Buildings Rs. '000	Total Rs. '000	Investment property Rs. '000	Freehold Land Buildings Rs. '000	Total Rs. '000
Balance as at 1 April 2020			-	864,058	864,058	1,131,652	4,782,406	5,914,058
Additions			-	-	-	-	-	-
Disposals / transfers			-	-	-	(310,988)	310,988	-
Total gains / (losses) recognised in profit or loss;								
Depreciation of buildings			-	(471)	(471)	-	(63,805)	(63,805)
Fair value disclosed during the year			-	471	471	-	113,805	113,805
Balance as at 31 March 2021	32.4	279	-	864,058	864,058	820,664	5,143,394	5,964,058
Balance as at 1 April 2021			-	864,058	864,058	820,664	5,143,394	5,964,058
Additions			-	149,702	149,702	-	149,702	149,702
Disposals / transfers			-	-	-	-	-	-
Total gains / (losses) recognised in profit or loss;								
Depreciation of buildings			-	-	-	-	(63,805)	(63,805)
Fair value disclosed during the year			-	34,183	34,183	-	247,988	247,988
Balance as at 31 March 2022	32.4	279	-	1,047,943	1,047,943	820,664	5,477,279	6,297,943

Unobservable Inputs Used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used at 31st March 2022 and 31st March 2021 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

Type of instrument	Date of Valuation	Fair value Rs. '000	Valuation Technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Company						
As at 31st March 2022						
Property, plant and equipment						
Freehold lands	31.12.2019 /31.03.2021	1,005,343	MCM	Estimated price per perch	Rs. 60,000 - 6,000,000	*
Freehold buildings	31.12.2019	42,600	MCM	Estimated price per sq.ft	Rs. 1,000 - 4,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 20 - 60	*
As at 31st March 2021						
Property, plant and equipment						
Freehold lands	31.12.2019	821,458	MCM	Estimated price per perch	Rs. 60,000 - 6,000,000	*
Freehold buildings	31.12.2019	42,600	MCM	Estimated price per sq.ft	Rs. 1,000 - 4,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 20 - 60	*
Group						
As at 31st March 2022						
Investment Property						
Freehold lands	31.12.2021	261,075	MCM	Estimated price per perch	Rs. 600,000 - 13,000,000	*
Freehold buildings		559,589	MCM	Estimated price per sq.ft	Rs. 200 - 300	*
			Income basis	Estimated rental value per sq.ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2021	3,209,268	MCM	Estimated price per perch	Rs. 50,000 - 13,000,000	*
Freehold buildings	31.12.2021	2,268,011	MCM	Estimated price per sq.ft	Rs. 500 - 11,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 250	*
As at 31st March 2021						
Investment Property						
Freehold lands	31.12.2020	261,075	MCM	Estimated price per perch	Rs. 600,000 - 13,000,000	*
Freehold buildings	31.12.2020	559,589	MCM	Estimated price per sq.ft	Rs. 200 - 300	*
			Income basis	Estimated rental value per sq.ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2020	3,025,383	MCM	Estimated price per perch	Rs. 50,000 - 13,000,000	*
Freehold buildings	31.12.2020	2,118,011	MCM	Estimated price per sq.ft	Rs. 500 - 11,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 250	*

MCM - Market comparable method

* Significant increases / (decreases) in any of these inputs in isolation would result in a significantly higher / (lower) fair value.

Notes to the Financial Statements

21. Fair Value of Assets and Liabilities (Contd...)

21.7 Fair Value of Assets and Liabilities Not Carried at Fair Value

Set out below is a comparison, by class, of the carrying amount and fair values of the Group's/Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

Company As at 31st March	2022					2021				
	Level 1	Level 2	Level 3	Total fair Value	Carrying amount	Level 1	Level 2	Level 3	Total fair Value	Carrying amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets										
Cash and cash equivalents	-	4,668,830	-	4,668,830	4,668,830	-	2,703,031	-	2,703,031	2,703,031
Balances with banks & financial institutions	-	5,117,307	-	5,117,307	5,117,866	-	5,900,872	-	5,900,872	5,399,071
Loans and receivables (Gross)	-	161,878,020	-	161,878,020	161,162,024	-	163,635,284	-	163,635,284	150,655,845
Debt instrument - Amortised cost	-	9,804,639	-	9,804,639	9,827,221	-	6,984,078	-	6,984,078	6,994,206
Other financial assets	-	108,493	-	108,493	108,493	-	126,949	-	126,949	126,949
	-	181,577,289	-	181,577,289	180,884,434	-	179,350,214	-	179,350,214	165,879,102
Financial Liabilities										
Due to banks	-	11,750,052	-	11,750,052	11,749,332	-	6,936,408	-	6,936,408	6,439,310
Due to customers	-	102,854,237	-	102,854,237	103,367,904	-	102,019,672	-	102,019,672	101,502,931
Debt Securities issued	-	16,266,084	-	16,266,084	17,244,313	-	14,675,439	-	14,675,439	13,825,553
Other Financial liabilities	-	3,636,528	-	3,636,528	3,636,528	-	4,131,671	-	4,131,671	4,132,110
Operating lease liabilities	-	2,072,188	-	2,072,188	2,059,050	-	2,282,213	-	2,282,213	2,286,386
	-	136,579,089	-	136,579,089	138,057,127	-	130,045,403	-	130,045,403	128,186,290

Group As at 31st March	2022					2021				
	Level 1	Level 2	Level 3	Total fair Value	Carrying amount	Level 1	Level 2	Level 3	Total fair Value	Carrying amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets										
Cash and cash equivalents	-	5,402,587	-	5,402,587	5,402,587	-	3,844,694	-	3,844,694	3,844,694
Balances with banks & financial institutions	-	9,492,331	-	9,492,331	9,529,518	-	8,239,912	-	8,239,912	8,231,101
Loans and receivables (Gross)	-	174,545,177	-	174,545,177	174,162,982	-	166,557,994	-	166,557,994	156,886,200
Insurance and reinsurance receivables	-	1,322,528	-	1,322,528	1,322,528	-	1,024,461	-	1,024,461	1,024,461
Debt instrument - Amortised cost	-	15,765,803	-	15,765,803	16,013,525	-	11,200,604	-	11,200,604	10,931,714
	-	206,528,426	-	206,528,426	206,431,140	-	190,867,665	-	190,867,665	180,918,170
Financial Liabilities										
Due to banks	-	15,389,574	-	15,389,574	15,300,361	-	9,739,721	-	9,739,721	9,003,873
Due to customers	-	110,876,896	-	110,876,896	111,453,750	-	104,256,546	-	104,256,546	103,743,716
Debt Securities issued	-	16,124,318	-	16,124,318	17,103,223	-	14,522,493	-	14,522,493	13,684,516
Other Financial liabilities	-	4,043,322	-	4,043,322	4,043,322	-	4,110,795	-	4,110,795	4,111,235
Insurance liabilities and reinsurance payable	-	5,903,363	-	5,903,363	5,903,363	-	5,015,885	-	5,015,885	5,015,885
Operating lease liabilities	-	1,587,902	-	1,587,902	1,588,115	-	1,609,725	-	1,609,725	1,614,660
	-	153,925,375	-	153,925,375	155,392,134	-	139,255,165	-	139,255,165	137,173,885

Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The valuation techniques used to establish the Group's fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group's reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received / paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgment involved in calculating the fair values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Balances with Banks and Financial Institutions

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Loan and Receivables

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

Due to Customers

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

Due to Banks and Debt Securities Issued

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

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

Lease Liabilities

Estimated fair value of the lease liability represents the discounted amount of lease payment expected to be received in the future. Expected cash flows are discounted using incremental borrowing rate at the reporting date.

Notes to the Financial Statements

22. Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They are brought to financial statements at their face values or the gross values, where appropriate. There were no cash and cash equivalent held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Securities Purchased Under Reverse Repurchase Agreements

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as alone by the Group. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

For the year ended 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash in hand			1,135,991	922,568	1,157,668	939,766
Balance with banks	22.1	248	1,693,626	1,573,040	2,202,565	1,788,506
Savings Account with banks			1,339,182	207,403	1,367,071	338,985
Saving deposit in foreign currency			31	20	31	20
Securities under reverse repurchase agreement			500,000	-	675,252	777,417
Total			4,668,830	2,703,031	5,402,587	3,844,694
Fair value			4,668,830	2,703,031	5,402,587	3,844,694

22.1 Balance with Banks

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Local banks	1,693,626	1,573,040	2,202,565	1,788,506
Total	1,693,626	1,573,040	2,202,565	1,788,506

23. Balances with Banks & Financial Institutions

Accounting Policy

Balances with banks & financial institutions include fixed deposits and deposits in foreign currency. Balances with banks & financial institutions are carried at amortised cost in the statement of financial position.

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Fixed deposits				
Local currency	5,117,866	5,399,071	9,510,617	8,230,653
Foreign currency	-	-	18,901	448
Total	5,117,866	5,399,071	9,529,518	8,231,101
Fair value	5,117,307	5,900,872	9,492,331	8,239,912

24. Financial Assets -Fair Value Through Profit or Loss

Accounting Policy

The Group classifies financial assets as financial assets recognised through profit or loss (FATPL) when they have been purchased primarily for short term profit making through trading activities. FATPL are recorded and measured at fair value and changes in fair value are recognised in the Net gains/(losses) on financial assets - FVTPL in the Statement of Profit or Loss.

SLFRS 9 requires financial instruments to be classified based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. FATPL include quoted equity securities that have been acquired principally for short term profit making and are recorded at fair value using the market prices published by the Colombo Stock Exchange.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

Dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the payment has been established.

The Group evaluates its portfolio of assets FVOCI, to determine if the intention to sell them in the near future is still appropriate. When the Group can not sell these financial assets due to inactive markets and the management intention to sell them in the foreseeable future significant changes, the Group may choose to reclassify these financial assets. Financial assets FVOCI measure the fair value using the prices obtained from Colombo Stock Exchanges.

For the year ended 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Quoted equity securities	24.1	249	25,140	9,768	174,801	24,753
Investment in Unit Trust	24.3	251	-	100,019	674,497	1,257,000
Total			25,140	109,787	849,298	1,281,753
Fair value			25,140	109,787	849,298	1,281,753

24.1 Quoted Equity Securities

As at 31st March	2022			2021			
	Company	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000	No. of Shares Rs. '000	Total Cost Rs. '000	Market Value Rs. '000
Utility							
Windforce PLC	1,000,000	18,489	15,900	-	-	-	-
Subtotal		18,489	15,900				
Capital Goods							
John Keells Holdings PLC	-	-	-	65,780	10,310	9,768	
Hemas Holding PLC	200,000	14,157	9,240	-	-	-	
Subtotal		14,157	9,240		10,310	9,768	
Total		32,646	25,140		10,310	9,768	
Mark to market gains/(losses)		(7,506)			(542)		
Market value of equity securities		25,140			9,768		

Notes to the Financial Statements

24. Financial Assets -Fair Value Through Profit or Loss (Contd...)

As at 31st March Group Shares Listed In Sri Lanka	2022			2021		
	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000	No. of Shares Rs. '000	Total Cost Rs. '000	Market Value Rs. '000
Utility						
Windforce PLC	1,000,000	18,489	15,900	-	-	-
Subtotal		18,489	15,900		-	-
Capital Goods						
John Keells Holdings PLC	-	-	-	65,780	10,310	9,768
Hemas Holding PLC	200,000	14,157	9,240	-	-	-
Subtotal		14,157	9,240		10,310	9,768
Manufacturing						
Piramal Glass Ceylon PLC	-	-	-	1,350,000	14,985	14,985
Subtotal		-	-		14,985	14,985
Shares Listed In Bangladesh						
British American Tobacco Bangladesh	10,000	22,716	20,269	-	-	-
Berger Paints Bangladesh Ltd.	1,000	6,241	6,081	-	-	-
Beximco Pharma	12,000	8,162	7,332	-	-	-
BRAC Bank Ltd.	25,000	4,761	4,309	-	-	-
City Bank Ltd.	100,000	10,116	8,981	-	-	-
Dutch Bangla Bank Ltd.	50,000	14,253	12,912	-	-	-
Eastern Bank Ltd.	25,000	3,399	3,329	-	-	-
Grameenphone Limited	17,300	22,696	19,731	-	-	-
Marico Bangladesh Ltd.	2,000	16,416	16,334	-	-	-
Reckitt Benckiser	150	2,949	2,803	-	-	-
Renata Ltd.	82	376	385	-	-	-
Square Pharmaceuticals Ltd.	30,000	24,595	22,814	-	-	-
Summit Power	150,000	24,940	20,286	-	-	-
Walton Hi-Tech Industries	1,100	4,350	4,105	-	-	-
Subtotal		165,970	149,661		-	-
Total		198,616	174,801		25,295	24,753
Mark to market gains/(losses)		(23,815)			(542)	
Market value of equity securities		174,801			24,753	

24.2 Industry/Sector Composition of Equity Securities - Company and Group

As at 31st March	2022			2021		
	Total Cost Rs. '000	Market Value Rs. '000	%	Total Cost Rs. '000	Market Value Rs. '000	%
Company						
Utility	18,489	15,900	63.25%	-	-	0.00%
Capital Goods	14,157	9,240	36.75%	10,310	9,768	100.00%
Subtotal	32,646	25,140	100.00%	10,310	9,768	100.00%
Mark to market gains/(losses)	(7,506)			(542)		
Market value of equity securities	25,140			9,768		
Group						
Utility	18,489	15,900	9.10%	10,310	9,768	39.46%
Capital Goods	14,157	9,240	5.29%	-	-	0.00%
Manufacturing	-	-	-	14,985	14,985	60.54%
Shares Listed In Bangladesh	165,970	149,661	85.61%	-	-	0.00%
Subtotal	198,616	174,801	100.00%	25,295	24,753	100.00%
Mark to market gains/(losses)	(23,815)			(542)		
Market value of equity securities	174,801			24,753		

Sensitivity analysis of financial assets - FVTPL - equity is given in Note 56.4.3 on page 335.

24.3 Investment in Unit Trust

For the year ended 31st March	Company			Group		
	No. of Units	2022 Rs. '000	2021 Rs. '000	No. of Units	2022 Rs. '000	2021 Rs. '000
NDB Wealth Money Market Plus Fund	-	-	-	2,052	51,679	387,382
CAL Investment	-	-	100,019	16,805	362,795	485,447
JB Vantage Money Market Fund	-	-	-	8,693	260,023	384,171
Total	-	-	100,019	-	674,497	1,257,000

25. Loans and Receivables - Amortised Cost**Accounting Policy**

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and Company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group and Company, upon initial recognition, designates as FVOCI
- Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

Loans and receivables' are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in 'impairment charges for loans and receivables and other losses'.

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

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 of use the asset.

Group/Company as a Lessee

Leases that do not transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Group/Company as a Lessor

Leases where the Group/Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Receivables on Lease, Hire Purchase and Islamic Finance

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

'Day 1' Difference for Staff Loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as 'day 1' difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs. Refer Note 31.2 on page 275.

Renegotiated Loans and Receivables

Where possible, the Group/Company seeks to restructure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the receivable is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The receivable continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be measured at amortised cost using original EIR and subject to an individual or collective impairment assessment.

Impairment Allowance for Loans and Receivable to Customers

Details on the Impairment allowance for loans and receivable to customers disclosed in the 25.6 on page 260.

Reversals of Impairment

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

Written off of Loans and Receivables

Loans and receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

For the year ended 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Loans and receivables	25.1.2	254	161,162,024	150,655,845	174,162,982	156,886,200
(Less):						
Individual impairment charges	25.7	263	1,655,462	1,168,174	1,655,462	1,168,174
Collective impairment charges	25.7	263	8,232,108	8,099,764	9,186,674	8,714,022
Net loans and receivables			151,274,454	141,387,907	163,320,846	147,004,004
Fair value			161,878,020	163,635,284	174,545,177	166,557,994

25.1 Analysis

25.1.1 Analysis by Stage Wise

Company - 2022	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	124,054,490	16,207,504	20,900,030	161,162,024
(Less):				
Individual impairment charges	-	-	1,655,462	1,655,462
Collective impairment charges	1,338,223	891,126	6,002,759	8,232,108
Net loans and receivables	122,716,267	15,316,378	13,241,809	151,274,454

Company - 2021	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	91,721,453	30,256,132	28,678,260	150,655,845
(Less):				
Individual impairment charges	-	-	1,168,174	1,168,174
Collective impairment charges	831,484	1,113,374	6,154,906	8,099,764
Net loans and receivables	90,889,969	29,142,758	21,355,180	141,387,907

Group - 2022	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	134,631,928	17,272,072	22,258,982	174,162,982
(Less):				
Individual impairment charges	-	-	1,655,462	1,655,462
Collective impairment charges	1,745,742	1,036,189	6,404,743	9,186,674
Net loans and receivables	132,886,186	16,235,883	14,198,777	163,320,846

Group - 2021	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	90,178,765	35,084,515	31,622,920	156,886,200
(Less):				
Individual impairment charges	-	-	1,168,174	1,168,174
Collective impairment charges	995,233	1,262,265	6,456,524	8,714,022
Net loans and receivables	89,183,532	33,822,250	23,998,222	147,004,004

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

25.1.2 Analysis by Product

As at 31st March	Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
By product						
Lease/Ijarah receivable	25.5.1/25.4.1	257/259	76,836,170	78,141,725	76,827,955	78,131,430
Hire-Purchase/ Murabah receivable	25.5.2/25.4.2	257/259	204,339	224,793	3,532,661	3,143,356
Term Loan and receivables	25.5.3/25.4.3	258/260	82,658,604	70,780,167	93,802,366	75,611,414
Related party receivables	25.2	255	1,462,911	1,509,160	-	-
Gross total			161,162,024	150,655,845	174,162,982	156,886,200
Fair value			161,878,020	163,635,284	174,545,177	166,557,994

25.1.3 Analysis by Currency

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Sri Lankan Rupee	161,162,024	150,655,845	163,098,987	152,113,916
Bangladesh Taka	-	-	11,063,995	4,772,284
Gross total	161,162,024	150,655,845	174,162,982	156,886,200

25.1.4 Analysis by Industry

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Agriculture, Forestry & Fishing	32,571,677	30,661,009	33,958,216	31,237,276
Arts, Entertainment & Recreation	1,314,458	1,406,139	1,314,458	1,406,139
Construction & Infrastructure Development	9,797,912	10,972,649	10,631,366	9,780,857
Consumption	8,618,671	7,819,767	10,188,492	7,819,767
Education	2,090,854	1,888,245	2,090,854	1,888,245
Financial Services	10,787,171	7,268,787	10,719,757	9,848,580
Health Care, Social Services & Support Services	9,010,963	12,134,882	11,498,386	13,531,028
Information Technology And Communication	1,726,877	1,536,108	1,968,838	1,536,108
Manufacturing	9,441,731	9,094,435	14,135,330	10,625,482
Professional, Scientific & Technical Activities	13,558,688	10,814,474	14,364,143	10,814,474
Tourism	3,314,785	3,666,967	3,328,350	3,679,932
Transportation & Storage	35,116,000	33,506,084	35,254,791	33,611,307
Wholesale & Retail Trade	20,787,613	18,498,319	21,336,335	19,034,510
Other	3,024,624	1,387,980	3,373,666	2,072,495
Gross total	161,162,024	150,655,845	174,162,982	156,886,200

25.2 Related Party Receivables

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
People's Leasing Property Development Limited	560,310	599,301	-	-
People's Leasing Fleet Management Limited	3,528	-	-	-
People's Leasing Havelock Properties Limited	835,187	830,096	-	-
People's Micro-commerce Ltd.	1,495	2,700	-	-
People's Insurance PLC	35,236	49,908	-	-
Lankan Alliance Finance Limited	27,155	27,155	-	-
Total	1,462,911	1,509,160	-	-

25.3 Movement in Gross Loan and Receivables During the Year (Under SLFRS 9)

Movement in Gross Loan and Receivables 2021/22 - Company

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1st April 2021	91,721,453	30,256,132	28,678,260	150,655,845
New assets originated or purchased	65,130,966	1,874,077	1,211,963	68,217,006
Assets derecognised or repaid (excluding write offs)	(37,547,489)	(10,439,345)	(9,718,931)	(57,705,765)
Transfers to Stage 2 and 3	(8,524,274)	6,540,159	1,984,116	-
Transfers to Stage 1 and 3	9,306,431	(13,243,054)	3,936,623	-
Transfers to Stage 1 and 2	3,967,403	1,219,535	(5,186,938)	-
Amounts written off	-	-	(5,063)	(5,063)
Gross carrying amount as at 31st March 2022	124,054,490	16,207,504	20,900,030	161,162,024

Movement in Gross Loan and Receivables 2020/21 - Company

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1st April 2020	85,842,549	38,427,765	32,227,432	156,497,746
New assets originated or purchased	45,437,659	5,359,775	5,802,633	56,600,067
Assets derecognised or repaid (excluding write offs)	(34,540,620)	(15,262,704)	(12,491,832)	(62,295,156)
Transfers to Stage 2 and 3	(15,480,507)	13,868,554	1,611,953	-
Transfers to Stage 1 and 3	7,993,476	(15,696,865)	7,703,389	-
Transfers to Stage 1 and 2	2,468,896	3,559,607	(6,028,503)	-
Amounts written off	-	-	(146,812)	(146,812)
Gross carrying amount as at 31st March 2021	91,721,453	30,256,132	28,678,260	150,655,845

