

SPECIAL PURPOSE FINANCIAL STATEMENTS

This details out financial statements along with the related accounting policies and notes mirroring the Company's financial stability.



INDEPENDENT AUDITOR'S REPORT



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TO MANAGEMENT OF PEOPLE'S LEASING & FINANCE PLC

We have audited the accompanying Special purpose financial statements of People's Leasing & Finance PLC ("The Company"), which comprise the statements of financial positions as at 31st March 2015 and the statement of profit or loss, statement of comprehensive income for the year then ended, and a summary of significant accounting policies and other explanatory information. The Special purpose financial statements have been prepared by management based on the statutory financial statements of company for the year ended 31st March 2015.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these Special purpose financial statements in accordance with the statutory financial statements of company for the year ended 31st March 2015 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these Special purpose financial statements based on our

audit. We conducted our audit in accordance with Sri Lanka Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the partnership's preparation of the financial statements 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 partnership's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the Special purpose financial statements of the company for the year ended 31st March 2015 are prepared, in all material respects, in accordance the statutory financial statements of company for the year ended 31st March 2015.

OTHER MATTER

People's Leasing & Finance PLC has prepared a statutory set of financial statements for the year ended 31st March 2015 in accordance with Sri Lanka Accounting Standards on which we issued a separate auditor's report to the shareholders of People's Leasing & Finance PLC Company dated 29th April 2015.

29th April 2015
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA L L B (Lond) H M A Jayasinghe FCA FCMA
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STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Income	4	20,541,628	20,627,792	23,578,871	24,177,225
Interest income		19,247,619	19,533,602	19,595,091	20,053,448
Less: Interest expenses		9,247,594	11,265,957	9,350,272	11,395,898
Net interest income	5	10,000,025	8,267,645	10,244,819	8,657,550
Net earned premiums	6	-	-	2,949,902	3,464,453
Fee and commission income	7	874,034	853,614	576,592	393,017
Net trading income	8	57,985	7,628	120,741	29,838
Other operating income	9	361,990	232,948	336,545	236,469
Total operating income		11,294,034	9,361,835	14,228,599	12,781,327
Less: Impairment charges for loans and other losses	10	1,644,876	1,217,746	1,670,681	1,229,856
Net operating income		9,649,158	8,144,089	12,557,918	11,551,471
Less:					
Personnel expenses	11	1,565,226	1,338,049	1,802,013	1,521,900
Depreciation of property, plant and equipment		201,261	181,950	280,116	260,413
Amortisation of intangible assets		15,807	14,860	18,804	19,864
Benefits, claims and underwriting expenditure	12	-	-	2,120,331	2,596,617
Other operating expenses	13	2,129,180	1,930,255	2,077,112	1,919,244
Total operating expenses		3,911,474	3,465,114	6,298,376	6,318,038
Operating profit before value added tax (VAT)		5,737,684	4,678,975	6,259,542	5,233,433
Less: Value added tax (VAT) on financial services		362,571	292,011	372,121	302,374
Operating profit before income tax		5,375,113	4,386,964	5,887,421	4,931,059
Less: Income tax expense	14	1,622,153	1,263,218	1,785,879	1,467,844
Profit for the year		3,752,960	3,123,746	4,101,542	3,463,215
Earnings per Share					
Basic earnings per share (Rs.)	15			2.60	2.19
Dividend per Ordinary share (Rs.)	16	1.25	1.25		

The above Statement of Profit or Loss should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 9 to 104.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit for the year	3,752,960	3,123,746	4,101,542	3,463,215
Other comprehensive income/(expenses)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Cash flow hedges				
Gains/(losses) on derivative financial investments	6,318	653	6,318	653
Available-for-sale financial assets				
Gains/(losses) on re-measuring available-for-sale financial assets	155,131	39,888	154,040	42,189
Recycling to Statement of Profit or Loss for impairment	-	25,000	-	25,000
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	161,449	65,541	160,358	67,842
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):				
Actuarial gains and losses on defined benefit plans	375	(57,236)	(23)	(57,574)
Deferred tax effect on above	(105)	16,026	69	16,778
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	270	(41,210)	46	(40,796)
Other comprehensive income for the year, net of tax	161,719	24,331	160,404	27,046
Total comprehensive income for the year	3,914,679	3,148,077	4,261,946	3,490,261