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Movement in Gross Loan and Receivables 2021/22 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1st April 2021	92,517,093	35,084,515	31,622,920	159,224,528
New assets originated or purchased	74,010,141	2,035,752	1,377,459	77,423,352
Assets derecognised or repaid (excluding write offs)	(40,640,671)	(13,175,141)	(11,751,546)	(65,567,358)
Transfers to Stage 2 and 3	(8,694,759)	6,690,802	2,003,957	-
Transfers to Stage 1 and 3	10,237,075	(13,976,868)	3,739,792	-
Transfers to Stage 1 and 2	4,364,143	563,448	(4,927,591)	-
Amounts written off	-	-	(5,063)	(5,063)
Foreign exchange adjustments	2,838,906	49,564	199,054	3,087,524
Gross carrying amount as at 31st March 2022	134,631,928	17,272,072	22,258,982	174,162,982

Movement in Gross Loan and Receivables 2020/21 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1st April 2020	88,207,562	41,813,456	33,283,862	163,304,880
New assets originated or purchased	52,415,185	6,131,991	6,371,434	64,918,610
Assets derecognised or repaid (excluding write offs)	(43,858,513)	(15,048,355)	(12,283,610)	(71,190,478)
Transfers to Stage 2 and 3	(16,130,403)	14,368,752	1,761,651	-
Transfers to Stage 1 and 3	7,366,941	(15,816,240)	8,449,299	-
Transfers to Stage 1 and 2	2,177,993	3,634,911	(5,812,904)	-
Amounts written off	-	-	(146,812)	(146,812)
Gross carrying amount as at 31st March 2021	90,178,765	35,084,515	31,622,920	156,886,200

25.4 Remaining Contractual Maturity Analysis -Company

25.4.1 Lease/Ijarah Receivable

As at 31st March	2022				2021			
	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
Lease/Ijarah receivable								
Gross rentals receivable	40,144,122	55,166,643	143,004	95,453,769	43,999,315	52,294,392	53,075	96,346,783
Less: Unearned income	9,383,677	9,225,344	6,816	18,615,837	9,942,866	8,256,450	3,185	18,202,501
Net rentals receivable	30,760,445	45,941,299	136,188	76,837,932	34,056,449	44,037,942	49,891	78,144,282
Less: Rentals received in advance				1,762				2,557
Lease/Ijarah receivable before impairment provision				76,836,170				78,141,725
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1								-
Stage 2								-
Stage 3								-
Total individual impairment								-
Collective Impairment								
Stage 1				831,062				407,512
Stage 2				643,743				646,288
Stage 3				2,323,037				2,164,642
Total collective impairment				3,797,842				3,218,442
Total net rentals receivable	30,760,445	45,941,299	136,188	73,038,328	34,056,449	44,037,942	49,891	74,923,283

25.4.2 Hire-Purchase/ Murabah Receivable

As at 31st March	2022				2021			
	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
Hire-Purchase/ Murabah receivable								
Gross rentals receivable	213,214	6,822	-	220,036	230,888	11,686	-	242,574
Less: Unearned income	15,345	178	-	15,523	17,086	522	-	17,608
Net rentals receivable	197,869	6,644	-	204,513	213,802	11,164	-	224,966
Less: Rentals received in advance				174				174
Hire-Purchase/ Murabah receivable before impairment provision				204,339				224,792
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1								-
Stage 2								-
Stage 3								-
Total individual impairment								-
Collective Impairment								
Stage 1				23				137
Stage 2				223				671
Stage 3				190,140				182,224
Total collective impairment				190,386				183,031
Total net rentals receivable	197,869	6,644	-	13,953	213,802	11,164	-	41,761

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

25.4.3 Term Loan and Receivables

As at 31st March	2022				2021			
	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
Motor Loans	15,038,440	31,941,065	187,072	47,166,578	12,293,886	27,878,428	39,835	40,212,149
Short and medium loans	5,096,841	5,308,971	100,925	10,506,738	6,074,667	5,810,178	69,797	11,954,642
Clean Basis Loan Stock	830,176	64,652	-	894,828	817,416	117,173	-	934,589
Self E Cash Loan	2,315,513	598,809	-	2,914,322	1,951,463	677,058	-	2,628,521
Fast Track Loan	2,020,498	605,689	-	2,626,187	1,228,751	522,933	-	1,751,684
Trading Murabah	248,779	59,022	-	307,800	309,166	78,721	-	387,887
Musharakah	1,491,411	2,744,510	27,526	4,263,447	937,696	1,574,502	-	2,512,198
Factoring receivable	2,111,469	-	-	2,111,469	2,611,936	-	-	2,611,936
Margin trading	8,387,793	-	-	8,387,793	4,832,679	-	-	4,832,679
Staff loans	192,171	418,747	2,993	613,911	191,822	507,272	24,555	723,649
Sundry loans	1,464,932	1,401,417	-	2,866,349	2,151,099	80,820	-	2,231,919
Less ; Prepaid Rentals	(819)	-	-	(819)	(1,686)	-	-	(1,686)
Loan receivable before impairment provision	39,197,205	43,142,882	318,517	82,658,604	33,398,895	37,247,085	134,187	70,780,167
Less : Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				1,655,462				1,168,174
Total individual impairment				1,655,462				1,168,174
Collective Impairment								
Stage 1				507,138				423,835
Stage 2				247,160				466,415
Stage 3				3,489,582				3,808,040
Total collective impairment				4,243,880				4,698,290
Total net receivable	39,197,205	43,142,882	318,517	76,759,262	33,398,895	37,247,085	134,187	64,913,703

25.5 Remaining Contractual Maturity Analysis -Group

25.5.1 Lease/Ijarah Receivable

As at 31st March	2022				2021			
	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 receivable	40,142,275	55,160,275	143,005	95,445,555	43,996,067	52,284,615	53,075	96,333,758
Less: Unearned income	9,384,357	9,224,664	6,816	18,615,837	9,941,699	8,254,887	3,185	18,199,771
Net rentals receivable	30,757,918	45,935,611	136,189	76,829,718	34,054,368	44,029,728	49,891	78,133,987
Less: Rentals received in advance				1,762				2,557
Lease/Ijarah receivable before impairment provision				76,827,956				78,131,430
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				-				-
Total individual impairment				-				-
Collective Impairment								
Stage 1				831,062				407,512
Stage 2				643,743				646,288
Stage 3				2,323,037				2,164,642
Total collective impairment				3,797,842				3,218,442
Total net rentals receivable	30,757,918	45,935,611	136,189	73,030,114	34,054,368	44,029,728	49,891	74,912,988

25.5.2 Hire-Purchase/ Murabah Receivable

As at 31st March	2022				2021			
	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 receivable	1,958,654	2,911,695	-	4,870,349	2,090,271	2,176,205	-	4,266,476
Less: Unearned income	630,350	707,164	-	1,337,514	570,783	552,164	-	1,122,947
Net rentals receivable	1,328,304	2,204,531	-	3,532,835	1,519,488	1,624,041	-	3,143,529
Less: Rentals received in advance				174				174
Hire-Purchase/ Murabah receivable before impairment provision				3,532,661				3,143,355
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				-				-
Total individual impairment				-				-
Collective Impairment								
Stage 1				115,814				91,775
Stage 2				121,038				99,142
Stage 3				414,438				396,782
Total collective impairment				651,290				587,698
Total net rentals receivable	1,328,304	2,204,531	-	2,881,371	1,519,488	1,624,041	-	2,555,657

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

25.5.3 Term Loan and Receivables

As at 31st March	2022				2021			
	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
Motor Loans	15,038,440	31,941,065	187,072	47,166,578	12,293,886	27,878,428	39,835	40,212,149
Short and medium loans	11,284,775	9,631,763	733,961	21,650,500	8,700,465	8,015,627	69,797	16,785,889
Clean Basis Loan Stock	830,176	64,652	-	894,828	817,416	117,173	-	934,589
Self E Cash Loan	2,315,513	598,809	-	2,914,322	1,951,463	677,058	-	2,628,521
Fast Track Loan	2,020,498	605,689	-	2,626,187	1,228,751	522,933	-	1,751,684
Trading Murabah	248,779	59,022	-	307,800	309,166	78,721	-	387,887
Musharakah	1,491,411	2,744,510	27,526	4,263,447	937,696	1,574,502	-	2,512,198
Factoring receivable	2,111,469	-	-	2,111,469	2,611,936	-	-	2,611,936
Margin trading	8,387,793	-	-	8,387,793	4,832,679	-	-	4,832,679
Staff loans	192,171	418,747	2,993	613,911	191,822	507,272	24,555	723,649
Sundry loans	1,464,932	1,401,417	-	2,866,349	2,151,099	80,820	-	2,231,919
Less :Prepaid Rentals	(819)	-	-	(819)	(1,686)	-	-	(1,686)
Loan receivable before impairment provision	45,385,139	47,465,674	951,553	93,802,366	36,024,693	39,452,534	134,187	75,611,414
Less : Allowance for impairment losses								
Individual Impairment								
Stage 1				-				-
Stage 2				-				-
Stage 3				1,655,462				1,168,174
Total individual impairment				1,655,462				1,168,174
Collective Impairment								
Stage 1				798,866				495,946
Stage 2				271,408				516,835
Stage 3				3,667,268				3,895,100
Total collective impairment				4,737,542				4,907,882
Total net receivable	45,385,139	47,465,674	951,553	87,409,362	36,024,693	39,452,534	134,187	69,535,358

25.6 Impairment Allowance for Loans and Receivable to Customers

Accounting Policy

As per SLFRS 9, the Group records an allowance for expected credit losses for loans and advances.

Individual Impairment

The Group will separately assess significant customer exposure to determine where there are any signs of impairment. Loans with objective evidence of loss have been classified as Stage 3. Loans with a individually significant amount but not impaired will be collectively assessed for impairment in stage 1 or stage 2 according to the below specified criteria to determine whether significant credit deterioration has occurred since its inception.

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

Collective Impairment

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1

Loans and receivables that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2

If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.

Stage 3

If a loan is credit impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

Significant Increase in Credit Risk

When determining whether the risk of default on financial instruments has increased significantly since the initial recognition, the Group will consider reasonable and supportable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information analysis based on the Group's historical experience and expert credit assessment, including forward-looking information.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default.

Definition of Default and Credit Impaired Assets

The Group considers loans and advances to other customers be defaulted when:

1. The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
2. The borrower becomes 90 days past due on its contractual payments.

The Group computes ECL using three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information.

1. PD - The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit impaired" above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation.

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Two types of PDs are used for calculating ECLs:

- 12-month PDs - This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
 - Lifetime PDs - This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for "Stage 2" and "Stage 3" exposures
2. Loss given Default ("LGD") - This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
 3. Exposure at Default ("EAD") - This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
 4. Discount Rate - This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition
 5. Economic Factor Adjustment (EFA)-When incorporate forward looking information, an entity should consider forecasted macroeconomic factors to assessing the expected credit loss.

Forward-looking Information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group also obtained experienced credit judgement to formulate a base case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

Quantitative Drivers of Credit Risk	Qualitative Drivers of Credit Risk
Interest rate (AWPLR)	Status of industry business
GDP growth	Regulatory impact
Rate of inflation	Government policies
Unemployment rate	
Exchange rate	

Considering the current volatile macro-economic condition of the country the company amended the scenario weightages as worst-case 60%, best-case 10% and base-case 30%.

Revolving Facilities

The Company offers a revolving facilities such as Fast track, and calculates only the 12-month ECL (12mECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for Credit Conversion Factor (CCF) and the gross carrying amount of the loan (utilised amount). EAD of Stage 3 contracts are limited to the gross carrying amount which is the utilised amount since the Group freeze the limits of those contracts up to the utilised amount. The expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

25.7 Movement in Individual And Collective Impairment Charges During the Year

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

Company	Lease Rs. '000	Hire Purchase Rs. '000	Ijarah Rs. '000	Term Loans Rs. '000	Re-finance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
At 1st April 2020	3,170,385	112,933	242,982	4,217,079	15,622	12,176	145,538	833,520	8,750,235
Charge/(Reversal) for the year	(140,595)	61,754	(54,330)	364,494	4,525	(3,831)	(5,155)	290,841	517,703
At 31st March 2021	3,029,790	174,687	188,652	4,581,573	20,147	8,345	140,383	1,124,361	9,267,938
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Total Individual impairment	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Collective impairment									
Stage 1	381,601	124	25,911	400,833	-	13	2,363	20,639	831,484
Stage 2	606,640	646	39,648	459,226	-	25	1,674	5,515	1,113,374
Stage 3	2,041,549	173,917	123,093	3,009,206	17,744	8,307	132,555	648,535	6,154,906
Total Collective impairment	3,029,790	174,687	188,652	3,869,265	17,744	8,345	136,592	674,689	8,099,764
	3,029,790	174,687	188,652	4,581,573	20,147	8,345	140,383	1,124,361	9,267,938

Company	Lease Rs. '000	Hire Purchase Rs. '000	Ijarah Rs. '000	Term Loans Rs. '000	Re-finance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
At 1st April 2021	3,029,790	174,687	188,652	4,581,573	20,147	8,345	140,383	1,124,361	9,267,938
Charge/(Reversal) for the year	656,967	8,184	(77,567)	(157,665)	3,300	(830)	58,672	128,571	619,632
Amounts written off	-	-	-	-	-	-	-	-	-
At 31st March 2022	3,686,757	182,871	111,085	4,423,908	23,447	7,515	199,055	1,252,932	9,887,570
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	771,042	2,406	-	3,456	878,558	1,655,462
Total Individual impairment	-	-	-	771,042	2,406	-	3,456	878,558	1,655,462
Collective impairment									
Stage 1	804,513	15	26,549	486,203	-	8	4,311	16,624	1,338,223
Stage 2	628,642	214	15,101	207,247	-	9	263	39,650	891,126
Stage 3	2,253,602	182,642	69,435	2,959,416	21,041	7,498	191,025	318,100	6,002,759
Total Collective impairment	3,686,757	182,871	111,085	3,652,866	21,041	7,515	195,599	374,374	8,232,108
Total	3,686,757	182,871	111,085	4,423,908	23,447	7,515	199,055	1,252,932	9,887,570

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Group	Lease Rs. '000	Hire Purchase Rs. '000	Ijarah Rs. '000	Term Loans Rs. '000	Re-finance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
At 1st April 2020	3,170,385	397,378	242,982	4,352,345	15,622	12,175	145,539	833,520	9,169,946
Charge/(Reversal) for the year	(140,595)	181,976	(54,330)	436,960	4,525	(3,830)	(5,156)	290,841	710,391
Amounts written off	-	-	-	1,859	-	-	-	-	1,859
At 31st March 2021	3,029,790	579,354	188,652	4,791,164	20,147	8,345	140,383	1,124,361	9,882,196
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Total individual impairment	-	-	-	712,308	2,403	-	3,791	449,672	1,168,174
Collective impairment									
Stage 1	381,601	91,762	25,911	472,944	-	13	2,363	20,639	995,233
Stage 2	606,640	99,117	39,648	509,646	-	25	1,674	5,515	1,262,265
Stage 3	2,041,549	388,475	123,093	3,096,266	17,744	8,307	132,555	648,535	6,456,524
Total collective impairment	3,029,790	579,354	188,652	4,078,856	17,744	8,345	136,592	674,689	8,714,022
Total	3,029,790	579,354	188,652	4,791,164	20,147	8,345	140,383	1,124,361	9,882,196

Group	Lease Rs. '000	Hire Purchase Rs. '000	Ijarah Rs. '000	Term Loans Rs. '000	Re-finance loans Rs. '000	Murabah Rs. '000	Trading Murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
At 1st April 2021	3,029,790	579,354	188,652	4,791,164	20,147	8,345	140,383	1,124,361	9,882,196
Charge/(Reversal) for the year	656,967	64,421	(77,567)	96,622	3,300	(830)	58,672	128,571	930,156
Exchange rate variance	-	-	-	29,784	-	-	-	-	29,784
At 31st March 2022	3,686,757	643,775	111,085	4,917,570	23,447	7,515	199,055	1,252,932	10,842,136
Individual impairment									
Stage 1	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	771,042	2,406	-	3,456	878,558	1,655,462
Total Individual impairment	-	-	-	771,042	2,406	-	3,456	878,558	1,655,462
Collective impairment									
Stage 1	804,513	115,806	26,549	777,931	-	8	4,311	16,624	1,745,742
Stage 2	628,642	121,029	15,101	231,495	-	9	263	39,650	1,036,189
Stage 3	2,253,602	406,940	69,435	3,137,102	21,041	7,498	191,025	318,100	6,404,743
Total Collective impairment	3,686,757	643,775	111,085	4,146,528	21,041	7,515	195,599	374,374	9,186,674
Total	3,686,757	643,775	111,085	4,917,570	23,447	7,515	199,055	1,252,932	10,842,136

25.8 Movement in Provision for Impairment During the Year (Under SLFRS 9)**Movement in Impairment 2021/22 - Company**

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1st April 2021 under SLFRS 9	831,484	1,113,374	7,323,080	9,267,938
New assets originated or purchased	556,956	76,426	442,180	1,075,562
Assets derecognised or repaid (excluding write offs)	(12,530)	(362,278)	(439,651)	(814,459)
Transfers to Stage 2 and 3	(203,085)	100,684	102,401	-
Transfers to Stage 1 and 3	9,270	(105,960)	115,230	18,540
Transfers to Stage 1 and 2	81,009	27,966	(108,975)	-
Impact on year end ECL of exposures transferred between stages during the year	(231,669)	(24,428)	28,790	(227,307)
Changes to models and inputs used for ECL calculations	306,788	65,342	200,229	572,359
Amounts written off	-	-	(5,063)	(5,063)
Balance as at 31st March 2022	1,338,223	891,126	7,658,221	9,887,570

Movement in Impairment 2020/21 - Company

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1st April 2020 under SLFRS 9	675,172	1,183,272	6,891,791	8,750,235
New assets originated or purchased	362,358	108,938	263,483	734,779
Assets derecognised or repaid (excluding write offs)	360,808	(366,251)	(275,162)	(280,605)
Transfers to Stage 2 and 3	(761,572)	289,030	472,542	-
Transfers to Stage 1 and 3	126,562	(620,498)	493,936	-
Transfers to Stage 1 and 2	26,289	293,663	(319,952)	-
Impact on year end ECL of exposures transferred between stages during the year	(227,219)	(22,819)	141,534	(108,504)
Changes to models and inputs used for ECL calculations	269,086	248,039	(272,310)	244,815
Amounts written off	-	-	(72,782)	(72,782)
Balance as at 31st March 2021	831,484	1,113,374	7,323,080	9,267,938

Notes to the Financial Statements

25. Loans and Receivables - Amortised Cost (Contd...)

Movement in Impairment 2021/22 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1st April 2021 under SLFRS 9	995,233	1,262,265	7,624,698	9,882,196
New assets originated or purchased	838,601	111,603	488,498	1,438,702
Assets derecognised or repaid (excluding write offs)	(137,607)	(384,216)	(437,025)	(958,848)
Transfers to Stage 2 and 3	(207,147)	103,722	103,425	-
Transfers to Stage 1 and 3	10,196	(119,665)	109,469	-
Transfers to Stage 1 and 2	89,110	14,417	(103,526)	-
Impact on year end ECL of exposures transferred between stages during the year	(236,302)	(24,672)	29,079	(231,896)
Changes to models and inputs used for ECL calculations	312,924	65,995	202,231	581,150
Amounts written off	-	-	(5,063)	(5,063)
Foreign exchange adjustments	80,733	6,740	48,420	135,894
Balance as at 31st March 2022	1,745,742	1,036,189	8,060,205	10,842,136

Movement in Impairment 2020/21 - Group

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1st April 2020 under SLFRS 9	749,718	1,333,159	7,087,069	9,169,946
New assets originated or purchased	482,566	212,977	205,397	900,940
Assets derecognised or repaid (excluding write offs)	395,853	(411,288)	(198,112)	(213,547)
Transfers to Stage 2 and 3	(880,310)	299,071	581,239	-
Transfers to Stage 1 and 3	125,361	(738,941)	613,580	-
Transfers to Stage 1 and 2	71,935	311,982	(383,917)	-
Impact on year end ECL of exposures transferred between stages during the year	(271,960)	(25,867)	147,364	(150,463)
Changes to models and inputs used for ECL calculations	322,070	281,172	(283,528)	319,714
Amounts written off	-	-	(144,394)	(144,394)
Balance as at 31st March 2021	995,233	1,262,265	7,624,698	9,882,196

26. Insurance and Reinsurance Receivables

Accounting Policy

Insurance - Product Classification

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

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

Insurance Receivables

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component, amortised cost will be equal to carrying value. Based on the three stages; performing (stage 1), under-performing (stage 2), nonperforming (stage 3), the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

De-recognition due to substantial Modification of Terms and Conditions

Group de-recognises premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, Group considers the following factors:

- Loss of insurable interest
- Change in counterparty

Assessment of Impairment of Insurance Receivables

The Group assessed the impairment provision based on the ECL method.

Reinsurance Receivable

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

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

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short-term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short-term in nature. Since these are short-term balances without a financing component, the amortised cost will be equal to carrying value.

Assessment of Impairment of Reinsurance Receivables

Reinsurance receivables of the Company are not qualified for ECL model based on SLFRS 4 - Insurance Contracts, section 20. Impairment losses will be recognised on reinsurance receivables, if and only if, there is no objective evidence, as a result that occurred after initial recognition of the reinsurance assets, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Notes to the Financial Statements

26. Insurance and Reinsurance Receivables (Contd...)

Deferred Expenses

Deferred Acquisition Costs (DAC)

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

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

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

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

Reinsurance Commissions

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

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Reinsurance receivables	-	-	606,386	277,279
Insurance Receivables	-	-	716,142	747,182
Total	-	-	1,322,528	1,024,461
Fair value	-	-	1,322,528	1,024,461

27. Financial Assets - Fair Value Through Other Comprehensive Income

Accounting Policy

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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

Unrealised gains and losses were recognised in Equity through OCI in the "Fair value reserve". When these financial investments were disposed, the cumulative gain or loss previously recognised in fair value reserve transferred to retained earnings. Dividend earned while holding financial assets - FVOCI were recognised in the Income Statement as "Operating income" when the right to receive the payment had been established.

As at 31st March	Page No.	Company		Group		
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	
Equity securities	27.1	269	231,838	309,118	231,838	309,118
Treasury bills			-	-	299,663	426,376
Debentures			1,101,440	-	1,101,440	-
Total			1,333,278	309,118	1,632,941	735,494
Fair value			1,333,278	309,118	1,632,941	735,494

27.1 Equity Investments & Debenture Investments - Company and Group

As at 31st March			2022			2021		
	Note	Page No.	No of Shares	Cost of Investment Rs. '000	Market Value Rs. '000	No of Shares	Cost of Investment Rs. '000	Market Value Rs. '000
Equity Investments								
People's Merchant Finance PLC			25,014,002	237,633	135,076	25,014,002	237,633	180,100
Asiri Hospital			500,000	20,730	18,750			
Sanasa Development Bank PLC			2,271,260	213,853	67,002	2,271,260	213,853	129,008
				472,216	220,828		451,486	309,108
Credit Information Bureau of Sri Lanka	27.2.1	269	100	10	10	100	10	10
Lanka Credit and business Finance PLC			5,000,000	50,000	11,000	50,000,000	50,000	-
Subtotal			-	-	231,838	-	-	309,118
Debenture investments								
Ceylon Electricity Board			9,180,900	1,000,086	891,470	-	-	-
Sampath Bank			2,025,000	211,149	209,970	-	-	-
Total				1,733,461	1,333,278		501,496	309,118

27.2 Reconciliation of Fair Value Measurement for Unquoted Equity Securities Under Level 3 Hierarchy

27.2.1 Credit Information Bureau of Sri Lanka

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	10	10	10	10
Remeasurement recognised in OCI	-	-	-	-
Balance as at 31st March	10	10	10	10

28. Debt Instrument - Amortised Cost

Accounting Policy

As per SLFRS 9, "Financial investments" are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "impairment charges for loans and other losses" in the Income Statement.

Notes to the Financial Statements

28. Debt Instrument - Amortised Cost (Contd...)

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Treasury bills	9,827,221	6,319,142	9,827,221	6,319,142
Treasury bonds	-	675,064	2,750,582	1,539,558
Unquoted preference shares	-	-	918,504	734,686
Commercial Paper	-	-	152,475	155,245
Debentures	-	-	2,364,743	2,183,083
Total	9,827,221	6,994,206	16,013,525	10,931,714
Fair value	9,804,639	6,984,078	15,765,803	11,200,604

28.1 Debentures

	Rate	Maturity date	Group			
			2022		2021	
			No. of Debentures	Carrying Value Rs. '000	No. of Debentures	Carrying Value Rs. '000
Sampath Bank PLC	8.25%	14-Dec-19	-	-	-	-
	9.90%	18-Nov-20	500,000	-	500,000	-
	12.50%	20-Mar-23	1,000,000	100,366	1,000,000	100,401
	13.90%	24-Feb-24	1,000,000	101,152	1,000,000	101,152
Siyapatha Finance PLC	13.33%	8-Aug-24	1,500,000	162,630	1,500,000	162,632
National Savings Bank	11.00%	10-Sep-22	1,000,000	105,940	1,000,000	105,941
National Development Bank PLC	9.40%	24-Jun-20	282,800	-	282,800	-
	13.95%	30-Mar-24	2,000,000	200,149	2,000,000	200,163
DFCC Bank PLC	9.40%	10-Jun-20	332,100	-	332,100	-
	12.75%	9-Nov-23	1,000,000	104,925	1,000,000	104,925
	13.00%	29-Mar-25	844,500	84,538	844,500	84,538
	13.50%	28-03-2024	1,000,000	100,143	1,000,000	100,143
	11.00%	12-Jun-25	1,190,000	129,415	1,190,000	128,912
Seylan Bank PLC	12.85%	29-Mar-23	750,000	75,026	750,000	75,051
MTD Walkers PLC	11.75%	30-Sep-19	254,784	26,954	254,784	26,954
Commercial Bank PLC	10.75%	8-Mar-21	2,000,000	-	2,000,000	-
	12.00%	27-Oct-21	-	-	421,900	44,316
	12.00%	22-Jul-23	881,700	90,106	881,700	90,106
Hatton National Bank PLC	11.25%	28-Mar-21	2,000,000	-	2,000,000	-
	13.00%	1-Nov-23	193,300	20,332	193,300	20,332
	12.30%	22-Sep-24	413,300	43,900	413,300	43,900
Nations Trust Bank PLC	12.65%	8-Nov-21	-	-	2,000,000	209,851
	12.80%	23-Dec-24	2,000,000	206,553	2,000,000	206,568
Hayleys PLC	12.50%	31-Jul-23	1,000,000	101,978	1,000,000	101,978
Ceylon Electricity Board	9.35%	15-Apr-26	4,000,000	435,694		
LOLC PLC	10.25%	24-Feb-26	3,000,000	302,819	3,000,000	302,819
Subtotal				2,392,620		2,210,684
Less : Allowance for expected credit losses				(27,877)		(27,601)
Total				2,364,743		2,183,083

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

29. Investments in Subsidiaries

Accounting Policy

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss in the Company's Financial Statements and it is in accordance with the Sri Lanka Accounting Standard LKAS 27 on 'Consolidated and Separate Financial Statements'.

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

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

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

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

All subsidiaries of the Company have been incorporated in Sri Lanka other than Lankan Alliance Finance Limited which is incorporated in Bangladesh. A list of subsidiaries with their principal activities are given in the Note 1.2 on page 215.

As at 31st March	2022			2021		
	Holding %	Cost Rs. '000	Directors' / market valuation Rs. '000	Holding %	Cost Rs. '000	Directors' / market valuation Rs. '000
People's Leasing Fleet Management Limited	100.00	175,000	385,556	100.00	175,000	332,983
People's Leasing Property Development Limited	100.00	550,000	985,396	100.00	550,000	1,013,914
People's Leasing Havelock Properties Limited	100.00	600,000	728,694	100.00	600,000	626,158
People's Micro-commerce Ltd	100.00	150,000	504,701	100.00	150,000	367,437
People's Insurance PLC	75.00	600,000	4,515,000	75.00	600,000	2,955,000
Lankan Alliance Finance Limited	51.00	1,138,788	2,272,595	51.00	1,138,788	1,482,658
Total		3,213,788	9,391,942		3,213,788	6,778,150

Subsidiaries are not quoted in the Colombo stock exchange except People's Insurance PLC. The directors' valuation of investment in subsidiaries has been carried out on net asset basis. People's Insurance PLC has been valued at market value basis.

Notes to the Financial Statements

29. Investments in Subsidiaries (Contd...)

The following table summaries the information relating to the Group's subsidiary that has a material non-controlling interest (NCI).

For the year ended 31st March	2022			2021		
	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000
Non-controlling interest (NCI) percentage	25%	49%		25%	49%	
Net operating income	4,562,288	449,753	5,012,041	5,294,873	361,819	5,656,692
Less : Operating expenses	4,254,559	478,043	4,732,602	3,728,072	303,451	4,031,523
Profit before income tax	307,729	(28,290)	279,439	1,566,801	58,368	1,625,169
Less : Income tax expense	217,338	(7,556)	209,782	363,208	55,468	418,676
Profit after tax	90,391	(20,734)	69,657	1,203,593	2,900	1,206,493
Profit allocated to Non-controlling interest (NCI)	22,598	(10,160)	12,438	300,898	1,421	302,319

As at 31st March	2022			2021		
	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000
Cash and cash equivalents	642,756	124,218	766,974	1,045,082	42,604	1,087,686
Balances with banks & financial institutions	2,561,413	1,997,930	4,559,343	2,815,391	505,607	3,320,998
Loans and receivables	2,709,882	10,964,065	13,673,947	2,558,607	4,735,863	7,294,470
Insurance and reinsurance receivables	1,931,657	-	1,931,657	1,643,629	-	1,643,629
Financial assets - Fair value through other comprehensive income	299,663	-	299,663	426,376	-	426,376
Debt Instrument at amortised cost	2,750,582	918,504	3,669,086	864,494	691,274	1,555,768
Property, plant and equipment & intangible assets	106,954	183,036	289,990	182,322	147,778	330,100
Other assets	1,099,636	356,326	1,455,962	1,597,954	204,811	1,802,765
Total assets	12,102,543	14,544,079	26,646,622	11,133,855	6,327,937	17,461,792
Due to banks	184,738	796,993	981,731	3,020	105,449	108,469
Due to customers	-	8,665,037	8,665,037	-	2,944,262	2,944,262
Other financial liabilities	969,610	528,323	1,497,933	691,728	273,396	965,124
Other liabilities	216,897	97,658	314,554	482,995	97,658	580,653
Insurance liabilities and reinsurance payable	5,982,246	-	5,982,246	5,089,039	-	5,089,039
Total liabilities	7,353,491	10,088,011	17,441,501	6,266,782	3,420,765	9,687,547
Net assets value	4,749,052	4,456,068	9,205,120	4,867,073	2,907,172	7,774,245
Carrying amount of Non-controlling interest (NCI)	1,187,263	2,183,473	3,370,736	1,216,768	1,424,514	2,641,283

30. Investment Property

Accounting Policy

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

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

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

Derecognition

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

Subsequent Transfers to/from Investment Property

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

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

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

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

Fair Value of Investment Property

Investment property of the Group and Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Group and Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of directors.

The fair values are based on market values, being the estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Investment Property Leased within the Group

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

Owner Occupied Properties and Investment Property:

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

Notes to the Financial Statements

30. Investment Property (Contd...)

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	-	-	820,664	1,131,596
Addition during the year	-	-	-	-
Transfer during the year	-	-	-	(310,932)
Balance as at 31st March	-	-	820,664	820,664

Land and building at No. 7 and 9, Havelock Road, Colombo 5 is rented to People's Bank, People's Insurance PLC and People's Leasing & Finance PLC by the People's Leasing Havelock Properties Limited during the year. In the Group Financial Statements, such property have separated and part rented to People's Bank has been classified as Investment Property to the Group. Basis for the separation is based on the number of Sq.ft. rented.

The Company carries investment property at Market value. Market valuation of the above investment property was carried out as at 31st December 2021 by Mr K.T.D. Tissera, FRICS (Eng), who is independent valuer not connected with the Company.

Rent income recognised in respect to the above investment property is disclosed in Note 10 on page 228.

Direct operational expenses recognised in respect to the above investment property is disclosed in Note 15 on page 234.

31. Other Assets

Accounting Policy

The Company and the Group classify all their other assets as other financial assets and other non financial assets. Other non financial assets mainly comprises of advance payments, VAT recoverable, inventory and sundry receivables. Advance payments are carried at historical cost.

As at 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Other financial assets - Insurance Commission			108,493	126,949	-	-
Non financial assets	31.1	274	640,661	448,711	831,826	932,458
Total			749,154	575,660	831,826	932,458

31.1 Non Financial Assets

As at 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Advance payments			111,524	105,693	81,928	68,320
Dividend receivable			225,000	-	-	-
Inventories			33,015	58,380	40,815	65,708
Prepaid Expense			94,605	72,367	100,814	81,759
Unamortised cost on staff loans (Day 1 difference)	31.2	275	54,211	78,624	54,360	78,924
Differed expenses			-	-	151,388	210,104
Other receivables			122,306	133,647	402,521	427,643
Total			640,661	448,711	831,826	932,458

31.2 Unamortised Cost On Staff Loans (Day 1 Difference)

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	78,624	123,264	78,924	123,264
Charge for the year	(24,413)	(44,640)	(24,564)	(44,340)
Balance as at 31st March	54,211	78,624	54,360	78,924

32. Property, Plant and Equipment**Accounting Policy****Basis of Recognition**

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

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

Basis of Measurement

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

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

The Company and Group apply the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Costs

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

Repairs & Maintenance

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

Derecognition

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

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Notes to the Financial Statements

32. Property, Plant and Equipment (Contd...)

The estimated useful lives are as follows;

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

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Useful Lives of Property, Plant and Equipment

The Group and Company depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group and Company intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group/Company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

32.1 Property, Plant and Equipment - Company

	Freehold Land and Buildings Rs. '000	Improvement of Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipments Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1st April 2021	573,840	56,872	225,723	760,265	683,850	459,981	2,760,531
Additions	149,702	-	215,101	122,169	39,451	8,993	535,416
Disposals	-	-	(2,020)	(7,327)	(57,335)	(28,476)	(95,158)
Transfers	-	-	-	(160)	160	-	-
Balance as at 31st March 2022	723,542	56,872	438,804	874,947	666,126	440,498	3,200,789
(Less): Accumulated depreciation							
Balance as at 1st April 2021	3,234	56,872	75,255	612,873	547,487	415,560	1,711,281
Charge for the year	471	-	23,466	69,806	55,899	18,922	168,564
Disposals	-	-	(1,052)	(7,016)	(56,294)	(28,470)	(92,832)
Balance as at 31st March 2022	3,705	56,872	97,669	675,663	547,092	406,012	1,787,013
Net book value at 31st March 2022	719,837	-	341,135	199,284	119,034	34,486	1,413,776

	Freehold Land and Buildings Rs. '000	Improvement of Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipments Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1st April 2020	573,840	56,872	278,163	766,212	704,670	450,446	2,830,203
Additions	-	-	-	33,922	54,104	16,664	104,690
Disposals	-	-	(52,440)	(39,869)	(74,924)	(7,129)	(174,362)
Balance as at 31st March 2021	573,840	56,872	225,723	760,265	683,850	459,981	2,760,531
(Less): Accumulated depreciation							
Balance as at 1st April 2020	2,763	56,794	85,461	586,278	556,502	398,476	1,686,274
Charge for the year	471	78	15,841	63,242	64,589	23,139	167,360
Disposals	-	-	(26,047)	(36,647)	(73,604)	(6,055)	(142,353)
Balance as at 31st March 2021	3,234	56,872	75,255	612,873	547,487	415,560	1,711,281
Net book value at 31st March 2021	570,606	-	150,468	147,392	136,363	44,421	1,049,250

32.2 Property, Plant and Equipment - Group

	Freehold Land and Buildings Rs. '000	Improvement of Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipments Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1st April 2021	3,537,387	58,583	510,821	879,870	1,006,726	531,985	6,525,372
Additions	149,702	-	92,205	137,696	45,225	32,330	457,158
Disposals	-	-	(177,260)	(7,712)	(57,795)	(29,786)	(272,553)
Transfers	-	-	-	(160)	160	-	-
Exchange rate variance	-	-	6,240	9,363	4,178	10,109	29,890
Fair value adjustments	-	-	-	-	-	-	-
Balance as at 31st March 2022	3,687,089	58,583	432,006	1,019,057	998,494	544,638	6,739,867
(Less): Accumulated depreciation							
Balance as at 1st April 2021	381,717	57,349	175,372	700,009	709,051	467,609	2,491,107
Charge for the year	63,805	-	43,592	84,197	72,835	32,029	296,458
Disposals	-	-	(71,508)	(7,016)	(56,294)	(28,470)	(163,288)
Transfers	-	-	-	-	-	-	-
Exchange rate variance	-	-	1,105	6,210	9,999	7,594	24,908
Balance as at 31st March 2022	445,522	57,349	148,561	783,400	735,591	478,762	2,649,185
Net book value at 31st March 2022	3,241,567	1,234	283,445	235,657	262,903	65,876	4,090,682

Notes to the Financial Statements

32. Property, Plant and Equipment (Contd...)

	Freehold Land and Buildings Rs. '000	Improvement of Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipments Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1st April 2020	3,226,454	58,583	693,357	881,755	999,658	530,039	6,389,846
Additions	-	-	9,440	37,085	81,547	24,252	152,324
Disposals	(55)	-	(191,976)	(39,869)	(74,924)	(22,599)	(329,423)
Transfers/adjustments	310,988	-	-	-	-	-	310,988
Exchange rate variance	-	-	-	899	445	293	1,637
Balance as at 31st March 2021	3,537,387	58,583	510,821	879,870	1,006,726	531,985	6,525,372
(Less): Accumulated depreciation							
Balance as at 1st April 2020	317,912	57,271	205,642	658,593	706,349	445,709	2,391,476
Charge for the year	63,805	78	44,373	74,400	75,807	33,782	292,245
Disposals	-	-	(74,643)	(33,611)	(73,604)	(11,980)	(193,838)
Exchange rate variance	-	-	-	627	499	98	1,224
Balance as at 31st March 2021	381,717	57,349	175,372	700,009	709,051	467,609	2,491,107
Net book value at 31st March 2021	3,155,670	1,234	335,449	179,861	297,675	64,376	4,034,265

32.3 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated property, plant and equipment, which are still in use as at reporting date is as follows.

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Improvement of leasehold properties	56,872	53,282	56,872	53,282
Motor vehicles	33,013	37,971	33,013	37,971
Computer hardware	489,153	440,942	548,306	490,175
Office equipment	359,878	397,383	395,812	431,165
Furniture and fittings	76,861	327,178	89,089	338,727
Total	1,015,777	1,256,756	1,123,092	1,351,320

32.4 Group Freehold Lands and Buildings

Location	Address	Date of Valuation	Method of Valuation	Land Extent (perches)	Number of Building	Building Area (Sq.Ft)	2022 Cost Rs. '000	2022 Revaluation Rs. '000	2021 Revaluation Rs. '000
People's Leasing & Finance PLC									
Vehicle yards									
Makola	No. 496, Makola North, Makola	31.12.2019	MCM	90	1	11,600	7,632	49,000	49,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	31.12.2019	MCM	330.75	1	820	22,532	75,000	75,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	31.12.2019	MCM	260	1	1,836	27,558	24,000	24,000
Monaragala	No. 10, Pothuwil Road, Monaragala	31.12.2019	MCM	125.9	1	1,376	46,905	50,000	50,000
Administrative purpose									
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	31.12.2019	MCM	8.3	1	5,194	31,257	45,000	45,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	31.12.2019	MCM	44.72	-	-	45,764	155,063	155,063
Matara	No. 367, Anagarila Darmapala Mawatha Matara	31.12.2019	MCM	40	-	-	93,599	100,000	100,000
Kandy	No. 296, Senanayaka Road, Kandy	31.12.2019	MCM	47.1	-	-	142,711	183,700	183,700
Anuradhapura	No. 50, Maithripala Senanayake Road, Anuradhapura	31.12.2019	MCM	40.51	-	-	155,882	182,295	182,295
Colombo	No 10d/8 Kaduwela	23.03.2021	MCM	94.3	-	-	149,702	183,885	-
Subtotal					5		723,542	1,047,943	864,058
People's Leasing Property Development Limited									
Borella	No. 1161, Maradana Road, Colombo 08	31.12.2021	MCM	104.9	2	127,621	1,532,414	2,650,000	2,500,000
Subtotal					2		1,532,414	2,650,000	2,500,000
People's Leasing Havelock Properties Limited									
Colombo 05*	No. 07, Havelock Road, Colombo 05	31.12.2021	MCM	111.45	1	84,024	2,059,690	2,600,000	2,600,000
Subtotal					1		2,059,690	2,600,000	2,600,000
Total					8		4,315,646	6,297,943	5,964,058

MCM : Market Comparable Method

* Land and building value of Rs.628,556,600 is classified as investment property and Rs. 1,431,133,056 is classified as property, plant and equipment in the group financial statements.

Notes to the Financial Statements

32. Property, Plant and Equipment (Contd...)

Market valuation of the above Land & Buildings was carried out by Mr K.T.D. Tissera, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor's Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy

Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment of the Group/Company idle as at 31st March 2022 and 31st March 2021.

Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment of the Group/Company retired from active use as at 31st March 2022 and 31st March 2021.

Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment of the Group/Company as at 31st March 2022 and 31st March 2021.

Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment of the Group/Company pledged as securities for liabilities other than disclosed in Note 54 on page 308 (asset pledged) to the Financial Statements.

Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of property, plant and equipment of the Group/Company that were impaired, lost or given up (2021: Nil).

Unobservable Input used in Measuring Fair Value

Significant unobservable input used in measuring non-financial assets categorised as level 3 in fair value hierarchy disclosed in to Note - 21.6 on page 241 to the Financial Statements.