The above Statement of Comprehensive Income should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 9 to 104.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Assets	17				
Cash and cash equivalents	18	3,139,139	11,452,997	3,413,951	11,695,561
Balances with banks & financial institutions	19	326,321	3,329,562	1,830,668	4,725,904
Derivative financial instruments	35	-	245	-	245
Financial investments - Held-for-trading	20	196,193	184,243	503,268	378,312
Loans and receivables	21	98,411,195	90,218,355	97,996,856	90,341,901
Insurance and reinsurance receivables	22	-	-	187,300	137,576
Financial investments - Available-for-sale	23	939,199	224,068	2,043,342	1,316,819
Financial investments - Held-to-maturity	24	5,266,407	4,746,558	5,266,407	4,746,558
Investments in subsidiaries	25	1,875,000	1,475,000	-	-
Investments in associates	26	-	-	-	-
Property, plant and equipment	27	1,108,681	801,135	3,804,706	3,052,089
Goodwill and intangible assets	28	337,647	347,927	345,641	355,732
Investment property	29	-	55,000	-	-
Other assets	30	723,197	941,346	1,768,840	1,666,080
Total assets		112,322,979	113,776,436	117,160,979	118,416,777
Liabilities	17				
Due to banks	31	21,228,600	14,131,807	22,391,144	15,776,883
Due to customers	32	34,022,572	40,921,485	33,930,221	40,839,278
Debt securities issued	33	28,690,194	34,473,380	28,586,186	34,369,214
Other financial liabilities	34	3,234,445	1,857,324	3,165,912	1,728,158
Derivative financial instruments	35	92,193	-	92,193	-
Insurance liabilities and reinsurance payable	36	-	-	2,894,358	2,570,540
Current tax liabilities	37	550,042	446,832	618,198	540,841
Deferred tax liabilities	38	1,949,490	1,573,461	1,976,418	1,598,573
Other liabilities	39	1,419,655	1,176,211	1,453,490	1,225,480
Total liabilities		91,187,191	94,580,500	95,108,120	98,648,967
Equity					
Capital	40	12,936,073	12,736,073	12,936,073	12,736,073
Statutory reserve fund	41	1,204,116	1,016,467	1,204,116	1,016,467
Retained earnings	42	6,489,599	4,001,931	7,403,781	4,569,825
Other reserves	43	506,000	1,441,465	508,889	1,445,445
Total equity		21,135,788	19,195,936	22,052,859	19,767,810
Total liabilities and equity		112,322,979	113,776,436	117,160,979	118,416,777
Contingent liabilities and commitments	44	4,400,063	2,379,252	5,308,209	3,007,091
Net asset value per share (Rs.)		13.38	12.15	13.96	12.51

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



Sanjeewa Bandaranayake
Chief Financial Officer

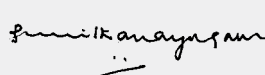


D. P. Kumarage
Chief Executive Officer

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



Hemasiri Fernando
Chairman



M. P. Amirthanayagam
Deputy Chairman

The above Statement of Financial Position should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 9 to 104.

29th April 2015
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2015
Company

	Other Reserves							Total Equity Rs. '000	
	Capital Rs. '000	Reserve Fund Rs. '000	General Reserves Rs. '000	Tax Equalisation Rs. '000	Investment Fund Rs. '000	Available for Sale Reserve Rs. '000	Cash Flow Hedge Reserve Rs. '000		Retained Earnings Rs. '000
Balance as at 01.04.2013	12,258,000	707,281	300,000	100,000	805,508	(120,990)	-	3,622,575	17,672,374
Adjustment due to merger	-	152,999	-	-	46,239	-	-	(126,998)	72,240
Issue of shares	278,073	-	-	-	-	-	-	-	278,073
Balance as at 01.04.2013 - Restated	12,536,073	860,280	300,000	100,000	851,747	(120,990)	-	3,495,577	18,022,687
Total comprehensive income for the year	-	-	-	-	-	-	-	3,123,746	3,123,746
Profit for the year	-	-	-	-	-	-	-	(41,211)	24,330
Other comprehensive income (net of tax)	-	-	-	-	-	64,888	653	3,082,535	3,148,076
Total comprehensive income for the year	-	-	-	-	-	64,888	653	3,082,535	3,148,076
Transactions with equity holders, recognised directly in equity									
Transfer from preference shares on redemption	200,000	-	-	-	-	-	-	(200,000)	-
Transfers to reserves	-	156,187	-	-	245,167	-	-	(401,354)	-
Dividend paid	-	-	-	-	-	-	-	(1,974,827)	(1,974,827)
Total transactions with equity holders	200,000	156,187	-	-	245,167	-	-	(2,576,181)	(1,974,827)
Balance as at 31.03.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(56,102)	653	4,001,931	19,195,936
Balance as at 01.04.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(56,102)	653	4,001,931	19,195,936
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	3,752,960	3,752,960
Other comprehensive income (net of tax)	-	-	-	-	-	155,131	6,318	270	161,719
Total comprehensive income for the year	-	-	-	-	-	155,131	6,318	3,753,230	3,914,679
Transactions with equity holders, recognised directly in equity									
Share issue expenses	-	-	-	-	-	-	-	(200,000)	-
Transfer from preference shares on redemption	200,000	-	-	-	-	-	-	(266,558)	-
Transfers to reserves	-	187,649	-	-	78,909	-	-	1,175,823	-
Transfers from reserves to retained earning	-	-	-	-	(1,175,823)	-	-	(1,974,827)	(1,974,827)
Dividend paid	-	-	-	-	-	-	-	(1,265,562)	(1,265,562)
Total transactions with equity holders	200,000	187,649	-	-	(1,096,914)	-	-	(1,265,562)	(1,974,827)
Balance as at 31.03.2015	12,936,073	1,204,116	300,000	100,000	-	99,029	6,971	6,489,599	21,135,788

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 9 to 104.