33. Right of Use Assets

Accounting Policy

SLFRS 16 - Leases

Determination of the Lease Term for Lease Contracts with Renewal and Termination Options (Group as a Lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts for branches/head office that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

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

	Company		Group	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Cost				
Balance as at 1st April	3,349,114	2,522,565	2,290,888	2,017,197
Transfer from other asset (Prepaid rentals)	52,790	50,600	52,790	50,600
	3,401,904	2,573,165	2,343,678	2,067,797
Additions	239,437	858,510	238,105	292,305
Disposals	(138,773)	(69,214)	(112,147)	(69,214)
Transfers	-	(13,347)	-	-
Balance as at 31st March	3,502,568	3,349,114	2,469,636	2,290,888
(Less): Accumulated amortisation				
Balance as at 1st April	1,106,670	583,115	699,591	377,715
	1,106,670	583,115	699,591	377,715
Amortisation	518,284	543,769	325,327	340,349
Transfer to net investment in lease	-	(1,741)	-	-
Disposal	(94,766)	(18,473)	(94,766)	(18,473)
Impairment	-	-	-	-
Balance as at 31st March	1,530,188	1,106,670	930,152	699,591
Net book value at 31st March	1,972,380	2,242,444	1,539,484	1,591,297

34. Goodwill And Intangible Assets

Accounting Policy

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

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group/Company in accordance with the Sri Lanka Accounting Standard- LKAS 38 - 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Lives, Amortisation and Impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Notes to the Financial Statements

34. Goodwill And Intangible Assets (Contd...)

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

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

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

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

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

Derecognition

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

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost						
Balance as at 1st April 2021	199,853	308,545	508,398	233,461	417,099	650,560
Additions	10,325	-	10,325	12,835	-	12,835
Disposals	-	-	-	-	-	-
Exchange rate variance	-	-	-	773	-	773
Balance as at 31st March 2022	210,178	308,545	518,723	247,069	417,099	664,168
(Less): Accumulated amortisation						
Balance as at 1st April 2021	175,018	186,934	361,952	198,120	186,934	385,054
Amortisation	13,195	-	13,195	16,879	-	16,879
Impairment	-	121,611	121,611	-	121,611	121,611
Exchange rate variance	-	-	-	1,021	-	1,021
Balance as at 31st March 2022	188,213	308,545	496,758	216,020	308,545	524,565
Net book value at 31st March 2022	21,965	-	21,965	31,049	108,554	139,603
Cost						
Balance as at 1st April 2020	199,914	308,545	508,459	222,221	417,099	639,320
Additions	360	-	360	11,661	-	11,661
Disposals	421	-	421	421	-	421
Balance as at 31st March 2021	199,853	308,545	508,398	233,461	417,099	650,560
(Less): Accumulated amortisation						
Balance as at 1st April 2020	163,153	87,725	250,878	183,021	87,725	270,746
Amortisation	11,865	-	11,865	15,099	-	15,099
Impairment	-	99,209	99,209	-	99,209	99,209
Balance as at 31st March 2021	175,018	186,934	361,952	198,120	186,934	385,054
Net book value at 31st March 2021	24,835	121,611	146,446	35,341	230,165	265,506

Intangible assets include fully amortised software amounting to Rs. 147,975,983 for the company and Rs. 148,877,483 for the Group as at 31st March 2022 (Rs. 139,001,271 for Company and Rs. 139,902,771 for Group as at 31st March 2021), which are still in use as at the reporting date.

Impairment Tests for Goodwill

The Group undertakes an annual test for impairment, based on value in use computation using cash flow projections based on financial budgets approved by the senior management. The discount rate was estimated based on an average percentage of cost of equity of the company. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

There were no restrictions existed on the title of the intangible assets of the Group/Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2021/22.

35. Due to Banks

Accounting Policy

Due to banks include bank overdrafts and long term and short term loans obtained from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. 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.

Company has not had any defaults of principal, interest or other breaches with regard to Due to Banks during 2021/22 or 2020/21.

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Overdrafts	69,690	716,374	1,325,500	891,879
Short term loans	-	-	796,993	105,449
Long term loans	6,432,218	-	7,930,444	2,283,609
Asset backed securities	5,247,424	5,722,936	5,247,424	5,722,936
Total	11,749,332	6,439,310	15,300,361	9,003,873
Fair value	11,750,052	6,936,408	15,389,574	9,739,721

35.1 Movement of Due to Banks

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 1 April	5,722,936	7,938,185	8,111,994	10,978,046
Amount borrowed during the year	7,000,000	1,000,000	7,250,000	1,500,000
Repayments during the year	(1,946,889)	(3,886,355)	(2,504,664)	(5,315,691)
Interest expenses during the year	903,595	671,106	1,117,531	949,639
Subtotal	11,679,642	5,722,936	13,974,861	8,111,994
Overdrafts	69,690	716,374	1,325,500	891,879
Balance as at 31 March	11,749,332	6,439,310	15,300,361	9,003,873

Notes to the Financial Statements

35. Due to Banks (Contd...)

35.2 Long Term Loan Details

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest Rate	Security status
Commercial Bank of Ceylon PLC	14.07.2015	2,000,000	04 years	7.25% - 10.5%	Secured
Commercial Bank of Ceylon PLC	08.09.2016	1,000,000	04 years	14.00%	Secured
Sampath Bank PLC	31.12.2014	2,000,000	05 years	7.00% - 8.5%	Secured
Axis Bank	27.03.2017	150,000	04 years	AWPLR+1.25%	Secured
Axis Bank	27.03.2017	250,000	04 years	AWPLR+1.25%	Secured
People's Bank	26.05.2015	4,250,000	04 years	8.50%	Secured
People's Bank	27.11.2015	2,000,000	04 years	10.00%	Secured
People's Bank	15.03.2016	2,000,000	04 years	AWPLR+1.75%	Secured
People's Bank	02.06.2016	2,500,000	04 years	06 month SLIBOR+1.75%	Secured
Bank of Ceylon	07.07.2016	3,000,000	04 years	11.50%	Secured
RAK Bank	27.04.2017	5,355,000	03 years	13.50%	Secured
MCB Bank	26.09.2017	500,000	04 years	AWPLR+1.5%	Secured
Commercial Bank of Ceylon PLC	11.11.2021	3,000,000	03 years	9.25%	Secured
Hatton National Bank PLC	16.11.2021	4,000,000	03 years	AWPLR + 0.5%	Secured

Asset Backed Securities

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest Rate *	Security status
Bank of Ceylon	30.09.2016	2,146,200	04 years	13.81%	Secured
Deutsche Bank PLC	03.07.2015	3,000,000	04 years	8.82%	Secured
Deutsche Bank PLC	28.10.2016	1,769,900	04 years	14.47%	Secured
Deutsche Bank PLC	25.02.2016	4,250,700	04 years	11.75%	Secured
Hatton National Bank PLC	29.06.2018	2,000,000	05 years	12.27%	Secured
Hatton National Bank PLC	13.03.2019	2,000,000	05 years	13.08%	Secured
People's Bank	18.08.2016	3,000,000	04 years	13.32%	Secured
People's Bank	09.02.2018	1,000,000	02 years	11.71%	Secured
People's Bank	10.09.2018	2,000,000	02 years	13.15%	Secured
People's Bank	23.05.2019	1,000,000	03 years	11.16%	Secured

* The interest rate for each securitization is given as the weighted average interest rate

Details of the securities disclosed in Note 54 - 'Asset pledged' on page 308 to the Financial Statements.

35.3 Contractual Maturity Analysis

35.3.1 Remaining Contractual Maturity Analysis of Due to Bank -Company

As at 31st March 2022	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	69,690	-	-	69,690
Long term loans	2,353,092	4,079,126	-	6,432,218
Asset backed securities	3,111,337	2,136,087	-	5,247,424
Total	5,534,119	6,215,213	-	11,749,332

As at 31st March 2021	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	716,374	-	-	716,374
Asset backed securities	2,249,108	3,473,828	-	5,722,936
Total	2,965,482	3,473,828	-	6,439,310

35.3.2 Remaining Contractual Maturity Analysis of Due to Bank -Group

As at 31st March 2022	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	1,325,500	-	-	1,325,500
Short term loans	796,993	-	-	796,993
Long term loans	3,113,993	4,816,451	-	7,930,444
Asset backed securities	3,111,337	2,136,087	-	5,247,424
Total	8,347,823	6,952,538	-	15,300,361

As at 31st March 2021	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	891,879	-	-	891,879
Short term loans	105,449	-	-	105,449
Long term loans	936,819	1,346,790	-	2,283,609
Asset backed securities	2,249,108	3,473,828	-	5,722,936
Total	4,183,255	4,820,618	-	9,003,873

36. Due to Customers

Accounting Policy

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. 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.

Deposits of 8.0 billion (2020/21 Rs. 8.1 billion) held as collateral for Loans against deposits were included in Due to customers.

In compliance with the Finance Companies (Insurance of Deposit Liabilities) Direction No. 02 of 2010 all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure that will safeguard customer rights and confidence. The company has paid Rs. 148.67 Mn as the premium for the above insurance scheme during the year. (2020/21 - 151.87 Mn).

Notes to the Financial Statements

36. Due to Customers (Contd...)

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Fixed Deposits	95,145,802	92,999,765	103,375,767	95,378,121
Savings Deposits	8,222,102	8,503,166	8,077,983	8,365,595
Total	103,367,904	101,502,931	111,453,750	103,743,716
Fair value	102,854,237	102,019,672	110,876,896	104,256,546

36.1 Remaining Contractual Maturity Analysis of Due to Customers - Company

As at 31st March	2022			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed Deposits	78,112,290	17,033,512	-	95,145,802
Savings Deposits	7,973,377	75,044	173,681	8,222,102
Total	86,085,667	17,108,556	173,681	103,367,904

As at 31st March	2021			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed Deposits	74,108,732	18,891,033	-	92,999,765
Savings Deposits	8,288,671	50,466	164,029	8,503,166
Total	82,397,403	18,941,499	164,029	101,502,931

36.2 Remaining Contractual Maturity Analysis of Due to Customers - Group

As at 31st March	2022			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed Deposits	86,149,370	17,226,397	-	103,375,767
Savings Deposits	7,829,258	75,044	173,681	8,077,983
Total	93,978,628	17,301,441	173,681	111,453,750

As at 31st March	2021			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed Deposits	76,487,088	18,891,033	-	95,378,121
Savings Deposits	8,151,100	50,466	164,029	8,365,595
Total	84,638,188	18,941,499	164,029	103,743,716

37. Debt Securities Issued

Accounting Policy

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

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Listed Debentures	17,244,313	13,825,553	17,103,223	13,684,516
Total	17,244,313	13,825,553	17,103,223	13,684,516
Fair value	16,266,084	14,675,439	16,124,318	14,522,493

37.1 Movement of Debt Securities Issued

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 1 April	13,825,553	18,479,260	13,684,516	18,338,039
Amount borrowed during the year	10,000,000	-	10,000,000	-
Redemption of debt securities issued	(6,798,610)	(4,500,657)	(6,798,610)	(4,500,657)
Interest expenses on debt securities issued	1,875,532	1,935,761	1,859,429	1,916,991
Interest paid on debt securities issued	(1,658,162)	(2,088,811)	(1,642,112)	(2,069,857)
Balance as at 31 March	17,244,313	13,825,553	17,103,223	13,684,516

37.2 Listed Debentures

Issued date	Maturity date	Face value Rs. '000	Interest rate	Repayment term	Type	Company		Group	
						2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Senior, unsecured, redeemable, 'AA(-) rated									
16-Nov-2016	16-Nov-2021	6,798,610	12.60%	Annually	Semi Type C	-	7,108,347	-	7,108,347
18-Apr-2018	18-Apr-2022	704,600	12.40%	Annually	Type A	785,163	784,097	785,163	784,097
18-Apr-2018	18-Apr-2023	5,295,400	12.80%	Annually	Type B	5,941,109	5,933,109	5,800,019	5,792,072
5-Aug-2021	5-Aug-2024	2,942,940	8.00%	Annually	Type A	3,087,136	-	3,087,136	-
5-Aug-2021	5-Aug-2024	2,419,929	8.00%	At Maturity	Type B	2,538,385	-	2,538,385	-
5-Aug-2021	5-Aug-2026	4,272,360	9.00%	Annually	Type C	4,507,686	-	4,507,686	-
5-Aug-2021	5-Aug-2026	364,766	9.00%	At Maturity	Type D	384,834	-	384,834	-
		29,999,995				17,244,313	13,825,553	17,103,223	13,684,516

Notes to the Financial Statements

37. Debt Securities Issued (Contd...)

37.2.1 Utilisation of Funds Raised via Capital Market

Objective as per Prospectus	Amount allocated as per Prospectus in Rs.'000	Proposed date of utilisation as per Prospectus	Amount allocated from proceeds in Rs.'000 (A)	% of total proceeds	Amounts utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2015/16							
The funds raised through this Debenture Issue will be utilized to finance working capital requirements to match the medium to long term lending of PLC and to minimize the interest rate risk.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2016/17							
The funds raised through this Debenture Issue will be utilized to finance the budgeted lending portfolio and working capital requirements	8,000,000	Within the next 12 months from the date of allotment	8,000,000	100	8,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2018/19							
The funds raised through this Debenture Issue utilized to repay the short term facilities obtained to settle the debentures matured on the 26th March 2018 and for Company's working capital requirements.	6,000,000	Within the next 12 months from the date of allotment	6,000,000	100	6,000,000	100	N/A
Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2021/22							
The funds raised through the Debenture Issue will be utilised to expand the lending portfolio of the Company	10,000,000	within 06 months from the Date of Allotment	10,000,000	100	10,000,000	100	N/A

Remaining Contractual Maturity Analysis of Debt Security -Company

As at 31st March	2022			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Listed Debentures	1,977,853	15,266,460	-	17,244,313
Total	1,977,853	15,266,460	-	17,244,313

As at 31st March	2021			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Listed Debentures	7,835,316	5,990,237	-	13,825,553
Total	7,835,316	5,990,237	-	13,825,553

Remaining Contractual Maturity Analysis of Debt Security -Group

As at 31st March	2022			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Listed Debentures	1,962,543	15,140,680	-	17,103,223
Total	1,962,543	15,140,680	-	17,103,223

As at 31st March	2021			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Listed Debentures	7,820,059	5,864,457	-	13,684,516
Total	7,820,059	5,864,457	-	13,684,516

38. Other Financial Liabilities

Accounting Policy

Other financial liabilities includes amount payable to suppliers, insurance payable, dividend payable and other payables. These liabilities are non interest bearing and recorded at amounts expected to be payable as at the reporting date.

All other financial liabilities are recognised initially at fair value and Subsequently measured at amortised cost.

Amount Payable to Suppliers

Amount payable to suppliers includes obligation to pay for vehicle suppliers in the ordinary course of business.

Insurance payable

Insurance payable includes premium amount payable to insurance companies in relation to vehicles.

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Amount payable to suppliers	2,181,519	2,923,794	2,243,619	2,981,030
Insurance payable	609,130	619,168	-	-
Other payables	845,879	589,148	1,799,703	1,130,205
Total	3,636,528	4,132,110	4,043,322	4,111,235

Notes to the Financial Statements

39. Insurance Liabilities and Reinsurance Payable

Accounting Policy

Provision for Net Unearned Premium

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

As required by SLFRS 4 - Insurance Contracts, the Group performs a liability adequacy test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Provision for Gross Outstanding Claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

Provision for Gross Incurred but not Reported Claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

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

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

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

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

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

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 equalization or catastrophe reserves is recognised. The liabilities are derecognized when the contract expires, is discharged or is canceled.

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

Unexpired Risk Reserve

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

Non-life Insurance Contract Liabilities

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

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter- Ferguson methods and frequency/severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident periods and significant business lines, but can also be further analysed by geographical area and claim types. Large claims may be separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

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

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Notes to the Financial Statements

39. Insurance Liabilities and Reinsurance Payable (Contd...)

As at 31st March	Page Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Insurance Liabilities	39.1	292	-	-	5,314,549	4,717,294
Reinsurance payables			-	-	588,814	298,591
Total			-	-	5,903,363	5,015,885

39.1 Insurance Liabilities

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Insurance Liabilities	-	-	1,652,891	1,207,374
Reinsurance payables	-	-	3,661,658	3,509,920
Total	-	-	5,314,549	4,717,294

40. Operating Lease Liabilities

Accounting Policy

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group applied modified retrospective approach in accordance with SLFRS 16 when adopting the standards and used 12.62% as a weighted average incremental borrowing rate in order to record the right of use assets and operating lease liabilities (2021 - 12.45%).

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	2,286,386	1,909,098	1,614,660	1,594,245
Additions/renewal of operating lease agreements during the year	239,437	858,510	238,105	292,305
Accretion of interest	250,137	228,985	170,465	191,935
Payments to lease creditors	(667,068)	(655,969)	(385,273)	(409,587)
Expiration of operating lease agreements during the year	(49,842)	(54,238)	(49,842)	(54,238)
Balance as at 31st March	2,059,050	2,286,386	1,588,115	1,614,660

Sensitivity Analysis of Lease Liability

The impact arising from the possible changes in the incremental borrowing rate on the lease liability disclosed in Risk Management Disclosure 56.4.1.

Remaining Contractual Maturity Analysis of Lease Liability

Company As at 31st March	2022			
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Lease Liability	440,316	1,407,356	211,378	2,059,050
	440,316	1,407,356	211,378	2,059,050

Group As at 31st March	2022			Total Rs. '000
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	
Lease Liability	117,807	1,267,240	203,068	1,588,115
	117,807	1,267,240	203,068	1,588,115

Company As at 31st March	2021			Total Rs. '000
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	
Lease Liability	404,863	1,509,462	372,061	2,286,386
	404,863	1,509,462	372,061	2,286,386

Group As at 31st March	2021			Total Rs. '000
	Within one year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	
Lease Liability	236,268	1,038,946	339,446	1,614,660
	236,268	1,038,946	339,446	1,614,660

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41. Current Tax Liabilities

Accounting Policy

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

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

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Current tax payable	1,851,676	362,450	2,098,784	883,900
Total	1,851,676	362,450	2,098,784	883,900

Notes to the Financial Statements

41. Current Tax Liabilities (Contd...)

41.1 Current Tax Liability

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	362,450	1,803,309	883,900	2,077,418
Provision for the year	2,712,280	1,999,971	3,221,561	2,601,140
Under/(Over) provision in respect of previous year	(47,744)	(90,892)	(47,744)	(95,886)
Payment of income tax	(1,175,310)	(3,349,938)	(1,958,933)	(3,534,648)
Tax credits(*)	-	-	-	-
Economic Service Charge	-	-	-	(164,124)
Balance as at 31st March	1,851,676	362,450	2,098,784	883,900

41.2 Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.5% on "Exempt Turnover" and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years. As per Notice published dated January 1, 2020 by the Department of Inland Revenue, ESC was abolished with effect from January 01, 2020.

41.3 Withholding Tax (wht) on Fixed Deposits and Saving Accounts

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company made Fixed Deposit and Savings Accounts interest income on which WHT had been deducted at 10% per annum at the time of payment or credited to the account. This tax deduction can be claimed as tax credit to the income tax payments. As per Section 84 of the Inland Revenue Act No. 24 of 2017, WHT on interest or discount paid to a person rate was reduced to 5% with effect from 1 April 2018. As per Notice dated February 18, 2020 published by the Department of Inland Revenue, requirement to deduct WHT has been removed effective January 1, 2020.

42. Other Liabilities

Accounting Policy

Other liabilities include VAT on financial services payable, Value Added Tax (VAT) payable, other tax payable and other payable. These Non-Financial Liabilities should be measured at amounts that would rationally be paid to settle the present obligation or amount to transfer it to a third party on the balance sheet date.

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
VAT on financial services Payable	428,150	351,885	441,687	367,928
Value Added Tax (VAT) payable	6,985	19,590	51,216	61,394
W.H.T. Payable	-	7,192	178	7,370
Crop Insurance Levy Payable	13,595	18,372	13,595	16,132
Amount payable to customers	498,011	320,699	498,650	321,655
Stamp Duty Payable	62,106	61,790	64,546	64,295
Other Payable	360,207	289,593	329,158	318,048
Total	1,369,054	1,069,121	1,399,030	1,156,822

43. Retirement Benefit Obligation

Employee Benefits

Retirement Benefit Obligation - Gratuity

The Group/Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 - 'Employee Benefits'.

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

Recognition of Actuarial Gains and Losses

The Group/Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Statement of Comprehensive Income during the period in which it occurs.

Funding Arrangements

The gratuity liability is not externally funded.

Defined Contribution Plans - Employees' Provident Fund & Defined Contribution Plans - Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits)

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Group/Company and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

The Group/Company contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

Retirement Benefit Obligation

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

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

As at 31st March	Page No.	Company		Group	
		2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 01st April		587,257	592,871	657,778	647,929
Amount recognise in Statement of Profit or Loss	43.1	82,893	111,742	102,203	129,888
Amount recognise in Statement of Comprehensive Income	43.2	31,732	(107,003)	28,272	(106,891)
Benefits paid during the year		(33,471)	(10,353)	(39,309)	(13,148)
Balance as at 31st March		668,411	587,257	748,944	657,778

43.1 Amount recognise in Statement of Profit or Loss

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Past service cost	(20,736)	-	(23,590)	-
Current service cost	57,412	52,455	94,744	69,823
Net interest on the net defined benefit liability	46,217	59,287	51,785	60,065
Total amount recognised in Statement of Profit or Loss	82,893	111,742	102,203	129,888

Notes to the Financial Statements

43. Retirement Benefit Obligation (Contd...)

43.2 Amount recognise in Statement of Comprehensive Income

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Losses/(Gains) due to changes in assumptions	9,555	(38,363)	22	(42,779)
Experience Losses/(Gains) arising during the year	22,177	(68,640)	28,250	(64,112)
Total actuarial (losses)/gain recognised in Statement of Comprehensive Income	31,732	(107,003)	28,272	(106,891)

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2022 by Messrs Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries (31 March 2021 by Messrs Actuarial & Management Consultants (Private) Limited). The valuation method used by the actuaries to value the liability is the 'Projected Unit Credit (PUC), the method recommended by the Sri Lanka Accounting Standard, LKAS 19 - 'Employee Benefits'.

As at 31st March	2022	2021
Company /Group		
Actuarial assumptions		
Discount rate	15.00%	7.87%
Future salary increment rate	13.00%	6.00%
Mortality	A1967/70 ultimate mortality	A1967/70 ultimate mortality
Disability	Standard RI rates	
Retirement age	60 Years	55 Years

Expected average working life of the active participants is 8.58 years for the year ended 31st March 2022 (10.68 - 2021).

43.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measures.

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

		2022		2021	
		Effect on Statement of Comprehensive Income increase/ (reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/ (reduction) in the liability Rs. '000	Effect on Statement of Comprehensive Income 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%	46,958	(46,958)	37,667	(37,667)
	-1%	(53,552)	53,552	(42,606)	42,606
Increase/ (decrease) in salary Increment	1%	(53,830)	53,830	(42,735)	42,735
	-1%	47,935	(47,935)	38,416	(38,416)

43.4 Analysis of Retirement Benefit Obligation by Maturity Profile

Following note analysed the defined benefit obligation by expected future working life time of each individual employee. The expected future working life considers the probability of an exit due to withdrawal, death or disability prior to retirement date.

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Within the next 12 months	54,921	90,630	62,636	92,778
Between 1-5 years	246,811	197,715	275,960	223,127
Beyond 5 years	366,679	298,912	410,348	341,873
Total	668,411	587,257	748,944	657,778

GRI | 207-1, 207-2, 207-4

44. Deferred Tax Liabilities / (Assets)

Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Recognised under assets	(1,146,726)	(415,841)	(1,444,813)	(594,495)
Recognised under liabilities	-	-	323,621	297,568
Deferred tax liability/(Asset)	(1,146,726)	(415,841)	(1,121,192)	(296,927)

Net deferred tax assets/liabilities of one entity cannot set-off against another entity's assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of deferent entities are separately recognised in the Statement of Financial Position.

Notes to the Financial Statements

44. Deferred Tax Liabilities / (Assets) (Contd...)

44.1 Movement in Deferred Tax

	Company		Group	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 01st April	(415,841)	(376,291)	(296,924)	(53,709)
Charge for the year	(673,452)	(69,511)	(766,656)	(270,905)
Deferred Tax charge relating to components of Statement of Comprehensive Income	(57,433)	29,961	(57,612)	27,690
Balance as at 31st March	(1,146,726)	(415,841)	(1,121,192)	(296,924)

As at 31st March 2022	Company					Group				
	Deferred Tax Assets Rs. '000	Deferred Tax Liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred Tax Assets Rs. '000	Deferred Tax Liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	127,122	-	39,501	(7,616)	(7,616)	242,236	-	(234,413)	(7,795)	(7,795)
Carry forward tax losses	-	-	-	-	-	-	-	171,164	-	-
Impairment allowances for loan receivables	1,936,823	787,070	178,514	-	-	2,127,250	787,071	306,055	-	-
Deferred tax on transitional Adjustment	214,911	-	-	-	-	214,911	-	13,512	-	-
Accelerated depreciation allowance for tax purpose (Lease)	-	382,094	(862,128)	-	-	-	382,094	(862,128)	-	-
Accelerated depreciation allowance for tax purpose (PPE)	-	26,322	(6,363)	-	-	-	201,939	(22,111)	-	-
Deferred Tax on SLFRS 16	49,677	36,138	(22,976)	-	-	49,677	36,138	(59,114)	-	-
Deferred Tax on FVOCI	49,817	-	-	(49,817)	(49,817)	49,817	-	-	(49,817)	(49,817)
Fair value gains/losses - investment property	-	-	-	-	-	-	155,457	(79,621)	-	-
	2,378,350	1,231,624	(673,452)	(57,433)	(57,433)	2,683,891	1,562,699	(766,656)	(57,612)	(57,612)
Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year			(673,452)	(57,433)				(766,656)	(57,612)	
Recognised under equity					(57,433)					(57,612)
Recognised under assets		(1,146,726)					(1,444,813)			
Recognised under liabilities		-					323,621			
Net deferred tax liability/ (assets) as at 31 March		(1,146,726)					(1,121,192)			

As at 31st March 2021	Company					Group				
	Deferred Tax Assets Rs. '000	Deferred Tax Liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred Tax Assets Rs. '000	Deferred Tax Liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	166,597	-	(30,564)	29,961	29,961	171,164	-	18,973	27,690	27,690
Carry forward tax losses	-	-	-	-	-	-	-	268	-	-
Impairment allowances for loan receivables	1,786,426	465,774	172,933	-	-	2,078,889	465,774	59,002	-	-
Deferred tax on transitional Adjustment	214,911	-	35,818	-	250,729	228,423	-	38,071	-	-
Accelerated depreciation allowance for tax purpose (Lease)	-	1,244,197	(243,171)	-	-	-	1,244,197	(243,171)	-	-
Accelerated depreciation allowance for tax purpose (PPE)	-	32,685	28,197	-	-	-	224,050	92,393	-	-
Deferred Tax on SLFRS 16	26,701	36,138	(32,724)	-	-	26,701	36,138	(37,787)	-	-
Fair value gains/losses - investment property	-	-	-	-	-	51,899	289,990	(198,654)	-	-
	2,194,635	1,778,794	(69,511)	29,961	280,690	2,557,076	2,260,149	(270,905)	27,690	27,690
Deferred tax effect on Profit or Loss and Other Comprehensive Income for the year			(69,511)	29,961				(270,905)	27,690	
Recognised under equity					280,690					27,690
Recognised under assets		(415,841)					(594,495)			
Recognised under liabilities		-					297,568			
Net deferred tax liability as at 31 March		(415,841)					(296,927)			

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

45. Stated Capital

Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Sri Lanka.

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

Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

Notes to the Financial Statements

45. Stated Capital (Contd...)

	Company/Group 2022		Company/Group 2021	
	Number	Rs. '000	Number	Rs. '000
Balance as at 1 April	1,704,602,760	14,892,036	1,627,703,388	13,915,414
Scrip Dividend	182,592,242	2,179,925	76,899,372	976,622
Balance as at 31 March	1,887,195,002	17,071,961	1,704,602,760	14,892,036

Rights, Preferences and Restrictions of Classes of Capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

Regulatory Capital

As at 31st March	2022		2021	
	Actual Rs. '000	Required Rs. '000	Actual Rs. '000	Required Rs. '000
Tier 1 Capital / Core capital	36,445,056	2,000,000	33,109,148	2,000,000
Tier 1 Capital Ratio / Core capital ratio	18.76%	7.00%	17.72%	7.00%
Total Capital Ratio / Total risk weighted capital ratio	19.67%	11.00%	18.58%	11.00%

As per Finance Business Act Directions No 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general & other reserves less goodwill, other intangible assets, other comprehensive income losses, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies.

Even though Finance Business Act Direction No. 2 of 2017 required every Licensed Finance Company to maintain minimum core capital at not less than Rs. 2.5 billion by 1 January 2021, through the letter dated 31 March 2020 issued by the Central Bank of Sri Lanka with the subject of "Regulatory measures taken by the Central Bank of Sri Lanka to provide flexibility to Licensed Finance Companies to support business and individual affected by the outbreak of Coronavirus Disease (COVID-19)", concessions were granted to defer the enhancement of minimum core capital requirement of Rs. 2.5 billion until 1 January 2022. Further such letter has defer the maintenance of capital adequacy requirements which will be to meet the minimum capital requirements by 01.07.2020 and 01.07.2021 in terms of the Finance Business Act Direction No. 3 of 2018 - Capital Adequacy Requirements, until 01.07.2021 and 01.07.2022 respectively.

46. Statutory Reserve Fund

	Company		Group	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 1st April	2,406,995	2,205,344	2,464,951	2,235,077
Transfer during the year	232,951	201,651	264,400	229,874
Balance as at 31st March	2,639,946	2,406,995	2,729,351	2,464,951

People's Leasing & Finance PLC

According to the Paragraph 3 (a) of Finance Companies (Capital Funds) Direction No.1 of 2003, every finance company shall maintain reserve fund and as per Paragraph 3 (b) (i) of the said direction, so long the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits shall be transferred to reserve fund each year.

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

Lankan Alliance Finance Limited

As per Financial regulation 1994, every Non-Banking Financial Institution is required to transfer at least 20% of it's current years profit to the fund until such reserve fund equal to its paid up share capital and share premium (if any). In conformity with the above requirement the Company transferred 20% of net profit to statutory reserve before declaration of dividend.

47. Retained Earnings

	Company		Group	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 1st April	17,159,777	14,227,988	20,682,106	16,517,824
Profit for the year	4,659,009	4,033,020	4,805,731	5,294,015
Comprehensive income	25,701	77,042	29,340	76,763
Transfers to reserves	(182,950)	(201,651)	(214,401)	(229,874)
Transfers from reserves	-	-	-	-
Dividend paid	(2,179,925)	(976,622)	(2,179,925)	(976,622)
Balance as at 31st March	19,481,611	17,159,777	23,122,852	20,682,106

48. Other Reserves

Equity Reserves

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

- The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income (Refer Note 48.3 on page 302).
- General reserve' represents the amounts set aside by the Directors for general application. The purpose of setting up the General reserve is to meet the potential future unknown liabilities.
- Tax equalisation reserve' comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.
- Revaluation reserve' relates to revaluation adjustment of investment property transferred from property, plant and equipment.
- Foreign currency translation reserve

As at the reporting date, the assets and liabilities of the Lankan Alliance Finance Limited a subsidiary of the Company was translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Statement of Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statement is taken to foreign currency translation reserve through Statement of other comprehensive income (Refer Note 48.4 on page 302).

48.1 Current Year 2022

	Note	Page No.	Company			Group		
			Opening balance at 01-04-2021 Rs. '000	Movement / transfers Rs. '000	Closing balance at 31-03-2022 Rs. '000	Opening balance at 01-04-2021 Rs. '000	Movement / transfers Rs. '000	Closing balance at 31-03-2022 Rs. '000
Fair value reserve	48.3	302	(117,377)	(257,831)	(375,208)	(121,517)	(257,831)	(379,348)
Foreign currency translation reserve	48.4	302	-	-	-	542,836	733,623	1,276,459
Total			(117,377)	(257,831)	(375,208)	421,319	475,792	897,111

48.2 Previous Year 2021

	Note	Page No.	Company			Group		
			Opening balance at 01-04-2020 Rs. '000	Movement / transfers Rs. '000	Closing balance at 31-03-2021 Rs. '000	Opening balance at 01-04-2020 Rs. '000	Movement / transfers Rs. '000	Closing balance at 31-03-2021 Rs. '000
Fair value reserve	48.3	302	(102,114)	(15,263)	(117,377)	(116,005)	(5,512)	(121,517)
Foreign currency translation reserve	48.4	302	-	-	-	401,108	141,728	542,836
Total			(102,114)	(15,263)	(117,377)	285,103	136,216	421,319

Notes to the Financial Statements

48. Other Reserves (Contd...)

48.3 Fair Value Reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

	Company		Group	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 01st April	(117,377)	(102,114)	(121,517)	(116,005)
Transfer from retain earnings	(50,000)	-	(50,000)	-
Net fair value gains/(losses) on remeasuring financial investments	(207,831)	(15,263)	(207,831)	(5,512)
Balance as at 31st March	(375,208)	(117,377)	(379,348)	(121,517)

48.4 Foreign Currency Translation Reserve

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

	Company		Group	
	2021/22 Rs. '000	2020/21 Rs. '000	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 01st April	-	-	542,836	401,108
Net gains/(losses) arising from translating the Financial Statements	-	-	1,439,171	141,728
Transfer to NCI	-	-	(705,548)	-
Balance as at 31st March	-	-	1,276,459	542,836

49. Non -Controlling Interest

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

As at 31st March	Group	
	2021/22 Rs. '000	2020/21 Rs. '000
Balance as at 01st April	2,661,541	2,356,784
Profit for the year	12,438	302,319
Other comprehensive income	705,548	2,438
Dividend paid for the year	(225,000)	-
Balance as at 31st March	3,154,527	2,661,541

50. Contingent Liabilities and Commitments

Accounting Policy

Commitments and Contingencies

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

As at 31st March	Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Contingent liabilities	50.1	303	469,000	697,502	515,989	744,491
Commitments	50.2	304	6,383,234	10,300,609	6,383,234	10,300,609
Total			6,852,234	10,998,111	6,899,223	11,045,100

50.1 Contingent Liabilities

In the normal course of business, the Group and Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Group and Company. However no material losses are anticipated as a result of these transactions.

As at 31st March	Note	Page No.	Company		Group	
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Litigation against the Company	50.1.1	303	242,797	182,451	242,797	182,451
Guarantees - Related parties	50.1.2	303	-	300,000	-	300,000
Guarantees - Others	50.1.3	303	175,250	164,098	175,250	164,098
Assessment received from Inland Revenue Department	50.1.4	304	50,953	50,953	97,942	97,942
Pending bill retirements			-	-	-	-
Total			469,000	697,502	515,989	744,491

50.1.1 Litigation Against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Pending legal claims where the Company had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not included below as the Company does not expect cash outflows from such claims.

As of the date of the Statement of Financial Position, forty six (46) clients have filed cases against the company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

50.1.2 Guarantees - Related parties

Guarantee provided by the Company for Micro Commerce Ltd in order to obtain overdraft facility from a bank, The Company assure Bank that Micro Commerce Ltd is unable to make its loan repayments, the company commits to repay the loan on behalf of the subsidiary.

50.1.3 Guarantees - Other

Guarantee provided by the Company with the request of fixed deposits customers to third party and assure to make the obligation at the time of customer is unable to settle the payment.

Notes to the Financial Statements

50. Contingent Liabilities and Commitments (Contd...)

50.1.4 Assessment Received from Inland Revenue Department

Assessment (VATFS/BFSU/2014/581) received by the Company from the Inland Revenue Department for Year of Assessment 2010/11 is Rs. 50,953,390/- heard and concluded in favour of Inland Revenue Department. This decision has been appealed by the Company at the court of Appeal with reasonable grounds. The tax consultants are appearing for and on behalf of the Company.

50.2 Commitments

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

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Capital Commitments				
Approved and contracted for	-	-	-	-
Approved but not contracted for	1,093,909	1,485,544	1,093,909	1,485,544
Subtotal	1,093,909	1,485,544	1,093,909	1,485,544
Un-utilised facilities				
Margin trading	4,263,065	6,646,678	4,263,065	6,646,678
Fast track	577,652	828,677	577,652	828,677
Factoring	448,608	1,339,710	448,608	1,339,710
Subtotal	5,289,325	8,815,065	5,289,325	8,815,065
Total	6,383,234	10,300,609	6,383,234	10,300,609

In the computation of Expected Credit Loss company consider un utilised amount of revolving facility. Therefore allowance for un utilised facility is included in Note 25.7 on page 263.

51. Net Assets Value Per Ordinary Share

As at 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Total equity attributable to equity holders of the Company (Rs. '000)	38,818,310	34,341,431	43,821,275	38,460,412
Total number of shares	1,887,195,002	1,704,602,760	1,887,195,002	1,704,602,760
Net assets value per share (Rs.)	20.57	20.15	23.22	22.56

52. Current/Non Current Analysis

Company	2022			2021		
	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	4,668,830	-	4,668,830	2,703,031	-	2,703,031
Balances with banks & financial institutions	5,117,866	-	5,117,866	5,399,071	-	5,399,071
Financial assets - Fair value through profit or loss	25,140	-	25,140	109,787	-	109,787
Loans and receivables	59,713,721	91,560,733	151,274,454	60,898,074	80,489,833	141,387,907
Financial assets - Fair value through other comprehensive income	1,333,268	10	1,333,278	309,108	10	309,118
Debt instrument - Amortised cost	9,827,221	-	9,827,221	6,994,206	-	6,994,206
Investments in subsidiaries	-	3,213,788	3,213,788	-	3,213,788	3,213,788
Other assets	589,938	159,216	749,154	414,777	160,883	575,660
Property, plant and equipment	-	1,413,776	1,413,776	-	1,049,250	1,049,250
Right of use assets	-	1,972,380	1,972,380	-	2,242,444	2,242,444
Deferred tax assets	-	1,146,726	1,146,726	-	415,841	415,841
Goodwill and intangible assets	-	21,965	21,965	-	146,446	146,446
Total assets	81,275,984	99,488,594	180,764,578	76,828,054	87,718,495	164,546,549
Liabilities						
Due to banks	5,534,119	6,215,213	11,749,332	2,965,482	3,473,828	6,439,310
Due to customers	86,085,667	17,282,237	103,367,904	82,397,403	19,105,528	101,502,931
Debt securities issued	1,977,853	15,266,460	17,244,313	7,835,316	5,990,237	13,825,553
Other financial liabilities	3,636,528	-	3,636,528	4,132,110	-	4,132,110
Operating lease liabilities	440,316	1,618,734	2,059,050	404,863	1,881,523	2,286,386
Current tax liabilities	1,851,676	-	1,851,676	362,450	-	362,450
Other liabilities	1,369,054	-	1,369,054	1,069,121	-	1,069,121
Retirement Benefit Obligation	54,921	613,490	668,411	90,630	496,627	587,257
Total liabilities	100,950,134	40,996,134	141,946,268	99,257,375	30,947,743	130,205,118
Net assets	(19,674,150)	58,492,460	38,818,310	(22,429,321)	56,770,752	34,341,431

Group	2022			2021		
	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	5,402,587	-	5,402,587	3,844,694	-	3,844,694
Balances with banks & financial institutions	9,529,518	-	9,529,518	8,231,101	-	8,231,101
Financial assets - Fair value through profit or loss	849,298	-	849,298	1,281,753	-	1,281,753
Loans and receivables	69,526,174	93,794,672	163,320,846	61,399,922	85,604,082	147,004,004
Reinsurance and insurance receivables	1,322,528	-	1,322,528	1,024,461	-	1,024,461
Financial assets - Fair value through other comprehensive income	1,632,931	10	1,632,941	735,484	10	735,494
Debt instrument - Amortised cost	12,964,438	3,049,087	16,013,525	9,975,284	956,430	10,931,714
Investment properties	-	820,664	820,664	-	820,664	820,664
Other assets	672,610	159,216	831,826	771,575	160,883	932,458
Property, plant and equipment	-	4,090,682	4,090,682	-	4,034,265	4,034,265
Right of use assets	-	1,539,484	1,539,484	-	1,591,297	1,591,297
Deferred tax assets	-	1,444,813	1,444,813	-	594,495	594,495
Goodwill and intangible assets	-	139,603	139,603	-	265,506	265,506
Total assets	101,900,084	105,038,231	206,938,315	87,264,274	94,027,632	181,291,906
Liabilities						
Due to banks	8,347,823	6,952,538	15,300,361	4,183,255	4,820,618	9,003,873
Due to customers	93,978,628	17,475,122	111,453,750	84,638,188	19,105,528	103,743,716
Debt securities issued	1,962,543	15,140,680	17,103,223	7,820,059	5,864,457	13,684,516
Other financial liabilities	4,043,322	-	4,043,322	4,111,235	-	4,111,235
Insurance and reinsurance payable	-	5,903,363	5,903,363	-	5,015,885	5,015,885
Operating lease liabilities	-	1,588,115	1,588,115	-	1,614,660	1,614,660
Current tax liabilities	117,807	1,470,308	2,098,784	236,268	1,378,392	883,900
Other liabilities	1,399,030	-	1,399,030	1,156,822	-	1,156,822
Retirement benefit obligation	62,636	686,308	748,944	92,778	565,000	657,778
Deferred tax liabilities	-	323,621	323,621	-	297,568	297,568
Total liabilities	112,010,573	47,951,940	159,962,513	103,122,505	37,047,448	140,169,953
Net assets	(10,110,489)	57,086,291	46,975,802	(15,858,231)	56,980,184	41,121,953

Notes to the Financial Statements

53. Financial Reporting by Segment

Accounting Policy

The group's segmental reporting is based on the Business Segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Reporting Standard -SLFRS- 8, the operating segment of the group has been identify based on the product and services offered by the group of which level of risk and rewards are significantly differ from one another.

Top management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows;

Lease & Hire-purchase

This segment includes Leasing and Hire Purchase products offered to the customers.

Loans

This segment includes Loan products offered to the customers.

Islamic

This segment includes Ijarah, Murabah, Musharakah and Trading Murabah products offered to the customers.

Insurance business

Insurance business segment includes general insurance

Other business

This segment include all other business activities that group engaged other than above segments.