For the year ended 31st March 2015

Group

Other Reserves

	Capital Rs.'000	Reserve Fund Rs.'000	General Reserves Equalisation Rs.'000	Tax Investment Fund Rs.'000	Available for Sale Reserve Rs.'000	Cash Flow Hedge Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000	Non- controlling Interest Rs.'000	Total Equity Rs.'000
Balance as at 01.04.2013	12,258,000	860,280	300,000	100,000	851,747	(119,311)	3,843,534	18,094,250	158,126	18,252,376
Adjustments due to merger	-	-	-	-	-	-	(119,946)	(119,946)	(158,126)	(278,072)
Issue of shares	278,073	-	-	-	-	-	-	278,073	-	278,073
Balance as at 01.04.2013 - Restated	12,536,073	860,280	300,000	100,000	851,747	(119,311)	3,723,588	18,252,377	-	18,252,377
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	3,463,215	3,463,215	-	3,463,215
Other comprehensive income (net of tax)	-	-	-	-	67,189	-	(40,797)	27,045	-	27,045
Total comprehensive income for the year	-	-	-	-	67,189	-	3,422,418	3,490,260	-	3,490,260
Transactions with equity holders, recognised directly in equity										
Transfer from preference shares on redemption	200,000	-	-	-	-	-	(200,000)	-	-	-
Transfers to reserves	-	156,187	-	-	245,167	-	(401,354)	-	-	-
Dividend paid	-	-	-	-	-	-	(1,974,827)	(1,974,827)	-	(1,974,827)
Total transactions with equity holders	200,000	156,187	-	-	245,167	-	(2,576,181)	(1,974,827)	-	(1,974,827)
Balance as at 31.03.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(52,122)	653	19,767,810	-	19,767,810
Balance as at 01.04.2014	12,736,073	1,016,467	300,000	100,000	1,096,914	(52,122)	653	19,767,810	-	19,767,810
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	4,101,542	4,101,542	-	4,101,542
Other comprehensive income (net of tax)	-	-	-	-	154,040	6,318	46	160,404	-	160,404
Total comprehensive income for the year	-	-	-	-	154,040	6,318	4,101,588	4,261,946	-	4,261,946
Transactions with equity holders, recognised directly in equity										
Share issue expenses	-	-	-	-	-	-	(2,070)	(2,070)	-	(2,070)
Transfer from preference shares on redemption	200,000	-	-	-	-	-	(200,000)	-	-	-
Transfers to reserves	-	187,649	-	-	78,909	-	(266,558)	-	-	-
Transfers from reserves to retained earnings	-	-	-	-	(1,175,823)	-	1,175,823	-	-	-
Dividend paid	-	-	-	-	-	-	(1,974,827)	(1,974,827)	-	(1,974,827)
Total transactions with equity holders	200,000	187,649	-	-	(1,096,914)	-	(1,267,632)	(1,976,897)	-	(1,976,897)
Balance as at 31.03.2015	12,936,073	1,204,116	300,000	100,000	101,918	6,971	7,403,781	22,052,859	-	22,052,859

The above Statement of Changes in Equity should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 9 to 104.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash flows from operating activities					
Profit before tax		5,375,113	4,386,964	5,887,421	4,931,059
Adjustment for:					
Non-cash items included in profits before tax	45	1,793,819	1,408,465	1,841,730	1,478,684
Change in operating assets	46	(7,913,442)	(9,909,386)	(7,542,733)	(10,591,601)
Change in operating liabilities	47	(5,406,665)	21,831,242	(5,104,908)	22,082,405
Dividend income from investments		(224,611)	(134,479)	(29,075)	(3,211)
Gratuity paid		(5,308)	(7,258)	(5,413)	(7,292)
Tax paid		(1,040,943)	(357,727)	(1,174,930)	(450,777)
Net cash generated/(used in) from operating activities		(7,422,037)	17,217,821	(6,127,908)	17,439,267
Cash flows from investing activities					
Purchase of property, plant and equipment		(457,659)	(301,571)	(1,040,608)	(680,947)
Proceeds from the sale of property, plant and equipment		7,974	12,720	9,021	20,307
Net purchase of intangible assets		(5,527)	(15,252)	(5,526)	(15,252)
Dividends received from investments		224,611	134,479	29,075	3,211
Net cash (used in)/from investing activities		(230,601)	(169,624)	(1,008,038)	(672,681)
Cash flows from financing activities					
Net borrowings		1,507,754	(6,752,128)	1,102,310	(6,505,231)
Share issue expenses		-	-	(2,070)	-
Dividend paid to shareholders		(1,974,827)	(1,974,827)	(1,974,827)	(1,974,827)
Redemption of preference shares		(200,000)	(200,000)	(200,000)	(200,000)
Net cash (used in)/from financing activities		(667,073)	(8,926,955)	(1,074,587)	(8,680,058)
Net increase/(decrease) in cash & cash equivalents		(8,319,711)	8,121,242	(8,210,533)	8,086,528
Cash and cash equivalents at the beginning of the year		11,299,295	3,178,053	11,428,947	3,342,419
Cash and cash equivalents at the end of the year		2,979,584	11,299,295	3,218,414	11,428,947
Cash and cash equivalents (Note 18)		3,139,139	11,452,997	3,413,951	11,695,561
Overdraft (Note 31)		(159,555)	(153,702)	(195,537)	(266,614)
		2,979,584	11,299,295	3,218,414	11,428,947

The above Cash Flow Statement should be read in conjunction with notes, which form an integral part of the Financial Statements, disclosed on pages 9 to 104.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

This section provides general information about People's Leasing & Finance PLC and its subsidiaries.

1.1 Corporate Information

People's Leasing & Finance PLC (the 'Company'), is a Public Limited Liability Company incorporated on 2nd August 1995 and domiciled in Sri Lanka. It is a licensed finance company under the Finance Business Act No. 42 of 2011. The Company has a primary listing on the Colombo Stock Exchange on 24th November 2011. The Company was re-registered under the Companies Act No. 07 of 2007.

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

Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31st March 2015 comprise People's Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its associate company.

Parent Entity & Ultimate Parent Entity

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

Number of Employees

The staff strength of the Company as at 31st March 2015 is 1,666 (1,575 as at 31st March 2014).

1.2 Group Information

Principal Activities and Nature of Operations Company

People's Leasing & Finance PLC

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

Subsidiaries and Associate

Name of the Company	Principal activities	Country of incorporation	% equity interest	
			2015	2014
Subsidiary				
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation and vehicle sale	Sri Lanka	100%	100%
People's Leasing Property Development Limited	Carrying out a mixed development projects and property development activities	Sri Lanka	100%	100%
People's Insurance Limited	Providing non-life insurance	Sri Lanka	100%	100%
People's Leasing Havelock Properties Limited	Construct and operate an office complex	Sri Lanka	100%	100%
People's Microfinance Limited	Providing microfinance services to low income earners and micro enterprises	Sri Lanka	100%	100%
Associate				
City Finance Corporation Ltd	Mobilisation of deposits, providing finance leases, hire purchase assets financing, term loans, real estate developments and related services.	Sri Lanka	28.51%	28.51%

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

2 BASIS OF PREPARATION

This section provides additional information about the overall basis of preparation that the Directors consider are useful and relevant in understanding these Financial Statements:

2.1 Basis of Measurement

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

Item	Basis of measurement	Note No.	Page reference
Financial Assets held-for-trading	Fair value	20	42
Financial Investments Available-for-sale	Fair value	23	47
Investment properties	Fair value	29	53
Derivative Financial Instruments	Fair value	35	56
Defined Benefit Obligation	Liability is recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	39.1	58

2.2 Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2015 and for the year ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

These Financial Statements include the following components:

- A Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review (Refer pages 3 to 4);
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end (Refer page 5);
- A Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group (Refer pages 6 to 7);
- A Statement of Cash Flow providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the

needs of entity to utilise those cash flow (Refer page 8);and

- Notes to the Financial Statements comprising Accounting Policies and other explanatory information (Refer pages 9 to 104).

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

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

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2015 (including comparatives) were approved and authorised for issue on 29th April 2015 in accordance with the resolution of the Board of Directors on 29th April 2015.

2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 50 (Current/ non-current analysis). No adjustments have been made for inflationary factors affecting the

Financial Statements.

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

2.6 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), which is the Group's functional and presentation currency.

2.7 Materiality & Aggregation

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

2.8 Rounding

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

2.9 Comparative Information

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting

Standard - LKAS 01 on 'Presentation of Financial Statements'. Comparative information is reclassified wherever necessary to comply with the current presentation.

2.10 Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant

doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Receivables on Lease, Hire Purchase and Islamic Finance

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

Impairment Charges for Loans and Receivable

The Group and Company reviews its individually significant loans and advances including rental receivable at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances including rental receivable that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, characteristic of assets, etc.), and judgments on

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the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and receivable is disclosed in more detail in Note 21.3.

Impairment of Available for Sale Investments

The Group and Company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group generally treats 'significant' as 20% or more and 'prolonged' as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in the fair value after impairment are recognised in other comprehensive income. The impairment charges for available for sale investment are disclosed in more detail in Note 23.2.

Taxation

The Group and Company is subject to income taxes. Significant judgment

is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

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

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Defined Benefit Plans

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

Useful Lives of Property, Plant & Equipment

The Group and Company depreciates the property, plant and equipment,

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

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.

Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the Companies' held unearned premium reserves less deferred acquisition cost with the expected amount decided based on the significant management judgment. In estimating the unexpired risk liability, assumptions are made on the expected net claim ratio for each

of business and claim management expenses incurred whilst these policies remain exposed for claims.

Non-life Insurance Contract Liabilities

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

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

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

the historical claims development data on which the projections are based.

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

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

Provisions for Liabilities and Contingencies

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the Financial

Statements are described in Note 44 on page 63.

Owner Occupied Properties and Investment Property:

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

3 SIGNIFICANT ACCOUNTING POLICIES

This section provides Summary of other significant accounting policies affecting the results and financial position of the Group, including changes in accounting policies and disclosures during the year and Standards that have been issued for which the Group has not adopted.

3.1 Basis of Consolidation

The Consolidated Financial Statements comprise of Financial Statements of the Company, its subsidiaries and its associate company for the year ended 31st March 2015. The Financial Statements of the Company's subsidiaries and associate are prepared for the same reporting year using consistent accounting policies.

3.1.1 Business Combination and Goodwill

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

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-

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controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

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 Institute of Chartered Accountants of Sri Lanka.

3.1.3 Subsidiaries

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

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

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

Non-controlling interests are presented separately in the consolidated Statement of Profit or Loss and within equity in the consolidated Statement of Financial Position, but separate from parent shareholders' equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling

interest even if this results in a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

The financial statements of the Company's subsidiaries are prepared for the same reporting year, using consistent accounting policies. There are no significant restrictions on the ability of subsidiaries to transfer funds to the parent company in the form of cash dividends or repayment of loans and advances.

All subsidiaries of the Company have been incorporated in Sri Lanka. A list of subsidiaries with their principal activities are given in the Note 1.2.

3.1.4 Associates

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

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

The Consolidated Financial Statements include the Company's share of the

income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

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

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate. The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an Associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard-LKAS 39 on 'Financial Instruments: Recognition and measurement'.

3.1.5 Loss of Control

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

3.1.6 Transactions Eliminated on Consolidation

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

3.2 Foreign Currency Transactions and Balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

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

currency are translated using the spot exchange rates at the date when the fair value was determined.

3.3 Financial Instruments – Initial Recognition and Subsequent Measurement

3.3.1 Date of Recognition

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

3.3.2 Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard-LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

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3.3.3 Classification and Subsequent Measurement of Financial Assets

At inception a financial asset is classified under one of the following categories:

- i) Financial Investments at Fair value through profit or loss (FVTPL);
 - Financial Investments - Held for trading or
 - Financial Investments - Designated at fair value through profit or loss
- ii) Loans and receivables (L&R);
- iii) Financial Investments - Held to maturity (HTM); or
- iv) Available-for-sale (AFS) financial assets.