For the year ended 31st March	Lease & HP		Loans		Islamic		Insurance		Other		Eliminations		GROUP	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest income	12,462,608	14,076,446	10,530,761	10,175,781	1,035,736	1,180,184	701,136	718,734	1,415,774	872,270	(219,223)	(201,577)	25,926,792	26,821,838
Net earned premium	-	-	-	-	-	-	5,123,003	5,198,693	-	-	(183,932)	(170,144)	4,939,071	5,028,549
Net fee and commission income	1,120,503	1,147,474	946,812	829,502	93,122	96,205	-	-	202,123	209,887	(1,041,047)	(1,085,014)	1,321,513	1,198,054
Net trading income	-	-	-	-	-	-	71,272	65,631	15,253	162,627	-	-	86,525	228,258
Other operating income	146,024	90,553	123,389	65,460	12,136	7,592	58,022	61,820	1,124,879	311,463	(1,107,365)	(168,322)	357,085	368,566
Gross income	13,729,135	15,314,473	11,600,962	11,070,743	1,140,994	1,283,981	5,953,433	6,044,878	2,758,029	1,556,247	(2,551,567)	(1,625,057)	32,630,986	33,645,265
Interest expenses	5,366,101	7,114,388	4,534,295	5,142,949	445,963	596,477	-	-	1,077,990	722,960	(219,223)	(201,577)	11,205,126	13,375,197
Total Operating income	8,363,034	8,200,085	7,066,667	5,927,794	695,031	687,504	5,953,433	6,044,878	1,680,039	833,287	(2,332,344)	(1,423,480)	21,425,860	20,270,068
Credit loss expenses	785,927	670,935	194,519	693,649	(23,067)	(67,802)	-	-	(5,623)	55,707	-	-	951,756	1,352,489
Net operating income	7,577,107	7,529,150	6,872,148	5,234,145	718,098	755,306	5,953,433	6,044,878	1,685,662	777,580	(2,332,344)	(1,423,480)	20,474,104	18,917,579
Depreciation	282,547	343,502	324,649	316,567	29,548	21,563	102,316	97,289	69,411	57,405	(169,807)	(188,633)	638,664	647,693
Segment result	4,252,022	4,037,333	3,592,909	2,918,564	353,375	338,494	995,844	1,570,221	854,183	410,271	(1,117,206)	(170,247)	8,931,127	9,104,636
Less: Tax on financial services													1,705,797	1,273,966
Share of (loss) of an associate (net of tax)													-	-
Income tax expense													2,407,161	2,234,336
Profit attributable to equity holder													4,818,169	5,596,334
As at 31st March														
Segment assets	81,759,467	82,140,914	91,065,698	75,700,016	8,524,799	5,156,381	12,102,543	11,133,855	20,032,202	13,727,582	(6,546,396)	(6,566,842)	206,938,315	181,291,906
Total assets	81,759,467	82,140,914	91,065,698	75,700,016	8,524,799	5,156,381	12,102,543	11,133,855	20,032,202	13,727,582	(6,546,396)	(6,566,842)	206,938,315	181,291,906
Segment liabilities	63,645,543	64,265,746	70,889,964	59,226,490	6,636,118	4,034,271	7,353,491	6,266,782	15,594,039	10,740,339	(4,156,642)	(4,363,675)	159,962,513	140,169,953
Total liability	63,645,543	64,265,746	70,889,964	59,226,490	6,636,118	4,034,271	7,353,491	6,266,782	15,594,039	10,740,339	(4,156,642)	(4,363,675)	159,962,513	140,169,953

Notes to the Financial Statements

54. Assets Pledged

The following assets have been pledged as securities for liabilities.

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged				Included under
		Company		Group		
		31 March 2022 Rs. '000	31 March 2021 Rs. '000	31 March 2022 Rs. '000	31 March 2021 Rs. '000	
Rentals receivables on lease	Securitisation	7,472,455	10,701,499	7,472,455	10,701,499	Loans and receivables
	Term loan	7,611,638	-	7,611,638	-	Loans and receivables
	Short term loans	16,307,463	17,408,077	16,307,463	17,408,077	Loans and receivables
Rentals receivables on hire-purchase	Securitisation	-	-	-	-	Loans and receivables
	Term loan	-	-	1,037,255	1,037,255	Loans and receivables
	Short term loans	-	2,340	46,705	49,045	Loans and receivables
Rentals receivables on loans	Securitisation	413,373	1,315,592	413,373	1,315,592	Loans and receivables
	Short term loans	9,195,305	3,754,149	9,195,305	3,754,149	Loans and receivables
Fixed deposits	Bank guarantee for assessment	-	-	14,553	14,000	Contingent liabilities and commitments
Fixed deposits	Overdrafts	-	-	75,000	75,000	Balances with banks & financial institutions
Freehold lands and buildings	Term loan	-	-	3,818,007	3,818,007	Property, plant & equipment

55. Related Party Disclosure

The Company and the Group carry out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosure), the details of which are reported below:

55.1 Parent and Ultimate Controlling Party

The immediate Parent of the Company is People's Bank which is a Government owned entity.

55.2 Transactions with Key Management Personnel (KMP) and their Family Members

As per the Sri Lanka Accounting Standard - LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates.

Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

55.2.1 Transactions with Key Management personnel and their Close Family Members**Remuneration to Key Management Personnel**

(a) Remuneration to Board of Directors

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Short term employees benefits	4,939	3,863	12,711	7,919
Total	4,939	3,863	12,711	7,919

(b) Remuneration to Corporate Management

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Short term employees benefits	163,457	153,815	227,342	213,700
Post employment benefits	15,529	14,351	17,605	16,235
Total	178,986	168,166	244,947	229,935

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.

55.2.2 Share Transactions with Key management Personnel

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
No. of ordinary shares held	673,685	1,147,720	855,185	1,326,220
Scrip dividend (No. of shares)	64,892	51,773	69,392	51,773

55.2.3 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and other related entities

(a) Items in Statement of Profit or Loss

For the year ended 31st March	Board of Directors		Corporate Management		Total	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest income	26	26	312	5,488	338	5,514
Interest expense	4,495	9,179	21,702	37,140	26,197	46,319

Notes to the Financial Statements

55. Related Party Disclosure (Contd...)

(b) Items in Statement of Financial Position

As at 31 March	Board of Directors		Corporate Management		Total	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Assets						
Loans and receivables	-	-	8,921	10,317	8,921	10,317
	-	-	8,921	10,317	8,921	10,317
Liabilities						
Due to customers	63,263	59,748	286,951	351,430	350,214	411,178
Debt Securities issued	-	-	-	-	-	-
	63,263	59,748	286,951	351,430	350,214	411,178

55.3 Net Accommodation and Net Accommodation as a Percentage of Capital Funds

As at 31 March	2022 Rs. '000	2021 Rs. '000	2022 %	2021 %
People's Bank	-	-	-	-
People's Leasing Property Development Limited	560,310	599,301	1.44	1.75
People's Leasing Fleet Management Limited	3,528	-	0.01	-
People's Leasing Havelock Properties Limited	835,187	830,096	2.15	2.42
People's Microfinance Ltd	1,495	2,700	-	-
People's Insurance PLC	35,236	49,908	0.09	0.15
Lankan Alliance Finance Limited	27,155	27,155	0.07	0.08
Board of Directors	-	-	-	-
Corporate management	8,921	10,317	0.02	0.03
Total net accommodation	1,471,832	1,519,477	3.78	4.42

55.4 Transactions with Related Entities

Transactions with Government of Sri Lanka and Government Related Entities

The immediate parent of the Company is People's Bank which is Government owned entity. The Company enters into transactions, arrangements and agreements with Government of Sri Lanka and its related entities. The significant financial dealings during the year and as at the Statement of Financial Position date are as follows:

a) Items in Statement of Profit or Loss

For the year ended 31st March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest income	7,663	4,542	7,663	4,542
Interest expenses	746,204	563,910	746,204	563,910

b) Items in Statement of Financial Position

As at 31 March	Company		Group	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Loans and receivables	49,571	28,308	49,571	28,308
Total	49,571	28,308	49,571	28,308
Liabilities				
Due to banks	263,602	951,073	263,602	951,073
Due to customera	1,031,702	1,128,019	1,031,702	1,128,019
Debt Securities issued	-	-	-	-
Total	1,295,304	2,079,092	1,295,304	2,079,092

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

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

c) Individual Significant Transactions

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

55.4.1 Company

The Company had the under mentioned financial dealings during the financial year with the following related entities

a) Items in Statement of Profit or Loss

For the year ended 31st March	Parent		Subsidiaries	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Interest income	1,142,425	755,692	153,122	131,352
Interest expense	103,669	118,748	162,077	126,096
Fee & Commission income	-	-	655,763	715,240
Other operating income	-	-	945,670	110,000
Benefits, claims and underwriting expenditure	-	-	167,402	-
Depriciation and amortisation	13,719	22,928	215,791	231,555
Other operating expenses	-	-	20,561	195,950

Notes to the Financial Statements

55. Related Party Disclosure (Contd...)

b) Items in Statement of Financial Position

As at 31 March	Parent		Subsidiaries	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Assets				
Cash and cash equivalents	3,500,703	1,755,592	-	-
Balances with banks & financial institutions	5,117,866	5,399,071	-	-
Loans and receivables	-	-	1,471,124	1,509,160
Financial assets - Amortised cost	9,827,221	6,319,142	-	-
Investments in subsidiaries/associate (net of impairment)	-	-	3,213,788	3,213,788
Other assets	-	-	376,555	168,802
Right of use asset	21,753	134,618	584,173	798,632
Total	18,467,543	13,608,423	5,645,640	5,690,382
Liabilities				
Due to banks	333,018	1,398,943	-	-
Due to customers	1,031,702	1,128,019	564,298	703,477
Debt Securities issued	-	-	141,090	141,037
Other Financial liabilities	-	-	682,454	685,294
Other liabilities	1,118	3,018	8,769	11,109
Lease liability	24,424	149,204	647,548	835,759
Total	1,390,262	2,679,184	2,044,159	2,376,676

c) Transactions

	Parent		Subsidiaries	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Transaction cost on debenture issue and securitisation	178	478	-	-
Purchase of vehicles	-	-	215,100	-
Building rent paid	27,435	36,231	284,352	282,917
Building rent received	-	18,293	8,992	-
Cash and cash equivalents - Repo investments	48,312,210	4,950,000	-	-
Cash and cash equivalents - Repo settlements	47,856,467	10,117,940	-	-
Balances with banks and financial institutions - FD investments	30,785,830	24,145,286	-	-
Balances with banks and financial institutions - FD withdrawals	31,510,851	22,294,433	-	-
Loans and receivables - Grantings	-	-	326,170	537,481
Loans and receivables - Repayments	-	-	348,048	663,796
Debt instrument - Amortised cost - Investments	31,590,690	22,598,347	-	-
Debt instrument - Amortised cost - Settlements	28,631,105	20,089,756	-	-
Due to banks - Borrowings	-	1,000,000	-	-
Due to banks - Repayment	472,626	1,575,922	-	-
Due to customers - Investments	389,246	516,030	1,063,578	702,487
Due to customers - Settlements	292,930	186,774	945,304	441,997
Other financial liabilities - Services obtained	-	8,489	9,306	-
Other financial liabilities - Repayment	-	8,488	9,270	-
Dividend paid	1,634,944	732,467	-	-
Dividend received	-	-	930,625	110,000
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	2,959,667	3,397,566
Total	221,504,512	108,243,664	7,108,114	6,163,812

d) Off- Balance Sheet Items

As at 31 March	Parent		Subsidiaries	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Guarantees	-	-	-	300,000
Total	-	-	-	300,000

55.4.2 Group

The group had the under mentioned financial dealings during the financial year with the following related entities.

a) Items in Statement of Profit or Loss

For the year ended 31st March	Immediate Parent	
	2022 Rs. '000	2021 Rs. '000
Interest income	1,218,355	800,369
Interest expenses	112,817	113,534
Net earned premiums	253,839	404,434
Fee and commission income	32,987	33,601
Other operating income	111,796	132,221
Benefits, claims and underwriting expenditure	25,650	74,736
Depreciation and amortisation	13,719	-
Other operating expenses	-	22,928

b) Items in Statement of Financial Position

As at 31 March	Immediate Parent	
	2022 Rs. '000	2021 Rs. '000
Assets		
Cash and cash equivalents	3,907,522	2,054,940
Balances with banks & financial institutions	5,722,035	6,137,065
Loans and receivables	-	-
Insurance and reinsurance receivables	190,536	184,548
Financial assets - Amortised cost	9,827,221	6,319,142
Investments in subsidiaries/associate (net of impairment)	-	-
Other assets	7,432	10,166
Right of use assets	21,753	134,618
Total	19,676,499	14,840,479
Liabilities		
Due to banks	607,755	1,524,537
Debt Securities issued	1,031,702	1,128,019
Other liabilities	10,126	10,940
Lease liabilities	24,424	149,204
Total	1,674,007	2,812,700

Notes to the Financial Statements

55. Related Party Disclosure (Contd...)

55.5 Transactions Exceeding 10% of the Gross Income of the Company

Name of the Related party	Relationship	Nature of the transaction	Transaction value		Transaction value as a % of gross income		Terms and conditions
			2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	
People's Bank	Immediate Parent	Repo investments	48,312,210	4,950,000	180.66%	18.26%	Normal terms
		Repo settlements	47,856,467	10,117,940	178.96%	37.33%	Normal terms
		FD withdrawals	31,510,851	22,294,433	117.84%	82.26%	Normal terms
		Tbill investments	31,590,690	22,598,347	118.13%	83.38%	Normal terms
		Tbill settlements	28,631,105	20,089,756	107.07%	74.12%	Normal terms
People's Insurance PLC	Subsidiary	Insurance premium	2,959,667	3,397,566	11.07%	12.54%	Normal terms

56. Risk Management (Company/Group)

56.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability, sustainability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operational risks. Detailed risk analysis is given in risk management section.

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Board Integrated Risk Management Committee (BIRMC), which has the responsibility to monitor the overall risk process within the Company.

The BIRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The BIRMC is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk & Control Department is responsible for monitoring compliance with risk principles, policies and limits across the Company.

Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Chief Executive Officer. Other permanent members of the ALCO include, Senior Deputy General Manager - Operations, Deputy General Manager-Operations, Deputy General Manager-Risk & Control, Deputy General Manager- Recoveries & Administration, Head of Deposits, Head of Finance, Head of Treasury and the Committee Secretary. The Committee meetings should be held at least once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements. The Chairman of ALCO upon a request of any permanent member may convene a special meeting of the Committee when an issue arises that cannot wait until the next regularly scheduled meeting.

Executive Integrated Risk Management Committee

Executive Integrated Risk Management Committee (or "the Committee") has been formed as a management level committee to further strengthen the Risk Governance Structure of the Company and support the Board, Board Sub-Committees and the Corporate Management in managing the risks associated with the business operations of the Company in an integrated manner.

The TOR of the Committee clearly set out the authority, constitution, meeting frequency, accountability and responsibilities, quorum, reporting and other procedures of the Committee. The TOR was updated in 2021 and adopted upon the Board Approval.

EIRMC is chaired by the Head of Risk. The members of the Committee include the members of Corporate Management. All business managers that involved in the operations of the Company can be recognised as "Risk Owners" as they negotiate to assume risk exposures with potential customers within the Board approved Risk Management policies and Risk Tolerance limits. Accordingly, Members of Senior Management involved in business operations can be considered as Senior Risk Owners. Therefore, At IRMOC, it is mandatory to have a higher level of involvement by the Senior Risk Owners of the Company.

The Committee shall focus on reviewing assumed risks at the front-line, specifically focusing on Credit Risk, Operational Risk and Compliance Risk.

The EIRMC shall meet at least monthly and when required. The EIRMC is accountable to the BIRMC. The Committee submitted the highlights of the Minutes of EIRMC Meetings to the BIRMC for seeking the Committee's views, concurrence and or specific directions.

Operational Risk

The spread of COVID-19 has resulted in work disruptions like never before.. The pandemic has led to some branches closing temporarily as some employees are required to work remotely. The additional operational cost of procuring logistics to equip staff work remotely is expected to impact revenue. Company could also experience delays in orders for laptops, servers and networking equipment which may further impact productivity. Since the scare of COVID-19, there has been a global spike in malware and fraud incidents. The risk of cyber security risk arising from remote access provided to enable WFH was mitigated by VPN access through firewall user authentication, VPN Policy, Password Policy and access control mechanisms, VPN access log reporting and by using PC hardening policies in laptops.

56.2 Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and group and by monitoring exposures in relation to such limits.

Credit Risk -Impairment Provision as Per ECL for Financial Assets

Locally, the spread of COVID-19 will negatively impact many firms, mainly through potential disruptions in manufacturing supply chains, domestic consumption, tourism and exports, posing downside risks to their earnings prospects. This will in turn impact the capacity of such firms to meet contractual obligations that leads to an increase in NPLs.

Expected Credit Loss at 31 March 2022 was estimated based on a range of forecast economic conditions prevailing as at that date. As the situation continues to evolve and timelines for a normalization of economic activity remains yet an unknown, the impact to our core markets and the Company's financial results cannot be reasonably estimated or reliably measured based on reasonable and supportable information that is available at the current stage.

In view of the current economic status of the country following adjustments were made in respect to the impairment provision during the year ended 31 March 2022.

- EFA scenarios were adjusted by decreasing the best case and increasing the worst case.
- An additional impairment was made in respect of the facilities for which moratorium was granted.
- Further, specific adjustment was made in respect of the certain impacted industries such as tourism and passenger transport by moving up one age bucket from the existing age bucket.

Impairment Assessment

For accounting purposes, the Company uses a collective and individual model for the recognition of losses on impaired financial assets.

Individually Assessed Allowances

The Company determines the allowances appropriate for each individually significant leases, hire purchases and loans on an individual basis, including any overdue payments of interests or credit rating downgrades. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty projected receipts and the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on leases, hire purchases and loans and for held to maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Detailed Note on impairment method has disclosed in note 25 on page 251.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.2.1 Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets

The Company manages the credit quality of financial assets using internal credit evaluation system. The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Company's internal credit evaluation system. The amounts presented are gross of impairment allowances.

Definition of Past Due

The Company considers that any amounts uncollected one day or more beyond their contractual due date as 'past due'.

As at 31st March 2022	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		1-30 Days Rs. '000	31-60 days Rs. '000	61-90 days Rs. '000	Over 90 days Rs. '000		
Company							
Cash and cash equivalents (excluding cash in hand)	3,532,839	-	-	-	-	-	3,532,839
Balances with banks & financial institutions	5,117,866	-	-	-	-	-	5,117,866
Financial assets - Fair value through profit or loss	25,140	-	-	-	-	-	25,140
Loans and receivables - Amortised cost	102,300,917	21,753,573	11,454,830	4,752,674	18,437,021	2,463,009	161,162,024
Financial assets - Fair value other comprehensive income	1,333,278	-	-	-	-	-	1,333,278
Debt instrument - Amortised cost	9,827,221	-	-	-	-	-	9,827,221
Other financial assets	108,493	-	-	-	-	-	108,493
Total	122,245,754	21,753,573	11,454,830	4,752,674	18,437,021	2,463,009	181,106,861

As at 31st March 2021	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		1-30 Days Rs. '000	31-60 days Rs. '000	61-90 days Rs. '000	Over 90 days Rs. '000		
Company							
Cash and cash equivalents (excluding cash in hand)	1,780,463	-	-	-	-	-	1,780,463
Balances with banks & financial institutions	5,399,071	-	-	-	-	-	5,399,071
Financial assets - Fair value through profit or loss	109,787	-	-	-	-	-	109,787
Loans and receivables - Amortised cost	76,540,202	15,174,455	20,580,873	9,682,055	26,709,922	1,968,338	150,655,845
Financial assets - Fair value other comprehensive income	309,118	-	-	-	-	-	309,118
Debt instrument - Amortised cost	6,994,206	-	-	-	-	-	6,994,206
Other financial assets	126,949	-	-	-	-	-	126,949
Total	91,259,796	15,174,455	20,580,873	9,682,055	26,709,922	1,968,338	165,375,439

As at 31st March 2022	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		1-30 Days Rs. '000	31-60 days Rs. '000	61-90 days Rs. '000	Over 90 days Rs. '000		
Group							
Cash and cash equivalents (excluding cash in hand)	4,244,919	-	-	-	-	-	4,244,919
Balances with banks & financial institutions	9,529,518	-	-	-	-	-	9,529,518
Financial assets - Fair value through profit or loss	849,298	-	-	-	-	-	849,298
Loans and receivables - Amortised cost	112,406,372	22,225,556	12,232,422	5,039,650	19,795,973	2,463,009	174,162,982
Insurance and reinsurance receivables	1,322,528	-	-	-	-	-	1,322,528
Financial assets - Fair value other comprehensive income	1,632,941	-	-	-	-	-	1,632,941
Debt instrument - Amortised cost	16,013,525	-	-	-	-	-	16,013,525
Total	145,999,101	22,225,556	12,232,422	5,039,650	19,795,973	2,463,009	207,755,711

As at 31st March 2021	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		1-30 Days Rs. '000	31-60 days Rs. '000	61-90 days Rs. '000	Over 90 days Rs. '000		
Group							
Cash and cash equivalents (excluding cash in hand)	2,904,928	-	-	-	-	-	2,904,928
Balances with banks & financial institutions	8,231,101	-	-	-	-	-	8,231,101
Financial assets - Held-for-trading	1,281,753	-	-	-	-	-	1,281,753
Loans and receivables - Amortised cost	72,927,079	17,251,686	24,716,058	10,368,457	29,925,440	1,697,480	156,886,200
Insurance and reinsurance receivables	1,024,461	-	-	-	-	-	1,024,461
Financial assets - Fair value other comprehensive income	735,494	-	-	-	-	-	735,494
Debt instrument - Amortised cost	10,931,714	-	-	-	-	-	10,931,714
Total	98,036,530	17,251,686	24,716,058	10,368,457	29,925,440	1,697,480	181,995,651

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.2.2 Analysis of Risk Concentration

The following table shows the risk concentration by industry for the components of the statement of financial position.

Industry Analysis

31 March 2022	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	4,668,830	-	-	-	-	-	-	-	-	-	4,668,830
Balances with banks & financial institutions	5,117,866	-	-	-	-	-	-	-	-	-	5,117,866
Financial assets - Fair value through profit or loss	15,900	-	9,240	-	-	-	-	-	-	-	25,140
Loans and receivables - Amortised cost	10,787,171	32,571,677	9,441,731	3,314,785	35,116,000	9,797,912	20,787,613	24,660,505	3,041,335	11,643,295	161,162,024
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	9,887,570
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	151,274,454
Financial assets - Fair value other comprehensive income	1,333,268	-	-	-	-	-	-	10	-	-	1,333,278
Debt instrument - Amortised cost	9,827,221	-	-	-	-	-	-	-	-	-	9,827,221
Other financial assets	108,493	-	-	-	-	-	-	-	-	-	108,493

31 March 2021	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	2,703,031	-	-	-	-	-	-	-	-	-	2,703,031
Balances with Banks & financial institutions	5,399,071	-	-	-	-	-	-	-	-	-	5,399,071
Financial assets - Fair value through profit or loss	109,787	-	-	-	-	-	-	-	-	-	109,787
Loans and receivables - Amortised cost	7,268,787	30,661,009	9,094,435	3,666,967	33,506,084	10,972,649	18,498,319	24,837,601	2,942,247	9,207,747	150,655,845
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	9,267,938
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	141,387,907
Financial assets - Fair value other comprehensive income	309,108	-	-	-	-	-	-	10	-	-	309,118
Debt instrument - Amortised cost	6,994,206	-	-	-	-	-	-	-	-	-	6,994,206
Other financial assets	126,949	-	-	-	-	-	-	-	-	-	126,949

* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

31 March 2022	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	5,402,587	-	-	-	-	-	-	-	-	-	5,402,587
Balances with banks & financial institutions	9,529,518	-	-	-	-	-	-	-	-	-	9,529,518
Financial assets - Fair value through profit or loss	840,058	-	9,240	-	-	-	-	-	-	-	849,298
Loans and receivables - Amortised cost	10,719,757	33,958,216	14,135,330	3,328,350	35,254,791	10,631,366	21,336,335	27,953,383	3,283,296	13,562,158	174,162,982
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	10,842,136
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	163,320,846
Reinsurance and insurance receivable	-	-	-	-	-	-	-	-	-	1,322,528	1,322,528
Financial assets - Fair value other comprehensive income	1,632,931	-	-	-	-	-	-	10	-	-	1,632,941
Debt instrument - Amortised cost	16,013,525	-	-	-	-	-	-	-	-	-	16,013,525

31 March 2021	Financial Services*	Agriculture	Manufacturing	Tourism	Transport	Construction	Traders	Services	Industry	Others	Total
Group	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	3,844,694	-	-	-	-	-	-	-	-	-	3,844,694
Balances with banks & financial institutions	8,231,101	-	-	-	-	-	-	-	-	-	8,231,101
Financial assets - Fair value through profit or loss	1,257,000	-	14,985	-	-	-	-	9,768	-	-	1,281,753
Loans and receivables - Amortised cost	9,848,580	31,237,276	10,625,482	3,679,932	33,611,307	9,780,857	19,034,510	26,233,747	2,942,247	9,892,262	156,886,200
Less - Impairment charges	-	-	-	-	-	-	-	-	-	-	9,882,196
Net loans and receivables	-	-	-	-	-	-	-	-	-	-	147,004,004
Reinsurance and insurance receivable	-	-	-	-	-	-	-	-	-	1,024,461	1,024,461
Financial assets - Fair value other comprehensive income	735,484	-	-	-	-	-	-	10	-	-	735,494
Debt instrument - Amortised cost	10,931,714	-	-	-	-	-	-	-	-	-	10,931,714

* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

Geographical Distribution of Loans and Receivables

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

Company	Lease/Ijarah receivable Rs. '000	Hire-Purchase/ Murabah receivable Rs. '000	Term Loan and receivables Rs. '000	Related party receivables Rs. '000	Total Rs. '000
As at 31 March 2022					
Central	9,549,639	17,421	5,647,598	-	15,214,658
Eastern	3,718,288	8,610	2,534,747	-	6,261,645
North Central	4,681,387	9,832	2,653,600	-	7,344,819
Northern	2,443,490	2,672	2,352,399	-	4,798,561
North Western	7,775,486	15,733	4,677,244	-	12,468,463
Sabaragamuwa	5,828,809	9,720	2,637,285	-	8,475,814
Southern	11,054,270	20,203	7,952,428	-	19,026,901
Uva	5,389,008	12,211	2,587,964	-	7,989,183
Western	26,395,793	107,937	51,615,339	1,462,911	79,581,980
Total	76,836,170	204,339	82,658,604	1,462,911	161,162,024
As at 31 March 2021					
Central	9,702,115	20,365	4,943,754	-	14,666,234
Eastern	3,989,744	10,077	1,838,905	-	5,838,726
North Central	4,574,021	11,640	2,401,930	-	6,987,591
Northern	2,637,478	3,766	1,724,093	-	4,365,337
North Western	7,707,196	17,838	4,133,335	-	11,858,369
Sabaragamuwa	5,776,852	10,063	2,248,670	-	8,035,585
Southern	11,046,940	21,944	8,134,466	-	19,203,350
Uva	5,272,230	12,448	2,392,564	-	7,677,242
Western	27,435,149	116,652	42,962,450	1,509,160	72,023,411
Total	78,141,725	224,793	70,780,167	1,509,160	150,655,845

Group	Lease/Ijarah receivable	Hire-Purchase/ Murabah receivable	Term Loan and receivables	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2022				
Central	9,549,639	714,101	5,649,973	15,913,713
Eastern	3,718,288	453,915	2,537,929	6,710,132
North Central	4,681,387	222,938	2,653,966	7,558,291
Northern	2,443,490	2,672	2,352,399	4,798,561
North Western	7,775,486	193,126	4,678,347	12,646,959
Sabaragamuwa	5,828,809	253,047	2,639,164	8,721,020
Southern	11,054,270	335,304	7,952,940	19,342,514
Uva	5,389,008	650,187	2,593,942	8,633,137
Western	26,387,578	707,371	51,679,711	78,774,660
Bangladesh	-	-	11,063,995	11,063,995
Total	76,827,955	3,532,661	93,802,366	174,162,982
As at 31 March 2021				
Central	9,702,115	463,874	4,950,118	15,116,107
Eastern	3,989,744	377,074	1,849,011	6,215,829
North Central	4,574,021	332,374	2,408,489	7,314,884
Northern	2,637,478	3,766	1,728,774	4,370,018
North Western	7,707,196	310,247	4,143,126	12,160,569
Sabaragamuwa	5,776,852	269,912	2,253,827	8,300,591
Southern	11,046,940	320,759	8,154,142	19,521,841
Uva	5,272,230	570,913	2,424,802	8,267,945
Western	27,424,854	494,437	42,926,841	70,846,132
Bangladesh	-	-	4,772,284	4,772,284
Total	78,131,430	3,143,356	75,611,414	156,886,200

56.2.3 Fair Value of Collateral and Credit Enhancements Held

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

The main types of collateral obtained are, as follows:

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

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

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

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

Company	31 March 2022		31 March 2021	
	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)	3,532,839	3,532,839	1,780,463	1,780,463
Balances with banks & financial institutions	5,117,866	5,117,866	5,399,071	5,399,071
Financial assets - Fair value through profit or loss	25,140	25,140	109,787	109,787
Loans and receivables - Amortised cost	151,274,454	371,104	141,387,907	551,368
Financial assets - Fair value through other comprehensive income	1,333,278	1,333,278	309,118	309,118
Debt instrument - Amortised cost	9,827,221	9,827,221	6,994,206	6,994,206
Other financial assets	108,493	108,493	126,949	126,949
	171,219,291	20,315,941	156,107,501	15,270,962

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

Group	31 March 2022		31 March 2021	
	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)	4,244,919	4,244,919	2,904,928	2,904,928
Balances with banks & financial institutions	9,529,518	9,529,518	8,231,101	8,231,101
Financial assets - Fair value through profit or loss	849,298	849,298	1,281,753	1,281,753
Loans and receivables - Amortised cost	163,320,846	371,104	147,004,004	551,368
Reinsurance and insurance receivable	1,322,528	1,322,528	1,024,461	1,024,461
Financial assets - Fair value through other comprehensive income	1,632,941	1,632,941	735,494	735,494
Debt instrument - Amortised cost	16,013,525	16,013,525	10,931,714	10,931,714
	196,913,575	31,446,615	172,113,455	23,322,491

56.2.4 Collateral and Other Credit Enhancements

The below table provides an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even if the future value of collateral is forecasted using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Type of collateral or credit enhancement In Rs.'000	Fair value of collateral and credit enhancements held under the base case scenario					
	Maximum exposure to credit risk	Movable securities	Immovable securities	Total collateral	Net exposure	Associated ECL
Company						
As at 31 March 2022						
Loans and receivables	20,900,030	25,317,181	17,686,396	43,003,577	(22,103,547)	7,658,221
As at 31 March 2021						
Loans and receivables	28,678,260	13,536,876	31,319,598	44,856,474	(16,178,214)	7,323,080
Group						
As at 31 March 2022						
Loans and receivables	22,258,982	26,020,062	17,701,476	43,721,538	(21,462,556)	8,060,205
As at 31 March 2021						
Loans and receivables	31,622,920	16,060,082	31,319,598	47,379,680	(15,756,760)	7,624,698

56.2.5 Offsetting Financial Assets & Liabilities

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

56.2.6 Financial Assets & Liabilities Not Subject to Offsetting

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

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

As at 31 March	Company & Group					
	2022			2021		
	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Loans & receivables	7,984,520	2,990,159	4,994,361	8,115,689	2,724,435	5,391,254

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.2.7 Sensitivity of Impairment Provision on Loans and Receivables

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1 (Rs. '000)	Stage 2 (Rs. '000)	Stage 3 (Rs. '000)	Total (Rs. '000)	
Company - As at 31 March 2022					
PD 1% increase across all age buckets	12,602	8,450	-	21,052	21,052
PD 1% decrease across all age buckets	(12,602)	(8,450)	-	(21,052)	(21,052)
LGD 5% increase	63,010	42,654	180,114	285,778	285,778
LGD 5% decrease	(63,010)	(42,654)	(180,114)	(285,778)	(285,778)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(4,740)	(2,183)	-	(6,923)	(6,923)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	4,740	2,183	-	6,923	6,923

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1 (Rs. '000)	Stage 2 (Rs. '000)	Stage 3 (Rs. '000)	Total (Rs. '000)	
Group - As at 31 March 2022					
PD 1% increase across all age buckets	13,328	8,937	-	22,265	22,265
PD 1% decrease across all age buckets	(13,328)	(8,937)	-	(22,265)	(22,265)
LGD 5% increase	68,051	46,066	194,523	308,640	308,640
LGD 5% decrease	(68,051)	(46,066)	(194,523)	(308,640)	(308,640)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(4,811)	(2,216)	-	(7,027)	(7,027)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	4,811	2,216	-	7,027	7,027

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1 (Rs. '000)	Stage 2 (Rs. '000)	Stage 3 (Rs. '000)	Total (Rs. '000)	
Company - As at 31 March 2021					
PD 1% increase across all age buckets	7,876	10,928	-	18,804	18,804
PD 1% decrease across all age buckets	(7,876)	(10,928)	-	(18,804)	(18,804)
LGD 5% increase	39,385	54,963	206,864	301,212	301,212
LGD 5% decrease	(39,385)	(54,963)	(206,864)	(301,212)	(301,212)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(1,515)	(564)	-	(2,079)	(2,079)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	1,515	564	-	2,079	2,079

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income (Rs. '000)
	Stage 1 (Rs. '000)	Stage 2 (Rs. '000)	Stage 3 (Rs. '000)	Total (Rs. '000)	
Group - As at 31 March 2021					
PD 1% increase across all age buckets	8,330	11,557	-	19,887	19,887
PD 1% decrease across all age buckets	(8,330)	(11,557)	-	(19,887)	(19,887)
LGD 5% increase	42,536	59,360	279,396	381,292	381,292
LGD 5% decrease	(42,536)	(59,360)	(279,396)	(381,292)	(381,292)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	(1,538)	(572)	-	(2,110)	(2,110)
- Base case 10% decrease, worst case 5% increase and best case 5% increase	1,538	572	-	2,110	2,110

56.3 Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Management considered different possible outcomes to assess the possible impact from Covid 19 to the company's operations and forecast cash flows in order to absorb sudden liquidity shock to comply financial covenant and CBSL Liquidity Requirement. I.e. consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short term needs, restructure operations to reduce operating costs and defer capital expenditure.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

To ensure adequate liquidity in the market, Central Bank has intervened by reducing Policy rates in order to inject market liquidity. This may be as a result of the increased withdrawals within affected sectors potentially leading to reduced net inflows in the Company. In addition to providing loan moratoriums, concessionary loans via banks and Non-Banking Financial Institutions (NBFIs) for businesses and individuals impacted by the COVID-19 lockdown to further provide liquidity and drive the economy.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

In compliance with Finance Companies (Liquid Assets) Direction No: 4 of 2013 which shall not as the close of the business on any day, be less than the total of;

- (a) 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- (b) 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- (c) 10% of the total outstanding borrowings

Further the company shall maintaining liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

However, due to the Covid 19, Central Bank of Sri Lanka issued Finance Business Act Direction No 02 of 2021 "Amendments to Direction on Liquid Assets" and subsequent amendments through No 07 of 2020 and No 03 of 2021 such requirements have changes as follows until 30 June 2021.

- (a) 6% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- (b) 10% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- (c) 5% of the total outstanding borrowings

Further the company shall maintaining liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, balances with banks and financial institutions and investment in Government securities.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

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

Liquidity ratios As at 31 March	Company		Group	
	2022	2021	2022	2021
Advances to deposit ratios (Times)	1.46	1.39	1.47	1.44
Liquidity Assets to Deposit (%)	18	14	20	17

56.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

56.3.2 Remaining 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
Year ended 31 March 2022	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	4,168,741	500,089	-	-	-	-	4,668,830
Balances with banks & financial institutions	-	5,182,401	-	-	-	-	5,182,401
Financial assets - Fair value through profit or loss	-	25,140	-	-	-	-	25,140
Loans and receivables - Amortised cost	8,586,901	29,437,982	48,629,443	81,866,129	24,636,554	2,176,820	195,333,830
Financial assets - Fair value through other comprehensive income	-	1,632,941	-	-	-	10	1,632,951
Debt instrument - Amortised cost	-	9,902,159	-	-	-	-	9,902,159
Other financial assets	-	108,493	-	-	-	-	108,493
Total undiscounted financial assets	12,755,642	46,789,205	48,629,443	81,866,129	24,636,554	2,176,830	216,853,804
Financial liabilities							
Due to banks	69,689	1,300,790	3,774,480	8,215,683	-	-	13,360,641
Due to customers	8,044,009	25,125,453	60,217,662	16,911,741	2,139,728	173,681	112,612,274
Debt securities issued	-	1,469,782	619,948	13,204,584	5,602,650	-	20,896,963
Other financial liabilities	-	3,636,528	-	-	-	-	3,636,528
Operating lease liabilities	-	163,229	493,662	1,138,126	640,089	246,521	2,419,013
Total undiscounted financial liabilities	8,113,698	31,695,781	65,105,751	39,470,134	8,382,467	420,202	153,188,033
Net undiscounted financial assets/(liabilities)	4,641,944	15,093,424	(16,476,308)	42,395,995	16,254,088	1,756,628	63,665,771

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 31 March 2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	2,703,031	-	-	-	-	-	2,703,031
Balances with banks & financial institutions	-	5,291,634	116,854	-	-	-	5,408,488
Financial assets - Fair value through profit or loss	-	109,787	-	-	-	-	109,787
Loans and receivables - Amortised cost	9,539,408	28,396,273	47,980,789	78,310,609	18,763,721	389,923	183,380,723
Financial assets - Fair value through profit or loss	-	309,108	-	-	-	10	309,118
Debt instrument - Amortised cost	-	5,200,037	1,885,456	-	-	-	7,085,493
Other financial assets	-	126,949	-	-	-	-	126,949
Total undiscounted financial assets	12,242,439	39,433,788	49,983,099	78,310,609	18,763,721	389,933	199,123,589
Financial liabilities							
Due to banks	716,374	209,970	909,506	5,980,493	-	-	7,816,343
Due to customers	8,265,964	27,414,568	47,916,279	16,918,724	3,774,746	164,029	104,454,310
Debt securities issued	-	1,189,974	7,230,443	7,442,993	-	-	15,863,410
Other financial liabilities	-	4,131,671	-	-	-	-	4,131,671
Operating lease liabilities	-	165,100	504,043	1,327,457	695,916	445,445	3,137,961
Total undiscounted financial liabilities	8,982,338	33,111,283	56,560,271	31,669,667	4,470,662	609,474	135,403,695
Net undiscounted financial assets/(liabilities)	3,260,101	6,322,505	(6,577,172)	46,640,942	14,293,059	(219,541)	63,719,894

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

Group	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Year ended 31 March 2022	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	4,902,498	500,089	-	-	-	-	5,402,587
Balances with banks & financial institutions	-	6,253,870	3,223,189	78,302	-	-	9,555,361
Financial assets - Fair value through profit or loss	-	849,298	-	-	-	-	849,298
Loans and receivables - Amortised cost	8,599,309	31,937,318	52,833,034	85,716,401	26,708,214	2,810,238	208,604,513
Reinsurance and insurance receivable	-	1,268,209	572,030	-	-	-	1,840,239
Financial assets - Fair value through other comprehensive income	-	1,632,931	-	-	-	10	1,632,941
Debt instrument - Amortised cost	-	12,353,948	703,564	2,606,801	1,215,056	-	16,879,369
Total undiscounted financial assets	13,501,807	54,795,663	57,331,817	88,401,504	27,923,270	2,810,248	244,764,308
Financial liabilities							
Due to banks	254,427	1,497,161	4,536,077	9,353,226	347,088	-	15,987,978
Due to customers	8,044,009	25,138,573	63,286,787	22,302,243	2,311,242	195,052	121,277,906
Debt securities issued	-	1,453,682	619,948	13,046,604	5,602,650	-	20,722,884
Other financial liabilities	-	4,043,322	-	-	-	-	4,043,322
Insurance and reinsurance payable	5,864,646	38,717	-	-	-	-	5,903,363
Operating lease liabilities	-	92,144	280,405	744,717	538,804	238,081	1,894,151
Total undiscounted financial liabilities	14,163,082	32,263,599	68,723,217	45,446,790	8,799,784	433,133	169,829,604
Net undiscounted financial assets/(liabilities)	(661,275)	22,532,064	(11,391,400)	42,954,714	19,123,486	2,377,115	74,934,704

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 31 March 2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Asset							
Cash and cash equivalents	3,844,694	-	-	-	-	-	3,844,694
Balances with banks & financial institutions	-	6,363,103	1,847,720	78,302	-	-	8,289,125
Financial assets - Fair value through profit or loss	-	1,281,753	-	-	-	-	1,281,753
Loans and receivables - Amortised cost	9,980,624	29,213,835	49,532,596	81,133,788	19,671,995	696,060	190,228,898
Reinsurance and insurance receivable	-	1,268,209	572,030	-	-	-	1,840,239
Financial assets - Fair value through other comprehensive income	-	735,484	-	-	-	10	735,494
Debt instrument - Amortised cost	-	5,625,023	2,620,586	2,355,800	1,395,109	52,021	12,048,538
Total undiscounted financial assets	13,825,318	44,487,407	54,572,933	83,567,889	21,067,104	748,091	218,268,741
Financial liabilities							
Due to banks	719,394	406,341	1,671,103	7,118,036	347,088	-	10,261,962
Due to customers	8,265,964	27,414,774	47,916,668	16,918,724	3,774,746	164,029	104,454,905
Debt securities issued	-	1,173,874	7,230,443	7,285,013	-	-	15,689,330
Other financial liabilities	-	4,110,795	-	-	-	-	4,110,795
Reinsurance and insurance payable	4,977,168	38,717	-	-	-	-	5,015,885
Operating lease liabilities	-	93,154	283,394	720,481	517,268	411,070	2,025,367
Total undiscounted financial liabilities	13,962,526	33,237,655	57,101,608	32,042,254	4,639,102	575,099	141,558,244
Net undiscounted financial assets/(liabilities)	(137,208)	11,249,752	(2,528,675)	51,525,635	16,428,002	172,992	76,710,497

56.3.3 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 Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31st March 2022						
Guarantees	-	9,505	157,295	8,450	-	175,250
Assessment received from Inland Revenue Department	-	-	-	50,953	-	50,953
Litigation against the Company	-	188,667	54,130	-	-	242,797
Capital commitment	-	5,562,802	820,432	-	-	6,383,234
Total commitments and guarantees	-	5,760,974	1,031,857	59,403	-	6,852,234
As at 31st March 2021						
Guarantees	-	2,500	334,098	127,500	-	464,098
Assessment received from Inland Revenue Department	-	-	-	50,953	-	50,953
Letter of credits	-	-	-	-	-	-
Accidents of leased out vehicles	-	92,110	90,341	-	-	182,451
Capital commitment	-	9,186,451	1,114,158	-	-	10,300,609
Total commitments and guarantees	-	9,281,061	1,538,597	178,453	-	10,998,111
Group	On Demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
As at 31st March 2022						
Guarantees	-	9,505	157,295	8,450	-	175,250
Assessment received from Inland Revenue Department	-	-	-	97,942	-	97,942
Litigation against the Company	-	188,667	54,130	-	-	242,797
Capital commitment	-	5,562,802	820,432	-	-	6,383,234
Total commitments and guarantees	-	5,760,974	1,031,857	106,392	-	6,899,223
As at 31st March 2021						
Guarantees	-	2,500	334,098	127,500	-	464,098
Assessment received from Inland Revenue Department	-	-	-	97,942	-	97,942
Letter of credits	-	-	-	-	-	-
Accidents of leased out vehicles	-	92,110	90,341	-	-	182,451
Capital commitment	-	9,186,451	1,114,158	-	-	10,300,609
Total commitments and guarantees	-	9,281,061	1,538,597	225,442	-	11,045,100

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.3.4 Total Liquid Assets

The table below sets out the components of the Company's liquid assets;

As at 31st March	2022 Amount Rs. '000	2021 Amount Rs. '000
Cash in hand	1,135,991	922,568
Balances in current accounts	725,529	442,176
Deposits in commercial banks	6,457,079	5,606,470
Treasury bills and Treasury Bonds	9,801,050	6,955,980
Other approved securities	500,000	-
Total liquidity assets	18,619,649	13,927,194

56.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

Currently, increased volatility and decline in value of many financial asset classes may impact the trading books of most of companies due to the increased market risk. The uncertainty caused by the pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk.