The Company & Group determine the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on the Group's ability to hold.

The subsequent measurement of Financial Assets depends on their classification.

3.3.3.1 Financial Investments at Fair Value Through Profit or Loss (FVTPL).

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial Investments - Held For Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial investments held for trading are recorded in the

Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net trading income'. Dividend income is recorded in 'Other operating income' according to the terms of the contract, or when the right to receive the income has been established.

Financial investments held for trading include debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

Financial Investments - Designated at Fair Value through Profit or Loss

The Group and Company designates financial assets at fair value through profit or loss in the following circumstances;

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned is accrued in 'interest income' using EIR while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

3.3.3.2 Financial Investments - Available for sale.

Available for sale financial investments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group and Company has not designated any loans or receivables as available for sale.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other comprehensive income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Profit or Loss in 'Other operating income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate (EIR).

Dividends earned whilst holding available for sale financial investments are recognised in the Statement of Profit or Loss as 'Other operating income' when the right of the income has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in 'Impairment charges for loans and other losses' and removed from the 'Available for sale reserve'.

3.3.3.3 Financial Investments – Held To Maturity.

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group and Company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss in 'impairment charges for loans and other losses'.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as available for sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

3.3.3.4 Financial assets classified as loans and receivables.

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

- Those that the Group and Company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group and Company, upon initial recognition, designates as available for sale

- Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

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

'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.

3.3.4 Classification and Subsequent Measurement of Financial Liabilities

At the inception the Group and Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- i) Financial liabilities at fair value through profit or loss (FVTPL)
 - Financial liabilities held for trading
 - Financial liabilities designated at fair value through profit or loss
- ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instruments entered into by the Group and Company that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

3.3.4.2 Financial Liabilities at Amortised Cost

Financial Instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'due to customers', "debt Securities issued" and "Other Financial Liabilities" as appropriate, where the substance of the contractual

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arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

The details of the Group's financial liabilities at amortised cost are shown in Note 17 and pages 38 to 41 to the Financial Statements.

3.3.5 Reclassification of Financial Instruments

The Group does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Also the Group does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. In certain circumstances the Group is also

permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held- to maturity' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Statement of Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

3.3.6 Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of

a group of similar financial assets) is derecognised when;

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount

of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

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

3.3.7 Securities Purchased under Reverse Repurchase Agreements

Securities purchased under agreements to re-sell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

3.3.8 Determination of Fair Value

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 49.

3.3.9 Impairment of Financial Assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3.3.9.1 Loans and Receivables

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of loan or portfolio of loans has occurred. Impairment allowances are calculated on individual and collective basis. Impairment losses are recorded as charges to the Statement of Profit or Loss. The carrying amount of impaired loans on the Statement of Financial Position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually Assessed Loans and Receivables

For all loans that are considered individually significant, the Company & Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include;

- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial realisation; and

- a significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Company's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-passu with, the Company and the likelihood of other creditors continuing to support the Company;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realisable value of security (or other credit mitigates) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- The likely dividend available on liquidation or bankruptcy;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed

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more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Loans and Advances

Impairment is assessed on a collective basis to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Incurred but not yet Identified Impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the reporting date, which the Group and Company are not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account;

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting

date is likely to be greater or less than that suggested by historical experience.

Loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover the inherent loss. These additional macro and portfolio risk factors may include:

- Recent lending portfolio growth and product mix,
- Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in laws and regulations

Write-off of Loans and Advances

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

Renegotiated Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that

all criteria are met and that future payments are likely to occur. The loans continue to be subject to any criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Reversals of Impairment

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

3.3.9.2 Available for Sale Financial Investments

For available for sale financial investments, the Company & Group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of debt instruments classified as available for sale, the Company assesses individually whether there is objective evidence of impairment.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit

event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

3.3.9.3 Held to Maturity Financial Assets

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR and is recognised in profit or loss. Interest on impaired assets continues to be recognised through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.3.10 Offsetting Financial Instruments

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

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

3.3.11 Derivative Financial Instruments

Derivatives are financial instruments that derive their value in response

to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in the Statement of Profit or Loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within Other Comprehensive Income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognised in the Statement of Profit or Loss. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- (3) hedges of the net investment of a foreign operation (net investment hedges)

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in Equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Profit or Loss.

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Amounts accumulated in Equity are reclassified to the Statement of Profit or Loss in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Equity at that time remains in Equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Equity is immediately transferred to the Statement of Profit or Loss.

Derivatives that do not Qualify for Hedge Accounting

Changes in the fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the Statement of Profit or Loss.

3.4 Leasing

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

Group as a Lessee

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

Group as a Lessor

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

3.5 Insurance And Reinsurance Receivables

3.5.1 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.

3.5.2 Reinsurance

The Group cedes insurance risk in the normal course of business of People's Insurance Ltd. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent

with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

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

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

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

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

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

3.5.3 Reinsurance Receivables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment

whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

3.5.4 Insurance Receivables

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

3.5.5 Deferred Expenses

Deferred Acquisition Costs

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

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

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

Reinsurance Commissions

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

3.5.6 Insurance Contract Liabilities Non-life Insurance Contract Liabilities

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

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation

uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

De-recognition of Insurance Payable

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

3.6 Property, Plant And Equipment

3.6.1 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.

3.6.2 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

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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.

3.6.3 Subsequent Costs

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

3.6.4 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.

3.6.5 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery

and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost.