Company estimate how the reduction in interest rates will impact their rate sensitive assets and liabilities and the subsequent implication on profitability.

56.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31st March 2022 and 31st March 2021 to a reasonable possible change in interest rates, with all other variable constant.

As at 31st March	2022 Rs. '000	2021 Rs. '000
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	(16,173)	5,060
1%	(32,346)	10,120
-0.50%	16,173	(5,060)
-1%	32,346	(10,120)

Sensitivity of Lease Liability to Key Assumption

Sensitivity to Incremental Borrowing Rates	2022 Rs. '000	2021 Rs. '000
Impact on Company's Statement of Financial Position due to interest rate shocks		
1%	(36,398)	(51,625)
-1%	37,621	53,585

Interest Rate Risk Exposure on Financial Asset and Liabilities

The table below analyses the Company's interest rate risk exposure on non-trading financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Company	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
2022	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	4,668,830	1,339,213	500,000	-	-	-	-	2,829,617
Balances with banks & financial institutions	5,117,866	45,085	5,072,781	-	-	-	-	-
Financial assets - Fair value through profit or loss	25,140	-	-	-	-	-	-	25,140
Loans and receivables - Amortised cost	161,162,024	8,500,810	24,622,184	38,777,566	68,688,567	19,006,788	1,566,110	-
Less - Impairment charges	9,887,570	-	-	-	-	-	-	-
Net loans and receivables	151,274,454	-	-	-	-	-	-	-
Financial assets - Fair value through other comprehensive income	1,333,278	-	1,101,440	-	-	-	-	231,838
Debt instrument - Amortised cost	9,827,221	130,610	9,696,611	-	-	-	-	-
Other financial assets	108,493	-	-	-	-	-	-	108,493
Total	172,355,282	10,015,718	40,993,016	38,777,566	68,688,567	19,006,788	1,566,110	3,195,088
Liabilities								
Due to banks	11,749,332	5,658,302	499,284	1,707,469	3,884,277	-	-	-
Due to customers	103,367,904	11,252,713	24,226,715	50,606,239	15,163,949	1,944,607	173,681	-
Debt securities issued	17,244,313	1,274,585	703,267	-	10,638,106	4,628,354	-	-
Other Financial liabilities	3,636,528	-	-	-	-	-	-	3,636,528
Operating lease liabilities	2,059,050	-	104,229	336,087	873,720	533,636	211,378	-
Total	138,057,127	18,185,600	25,533,496	52,649,795	30,560,053	7,106,597	385,059	3,636,528
Total interest sensitivity gap	34,298,155	(8,169,882)	15,459,520	(13,872,229)	38,128,514	11,900,191	1,181,051	

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

Company	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	2,703,031	207,423	-	-	-	-	-	2,495,608
Balances with banks & financial institutions	5,399,071	48,621	5,239,950	110,500	-	-	-	-
Financial assets - Fair value through profit or loss	109,787	-	-	-	-	-	-	109,787
Loans and receivables - Amortised cost	150,655,845	10,084,836	23,646,215	37,222,146	64,874,601	14,683,282	144,765	-
Less - Impairment charges	9,267,938	-	-	-	-	-	-	-
Net loans and receivables	141,387,907	-	-	-	-	-	-	-
Financial assets - Fair value through other comprehensive income	309,118	-	-	-	-	-	-	309,118
Debt instrument - Amortised cost	6,994,206	42,014	5,136,618	1,815,574	-	-	-	-
Other financial assets	126,949	-	-	-	-	-	-	126,949
Total	157,030,069	10,382,895	34,022,783	39,148,220	64,874,601	14,683,282	144,765	3,041,462
Liabilities								
Due to banks	6,439,310	2,044,668	212,751	708,063	3,473,828	-	-	-
Due to customers	101,502,931	12,983,261	25,217,406	44,196,736	15,373,365	3,568,134	164,029	-
Debt securities issued	13,825,553	1,047,215	-	6,788,102	5,990,237	-	-	-
Other financial liabilities	4,132,110	-	-	-	-	-	-	4,131,671
Lease Liability	2,286,386	-	94,358	310,505	968,680	540,782	372,061	-
Total	128,186,290	16,075,144	25,524,515	52,003,405	25,806,110	4,108,916	536,090	4,131,671
Total interest sensitivity gap	28,843,779	(5,692,249)	8,498,268	(12,855,185)	39,068,491	10,574,366	(391,325)	

The table below analyses the Group's interest rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Group	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
2022	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	5,402,587	1,367,124	675,252	-	-	-	-	3,360,210
Balances with banks & financial institutions	9,529,518	165,334	8,157,504	1,119,531	87,149	-	-	-
Financial assets - Fair value through profit or loss	849,298	-	-	-	-	-	-	849,298
Loans and receivables - Amortised cost	174,162,982	8,953,406	27,386,685	44,815,404	70,250,288	20,557,671	2,199,528	-
Less-Impairment charges	10,842,136	-	-	-	-	-	-	-
Net loans and receivables	163,320,846	-	-	-	-	-	-	-
Reinsurance and insurance receivable	1,322,528	-	-	-	-	-	-	1,322,528
Financial assets - Fair value through other comprehensive income	1,632,941	-	1,401,103	-	-	-	-	231,838
Debt instrument - Amortised cost	16,013,525	296,309	12,025,767	642,362	1,952,671	1,096,416	-	-
Total	198,071,243	10,782,174	49,646,311	46,577,297	72,290,108	21,654,087	2,199,528	5,763,874
Liabilities								
Due to banks	15,300,361	6,927,576	1,492,648	2,258,534	4,621,603	-	-	-
Due to customers	111,453,750	11,130,114	26,865,248	55,983,266	15,335,463	1,965,978	173,681	-
Debt securities issued	17,103,223	1,259,276	703,267	-	10,512,326	4,628,354	-	-
Other financial liabilities	4,043,322	-	-	-	-	-	-	4,043,322
Insurance liabilities and reinsurance payables	5,903,363	-	-	-	-	-	-	5,903,363
Lease Liability	1,588,115	-	57,568	60,239	735,620	531,620	203,068	-
Total	155,392,134	19,316,966	29,118,731	58,302,039	31,205,012	7,125,952	376,749	9,946,685
Total interest sensitivity gap	42,679,109	(8,534,792)	20,527,580	(11,724,742)	41,085,096	14,528,135	1,822,779	

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

Group	Carrying amount	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
2021	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and cash equivalents	3,844,694	1,116,437	-	-	-	-	-	2,728,257
Balances with banks & financial institutions	8,231,101	155,657	6,748,376	1,255,928	71,139	-	-	-
Financial assets - Held-for-trading	1,281,753	-	-	-	-	-	-	1,281,753
Loans and receivables - Amortised cost	156,886,200	10,920,045	23,551,567	39,474,971	67,417,936	15,070,779	450,902	-
Less-Impairment charges	9,882,196	-	-	-	-	-	-	-
Net loans and receivables	147,004,004	-	-	-	-	-	-	-
Reinsurance and insurance receivable	1,024,461	-	-	-	-	-	-	1,024,461
Financial assets - Fair value through other comprehensive income	735,494	-	426,376	-	-	-	-	309,118
Debt instrument - Amortised cost	10,931,714	156,625	5,621,571	2,319,808	1,410,868	1,375,976	46,866	-
Total	173,053,221	12,348,764	36,347,890	43,050,707	68,899,943	16,446,755	497,768	5,343,589
Liabilities								
Due to banks	9,003,873	2,224,999	350,755	1,469,659	4,611,372	347,088	-	-
Due to customers	103,743,716	12,883,575	26,307,059	45,356,462	15,450,062	3,572,101	174,457	-
Debt securities issued	13,684,516	1,031,957	-	6,788,102	5,864,457	-	-	-
Other financial liabilities	4,111,235	-	-	-	-	-	-	4,111,235
Lease Liability	1,614,660	-	54,905	181,364	561,176	477,770	339,446	-
Insurance liabilities and reinsurance payables	5,015,885	-	-	-	-	-	-	5,015,885
Total	137,173,885	16,140,531	26,712,719	53,795,587	26,487,067	4,396,959	513,903	9,127,120
Total interest sensitivity gap	35,879,336	(3,791,767)	9,635,171	(10,744,880)	42,412,876	12,049,796	(16,135)	

56.4.2 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Since investments in USD deposits were low, the currency risk of the Company/Group is minimal.

The tables below indicate the currencies to which the Group had significant exposures as at 31st March 2022 and the effect to the Gains/Losses in case of a market exchange rates up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the LKR, with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non trading monetary assets and liabilities).

Impact on Statement of Profit or Loss due to Exchange Rate Shocks

	Change in currency rate in % Rs. '000	Company		Group	
		2022 Effect on profit before tax Rs. '000	2021 Effect on profit before tax Rs. '000	2022 Effect on profit before tax Rs. '000	2021 Effect on profit before tax Rs. '000
USD	1	-	-	972	375
USD	-1	-	-	(972)	(375)

56.4.3 Equity Price Risk

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

1% increase/decrease in equity market prices	2022			2021		
	Effect on net asset value Rs. '000	Effect on profit before tax Rs. '000	Effect on comprehensive income Rs. '000	Effect on net asset value Rs. '000	Effect on profit before tax Rs. '000	Effect on comprehensive income Rs. '000
Company						
Financial assets - FVTPL	251	251	-	136	136	-
Financial assets - FVOCI	2,208	-	2,208	3,244	-	3,244
Group						
Financial assets - FVTPL	1,748	1,748	-	272	272	-
Financial assets - FVOCI	2,208	-	2,208	3,244	-	3,244

56.4.4 Commodity Price Risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the group, volatility in gold prices may adversely affect Statement of Profit or Loss. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Following strategies are used to manage the credit and market risks arising from adverse changes in gold prices by the Group.

- LTV - The Group implements a process of revising the advance payments for each gold sovereign to reflect market value volatility to maintain an ideal loan-to-value ratio.
- Product Lifetime - As a credit risk management strategy, the Group deliver services in less time, enabling a faster recovery process.

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

56.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a effective operational risk management framework which consists of monitoring and responding to potential risks.

56.6 Insurance Risks

People's Insurance PLC (PI) is a subsidiary of the Company whose principle line of business is carrying out general insurance business. The following are the risks and their management arising from PI for its statutory year ended 31 March 2022.

56.6.1 Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PI is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PI maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PI are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PI has taken necessary action to comply with and complied with applicable regulations throughout the year.

56.6.2 Nature and Extent of Risks Arising from Insurance Contracts

Objectives, Policies and Processes for Managing Risks Arising from Insurance Contracts

PI willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PI's risk management framework focuses on strategic risk, assumed risks and the potential risks. PI identifies and categorises risks in terms of their source, their impact on PI and preferred strategies for dealing with them.

Method used to Manage Risks

Risk Appetite and Risk Tolerance

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

Identification of Shock Losses

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

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

	31-Mar-22			31-Mar-21		
	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	789,121	18,464	770,657	655,925	70,757	585,168
Marine	32,253	19,809	12,444	5,792	5,607	185
Fire	159,013	99,139	59,874	96,986	120,000	(23,014)
Miscellaneous	310,487	134,685	175,802	182,361	80,914	101,447
Total	1,290,874	272,096	1,018,778	941,064	277,278	663,786

Claims Development Table

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

Gross Non-Life Insurance Outstanding Claims Provision for 2022

Accident Period	Current estimate of cumulative claims incurred												
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	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
2021/22	(189)	(3,008)	15,126	7,408	146	222	999	1,026	591	16,315	111,109	3,268,431	3,418,177
2020/21	193	10,771	1,012	685	539	2,236	10,692	11,085	32,949	3,072	3,536,534	-	3,609,768
2019/20	-	42,085	5,515	1,591	1,014	2,662	4,183	31,282	92,881	3,803,005	-	-	3,984,218
2018/19	(120)	11,385	51	(8,584)	4,918	(9,647)	21,099	73,912	3,165,480	-	-	-	3,258,494
2017/18	(844)	4,738	(608)	8,298	5,704	21,071	33,255	2,792,805	-	-	-	-	2,864,419
2016/17	(945)	(113)	(17,006)	(8,555)	5,397	50,267	2,635,203	-	-	-	-	-	2,664,248
2015/16	1,703	6,377	(5,165)	35,874	31,044	2,182,704	-	-	-	-	-	-	2,252,537
2014/15	1,465	1,577	28,391	(15,126)	2,040,473	-	-	-	-	-	-	-	2,056,780
2013/14	3,148	50,297	(167,837)	2,042,094	-	-	-	-	-	-	-	-	1,927,702
2012/13	4,224	(58,704)	2,042,934	-	-	-	-	-	-	-	-	-	1,988,454
2011/12	2,762	1,396,938	-	-	-	-	-	-	-	-	-	-	1,399,700
2010/11	213,653	-	-	-	-	-	-	-	-	-	-	-	213,653
Current estimated of cumulative claims incurred	225,051	1,462,343	1,902,413	2,063,685	2,089,235	2,249,515	2,705,431	2,910,110	3,291,901	3,822,392	3,647,643	3,268,431	29,638,150

Accident Period	Cumulative payments to date												
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	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
2021/22	-	(58)	(18,331)	(8,800)	(4,385)	(4,003)	(6,113)	(7,021)	(9,262)	(6,619)	(528,921)	(2,475,612)	(3,069,125)
2020/21	(193)	(3,154)	(9,536)	(6,513)	(8,510)	(11,979)	(16,068)	(19,079)	(33,096)	(761,838)	(3,025,348)	-	(3,895,314)
2019/20	-	(84,791)	(9,222)	(4,101)	(13,820)	(21,259)	(15,975)	(39,809)	(551,787)	(2,956,804)	-	-	(3,697,568)
2018/19	-	(16,329)	(5,532)	(14,079)	(15,396)	(26,780)	(26,927)	(515,478)	(2,646,682)	-	-	-	(3,267,202)
2017/18	(2,129)	(8,627)	(10,057)	(10,447)	(13,186)	(30,768)	(468,923)	(2,267,584)	-	-	-	-	(2,811,721)
2016/17	(390)	(8,262)	(16,478)	(12,958)	(23,979)	(389,878)	(2,129,944)	-	-	-	-	-	(2,581,889)
2015/16	(1,718)	(16,664)	(53,691)	(28,525)	(395,617)	(1,743,315)	-	-	-	-	-	-	(2,239,530)
2014/15	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)	-	-	-	-	-	-	-	(1,967,676)
2013/14	(3,495)	(57,574)	(252,384)	(1,621,312)	-	-	-	-	-	-	-	-	(1,934,765)
2012/13	(5,154)	(311,763)	(1,465,582)	-	-	-	-	-	-	-	-	-	(1,782,499)
2011/12	(72,227)	(893,615)	-	-	-	-	-	-	-	-	-	-	(965,842)
2010/11	(134,902)	-	-	-	-	-	-	-	-	-	-	-	(134,902)
Cumulative payments to date	(222,537)	(1,420,052)	(1,870,573)	(2,036,728)	(2,061,272)	(2,227,982)	(2,663,950)	(2,848,971)	(3,240,827)	(3,725,261)	(3,554,269)	(2,475,612)	(28,348,034)
Total Gross claims outstanding	2,514	42,292	31,840	26,957	27,963	21,533	41,481	61,139	51,074	97,130	93,374	792,820	1,290,117

Notes to the Financial Statements

56. Risk Management (Company/Group) (Contd...)

Net Non-Life Insurance Outstanding Claims Provision for 2022

Accident Period	Current estimate of cumulative claims incurred												Total
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
	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
2021/22	-	(7.65)	15,126	7,408	1,541	1,712	2,478	2,220	5,946	31,291	170,895	2,860,271	3,098,882
2020/21	193	10,771	1,012	685	539	2,236	10,139	12,479	34,119	88,484	3,339,422	-	3,500,079
2019/20	-	321	5,515	1,591	1,014	2,667	4,325	37,666	79,873	3,398,413	-	-	3,531,385
2018/19	(120)	11,400	51	(11,575)	5,037	(3,500)	24,501	77,270	3,106,289	-	-	-	3,209,354
2017/18	(844)	9,001	(608)	14,290	5,742	15,721	37,716	2,692,279	-	-	-	-	2,773,296
2016/17	(945)	(128)	(16,949)	(10,511)	6,864	59,287	2,549,666	-	-	-	-	-	2,587,284
2015/16	1,599	6,454	(3,982)	34,203	16,076	2,100,737	-	-	-	-	-	-	2,155,087
2014/15	1,465	2,382	28,151	(15,127)	2,023,094	-	-	-	-	-	-	-	2,039,965
2013/14	3,157	51,344	(158,485)	2,034,121	-	-	-	-	-	-	-	-	1,930,137
2012/13	4,239	(15,515)	1,976,422	-	-	-	-	-	-	-	-	-	1,965,146
2011/12	4,621	1,224,086	-	-	-	-	-	-	-	-	-	-	1,228,707
2010/11	209,132	-	-	-	-	-	-	-	-	-	-	-	209,132
Current estimated of cumulative claims incurred	222,497	1,300,116	1,831,127	2,047,677	2,058,366	2,177,148	2,626,347	2,819,694	3,220,281	3,486,897	3,339,422	2,860,271	28,228,454

Accident Period	Cumulative payments to date												Total
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
	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
2021/22	-	(57)	(17,574)	(8,800)	(4,385)	(4,002)	(6,112)	(7,020)	(9,256)	3,385	(509,417)	(2,371,210)	(2,934,450)
2020/21	(193)	(3,154)	(9,536)	(6,513)	(8,510)	(11,979)	(15,515)	(18,797)	(19,011)	(508,359)	(2,938,267)	-	(3,539,834)
2019/20	-	(13,201)	(9,222)	(4,101)	(13,820)	(21,259)	(15,969)	(32,630)	(521,977)	(2,902,120)	-	-	(3,534,299)
2018/19	-	(16,329)	(5,532)	(11,079)	(15,396)	(26,799)	(25,385)	(492,761)	(2,619,040)	-	-	-	(3,212,322)
2017/18	(2,129)	(8,627)	(10,057)	(10,432)	(13,132)	(30,608)	(446,918)	(2,209,836)	-	-	-	-	(2,731,738)
2016/17	(390)	(8,244)	(16,282)	(12,833)	(23,866)	(387,579)	(2,075,965)	-	-	-	-	-	(2,525,159)
2015/16	(1,614)	(16,664)	(31,860)	(27,883)	(369,486)	(1,756,890)	-	-	-	-	-	-	(2,204,397)
2014/15	(2,329)	(17,417)	(29,152)	(329,883)	(1,564,956)	-	-	-	-	-	-	-	(1,943,737)
2013/14	(3,495)	(32,280)	(226,969)	(1,593,260)	-	-	-	-	-	-	-	-	(1,856,004)
2012/13	(5,123)	(248,760)	(1,424,239)	-	-	-	-	-	-	-	-	-	(1,678,122)
2011/12	(71,904)	(881,711)	-	-	-	-	-	-	-	-	-	-	(953,615)
2010/11	(131,282)	-	-	-	-	-	-	-	-	-	-	-	(131,282)
Cumulative payments to date	(218,459)	(1,246,387)	(1,762,849)	(1,995,984)	(2,009,166)	(2,235,114)	(2,579,752)	(2,754,024)	(3,160,028)	(3,410,479)	(2,938,267)	(2,371,210)	(27,244,959)
Total net claims outstanding	4,038	53,729	68,278	51,693	49,200	(57,966)	46,595	65,670	60,253	76,418	401,155	489,061	983,495

57. Comparative Information

Accounting Policy

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting Standard - LKAS 01 - 'Presentation of Financial Statements'. Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year..

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

	Group		
	As disclosed previously Rs. '000	Current Presentation Rs. '000	Adjustment Rs. '000
Statement of Financial Position			
Loans and receivables - Amortised cost	149,342,332	147,004,004	(2,338,328)
Debt instrument - Amortised cost	8,593,386	10,931,714	2,338,328

Debenture included in Loans and receivables - Amortised cost reclassified to Debt instrument - Amortised cost

58. Events After The Reporting Period

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

58.1 Final Dividend

Subsequent to the reporting date, the Board of Directors of the Company recommended the payment of a final dividend of Rs. 0.50 per share in the form of scrip dividend for the year ended 31 March 2022. This final dividend is yet to be approved at the Annual General Meeting. In accordance with the Sri Lanka Accounting Standard - LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognised as a liability as at 31 March 2022.

58.2 Surcharge Tax

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on any company that have earned a taxable income in excess of LKR 2,000 million for the year of assessment 2020/2021. The tax is imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on 7 April 2022. As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31 March 2022 do not reflect the tax liability that would arise in consequence, the amount of which is best estimated at Rs. 1,947,166,890