3.6.6 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.

3.6.7 Depreciation

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

The estimated useful lives are as follows;

Class of Assets

	% per annum	Period
Buildings	2	50 years
Improvement of leasehold properties	25	4 years
Motor vehicles	12.5	8 years
Computer hardware	20	5 years
Office equipment	10 - 20	5 -10 years
Plant & machinery	10 - 20	5 -10 years
Furniture's and fittings	20	5 years

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

3.7 Intangible Assets

The Group's other intangible assets include the value of computer software and customer core deposits acquired in business combinations.

3.7.1 Basis of Recognition

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair

value as at the date of acquisition. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

3.7.2 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.

3.7.3 Useful Economic Lives, Amortisation and Impairment

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

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

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

Class of Assets

	% per annum	Period
Computer software	20	5 years
Customer List	20	5 years

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

3.7.4 Derecognition

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

3.8 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They are brought to financial statements at their face values or the gross values, where appropriate. There were no cash and cash equivalents held by

the Group companies that were not available for use by the Group.

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

3.9 Investment Property

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

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

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

3.9.1 De-recognition

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

3.9.2 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.

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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.

3.9.3 Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every 3 year. In financial periods within that period the fair value is determined by the Board of Directors.

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

3.9.4 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.

3.10 Impairment of Non-financial Assets

The carrying amounts of the Group's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset

does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.11 Investments In Subsidiaries

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'.

3.12 Investments In Associates

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

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

3.13 Inventories

Unsold vehicles at the reporting date are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

Other inventory materials at reporting date are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

3.14 Due to Customers

Due to customers include fixed deposits and saving deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

3.15 Debt Securities Issued

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

3.16 Dividends Payable

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

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date

in accordance with the Sri Lanka Accounting Standard- LKAS 10 on 'Events after the Reporting period'.

3.17 Provisions

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

3.18 Employee Benefits

Defined Benefit Plan - Gratuity

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

The item is stated under other liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Other

Comprehensive Income during the period in which it occurs.

Funding Arrangements

The gratuity liability is not externally funded.

Defined Contribution Plans

-Employees' Provident Fund

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

Defined Contribution Plans

-Employees' Trust Fund

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

3.19 Investment Fund Account

According to the guidelines issued by the Central Bank of Sri Lanka on the operations of the Investment Fund Account (IFA), any entity engaged in the business of banking or financial services, is required to establish and operate an IFA with effect from 1st January 2011. As and when taxes are paid after 1st January 2011 the Company should transfer the following funds to IFA and build a permanent fund in the Company.

- 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.
- 5% of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payment of tax.

The funds that are being transferred to the IFA are treated as appropriations of profit after tax and maintained as a

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separate item under general reserves of the Company.

The utilisation of funds is made in terms of the instructions given in the aforesaid guidelines.

3.20 Equity Reserves

The reserves recorded in equity (Other comprehensive income) on the Group's Statement of Financial Position include;

- 'Available for Sale' reserve, which comprises changes in fair value of available for sale investments.
- 'General Reserve' represents the amounts set aside by the Directors for general application. The purpose of setting up the General Reserve is to meet the potential future unknown liabilities.
- 'Tax equalisation fund' comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.

3.21 Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard- LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote. Details of the commitments and contingents are given in Note 44.

Legal Claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company & Group has formal controls and policies for managing legal claims. Once professional advice has been obtained

and the amount of loss reasonably estimated, the Company & Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date the Company & Group had several unresolved legal claims. The significant unresolved legal claims against the Company & Group for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

Contingent Liabilities, Commitments of Other Group Entities

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

3.22 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.22.1 Interest Income and Expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly

attributable to the instrument and are an integral part of the EIR, but not future credit losses.

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

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.22.2 Interest on Overdue Rentals

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

3.22.3 Fee and Commission Income

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

3.22.4 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.

3.22.5 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.

3.22.6 Net Trading Income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets 'held for trading'.

3.22.7 Dividend Income

Dividend income is recognised when the Group's right to receive the income is established.

3.22.8 Net Trading Income from Sale of Vehicles

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

3.22.9 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.

3.22.10 Interest on Overdue Rentals

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

3.22.11 Bad Debts Recovered

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

3.22.12 Gain or Losses on Disposal of Property, Plant & Equipment, Investments in Government Securities, Dealing Securities and Investment Securities

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

3.22.13 Other Income

Other income is recognised on an accrual basis.

3.22.14 Insurance - Revenue Recognition Gross Written Premium

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

Reinsurance Premium

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unearned Premium Reserve

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

3.22.15 Insurance - Benefits, Claims and Expenses Recognition Gross Benefits and Claims

Gross benefits and claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

Reinsurance Claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.22.16 Borrowing Costs

As per Sri Lanka Accounting Standard-LKAS 23 on 'Borrowing Costs', the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost

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of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

3.22.17 Tax Expenses

Current Tax

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

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified below.

People's Leasing & Finance PLC

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Leasing Fleet Management Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Insurance Limited

Income tax on profit from operations is calculated at the rate of 28%.

Subsidiary - People's Microfinance Limited

Income tax on profit from operations is calculated at the rate of 28%.

People's Leasing Property Development Limited

Pursuant to the agreement dated 3rd December 2008 entered into by People's Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition,

payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16th December 2010 entered into by People's Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

Deferred Tax

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.

Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on Financial Services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for Value Added Tax computation of Value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rates.

Withholding Tax on Dividends, Distributed by the Company and Subsidiaries

Withholding tax that arises from

the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on dividends distributed by the Subsidiaries and Associates Dividends received by the Company from its Subsidiaries and Associates, have attracted a 10% deduction at source.

Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.25% on 'Exempt Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the five subsequent years.

Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 1st January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

Crop Insurance Levy (CIL)

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

3.23 Basic Earnings Per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the

weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.24 Fiduciary Assets

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these Financial Statements as they do not belong to the Company.

3.25 Segment Reporting

The Group's segmental reporting is based on the following operating segments: Business Segments and geographical segments.

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

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

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

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

3.26 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flow in accordance with the Sri Lanka Accounting Standard - LKAS 7 on 'Statement of Cash Flows',

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whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and Cash Equivalents as referred to in the Statement of Cash Flows is comprised of those items as explained in Note 45 to 47 on page 65. The Statement of Cash Flows is given on page 8.

3.27 New Accounting Standards became Effective during the Year

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 (Consolidated and Separate Financial Statements) that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 (Consolidation Special Purpose Entities). SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require the management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 11 - Joint Arrangements

SLFRS 11 replaces LKAS 31 (Interests in Joint Ventures) and SIC 13 (Jointly Controlled Entities).

SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation method. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 (Consolidated and Separate Financial Statements) related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 (Interests in Joint Ventures) and LKAS 28 (Investments in Associates). These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Group did not have any material impact from the implementation of SLFRS 13.

3.28 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of

Sri Lanka which are not yet effective as at 31st March 2015.

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39.

SLFRS 09 was issued in 2012 and this standard will become effective on 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 14 - Regulatory Deferral Accounts

The scope of this standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

SLFRS 14 will become effective on 1st January 2016. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 15 - Revenue from Contracts with Customers

The objective of this standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 1st January 2017. The impact on the implementation of the above standard has not been quantified yet.

4 INCOME

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	19,247,619	19,533,602	19,595,091	20,053,448
Net earned premiums	-	-	2,949,902	3,464,453
Fee and commission income	874,034	853,614	576,592	393,017
Net trading income	57,985	7,628	120,741	29,838
Other operating income	361,990	232,948	336,545	236,469
Total	20,541,628	20,627,792	23,578,871	24,177,225

5 NET INTEREST INCOME

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income				
Finance lease & hire-purchase	13,009,589	14,187,896	13,049,059	14,215,354
Loans and other advances	3,023,796	2,349,125	3,111,747	2,421,403
Interest on overdue rentals	1,786,305	1,833,867	1,796,074	1,837,158
Interest income from other financial assets	658,312	391,436	868,594	808,255
Profit from Islamic finance	769,617	771,278	769,617	771,278
Total interest income	19,247,619	19,533,602	19,595,091	20,053,448
Interest expenses				
Interest on overdraft	609	48,704	2,328	51,285
Interest on long term borrowings	1,245,427	1,565,056	1,364,037	1,710,840
Interest on short term borrowings	454,589	2,099,145	454,589	2,099,145
Interest on redeemable preference shares	66,311	103,417	66,311	103,417
Interest on debentures	1,244,374	1,234,394	1,227,450	1,217,443
Interest on deposits	3,729,787	3,824,054	3,729,060	3,822,581
Profit distribution on Mudarabah	133,901	255,200	133,901	255,200
Interest on assets backed securities	2,372,596	2,135,987	2,372,596	2,135,987
Total interest expenses	9,247,594	11,265,957	9,350,272	11,395,898
Net interest income	10,000,025	8,267,645	10,244,819	8,657,550

6 NET EARNED PREMIUMS

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross written premiums	-	-	3,419,349	3,945,664
Less : Premium ceded to reinsurance	-	-	304,077	356,293
Less : Change in reserve unearned premiums	-	-	165,370	124,918
Total	-	-	2,949,902	3,464,453

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7 FEE AND COMMISSION INCOME

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Service charges	472,398	471,376	152,010	89,248
Other fees recovered	401,636	382,238	424,582	303,769
Total	874,034	853,614	576,592	393,017

8 NET TRADING INCOME

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign exchange from others customers	-	48	-	48
Gain on equity securities	57,985	7,580	120,741	29,790
Total	57,985	7,628	120,741	29,838

9 OTHER OPERATING INCOME

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gain on sale of property, plant and equipment	7,122	7,386	7,122	14,416
Hiring income	-	1,049	74,174	71,185
Rent income	255	612	-	-
Operating lease income	14,452	24,279	15,384	28,464
Bad debts recovered	80,608	50,753	80,608	50,753
Net trading income from sale of vehicles	34,942	14,390	34,942	14,390
Dividend income - from available-for-sale	6,372	4,518	6,372	4,518
- from subsidiaries	208,000	123,888	-	-
- from held for trading	10,239	6,073	22,703	12,188
Other income	-	-	95,240	40,555
Total	361,990	232,948	336,545	236,469

10 IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Impairment of loans and receivables (Note 21.4)	776,956	506,134	806,807	521,267
Loss on fair value adjustment of investment property	3,000	1,000	3,000	-
Impairment of financial investments available-for-sale (Note 23.2)	-	25,000	-	25,000
Other receivable	9,722	-	9,722	-
Loss on disposal of collaterals	855,198	685,612	851,152	683,589
Total	1,644,876	1,217,746	1,670,681	1,229,856

11 PERSONNEL EXPENSES

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Remuneration	1,425,986	1,220,005	1,641,904	1,386,649
Employee benefit - Defined contribution plans (EPF/ETF)	107,316	94,731	125,175	108,056
Employee benefit - Defined benefit plan - Gratuity (Note 39.1)	31,924	23,313	34,934	27,195
Total	1,565,226	1,338,049	1,802,013	1,521,900

12 BENEFITS CLAIMS AND UNDERWRITING EXPENDITURE

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net Benefits and claims	-	-	1,805,606	2,229,545
Underwritings and net acquisition costs	-	-	314,725	367,072
Total	-	-	2,120,331	2,596,617

13 OTHER OPERATING EXPENSES

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Directors' emoluments	285	568	655	1,242
Auditors' remunerations	4,557	4,578	7,330	7,111
Non-audit fees to auditors	2,349	4,063	3,357	7,147
Professional fees	13,904	11,887	17,345	13,559
Advertising	28,252	39,933	28,790	40,230
Legal fees	8,844	7,052	8,882	7,083
Office administration and establishment expenses	2,070,989	1,862,174	2,010,753	1,842,872
Total	2,129,180	1,930,255	2,077,112	1,919,244

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14 INCOME TAX

For the Year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Statement of Profit or Loss				
Current income tax charge	1,246,229	874,372	1,407,965	1,062,270
Deferred tax for the year (Note 38.1)	375,924	388,846	377,914	405,574
Income tax expense recognised in Statement of Profit or Loss	1,622,153	1,263,218	1,785,879	1,467,844
Statement of Comprehensive Income				
Current income tax charge	-	-	-	-
Deferred tax charge/(reversal) for the year (Note 38.1)	105	(16,026)	(69)	(16,778)
Income tax charge/(reversal) recognised in Other Comprehensive Income	105	(16,026)	(69)	(16,778)
Effective tax rate (excluding deferred tax)	23.19%	19.93%	23.92%	21.46%
Effective tax rate	30.18%	28.79%	30.33%	29.77%

14.1 Reconciliation of Accounting Profit and Taxable Income

For the Year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit as per Statement of Profit or Loss	5,375,113	4,386,964	5,887,421	4,931,059
Add: Disallowable expenses	1,342,888	1,167,662	1,437,670	1,286,255
Add: Lease capital recoverable	16,173,010	14,050,954	16,173,010	14,050,954
Less: Allowable expenses	18,064,416	16,510,746	17,929,758	16,281,038
Less: Exempted /allowable income	282,748	129,983	436,446	329,249
Statutory income	4,543,847	2,964,851	5,131,897	3,657,981
Less: Tax loss set off	-	-	2,412	3,912
Assessable income	4,543,847	2,964,851	5,129,485	3,654,069
Taxable income	4,543,847	2,964,851	5,129,485	3,654,069
At the effective income tax rate	1,272,223	845,206	1,436,046	1,033,026
(Over)/ under provision- previous years	(25,994)	29,166	(28,081)	29,244
Current tax on profits for the year	1,246,229	874,372	1,407,965	1,062,270
Deferred tax charged for the year	375,924	388,846	377,914	405,574
Tax expense for the period	1,622,153	1,263,218	1,785,879	1,467,844

For the Year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
14.2 Deferred Tax Expense - Charge/(Reversal)				
Statement of Profit or Loss				
Deferred tax assets				
Defined benefit plans	(7,453)	(4,418)	(10,901)	(6,563)
Impairment charges	-	-	-	(1,401)
Brought forward tax losses	-	-	(8,177)	(240)
Bad debts provision	-	-	(4,848)	-
	(7,453)	(4,418)	(23,926)	(8,204)
Deferred tax liability				
Capital allowances for tax purpose on lease receivables	362,242	393,674	362,242	402,154
Capital allowances for tax purpose on PPE	21,135	(410)	39,595	11,624
	383,377	393,264	401,840	413,778
Net expense	375,924	388,846	377,914	405,574

Statement of Comprehensive income

Deferred tax assets				
Fair value losses recognised in other comprehensive income	-	(16,026)	(69)	(16,026)
Deferred tax liabilities				
Fair value gains recognised in other comprehensive income	105	-	-	(752)
	105	(16,026)	(69)	(16,778)

15 BASIC EARNINGS PER SHARE (EPS)

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

For the Year ended 31st March	Group	
	2015	2014
Net profit attributable to ordinary equity holders (Rs.)	4,101,540,797	3,463,216,517
Weighted average number of ordinary shares	1,579,862,482	1,579,862,482
Basic/Diluted earnings per ordinary share (Rs.)	2.60	2.19

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

16 DIVIDEND PER ORDINARY SHARE

	Company	
	2015	2014
Ordinary shares		
Out of dividend received (Rs.)	153,425,897	129,425,188
Out of normal profits (Rs.)	1,639,262,003	1,677,022,617
Withholding tax deducted at source (Rs.)	182,140,203	168,380,298
Cash dividend Paid (Rs.)	1,974,828,103	1,974,828,103
Weighted average number of ordinary shares	1,579,862,482	1,579,862,482
Dividend per ordinary share (Rs.)	1.25	1.25

A final dividend of Rs. 0.50 per share was paid for the year 2013/14 in June 2014. An interim dividend of Rs. 0.75 per share was paid in January 2015 to the ordinary shareholders of the Company for the year 2014/15 (interim dividend 2013/14 -Rs. 0.75). A final dividend of Rs. 0.50 per share has been proposed by the Board of Directors for the year 2014/15 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with LKAS 10.

17 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - LKAS 39 'Financial Instruments : Recognition and Measurement' under headings of the Statement of Financial Position.

17.1 Company

As at 31st March 2015	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	3,139,139	-	3,139,139
Balances with banks & financial institutions	-	-	326,321	-	326,321
Financial investments - Held-for-trading	196,193	-	-	-	196,193
Loans and receivables	-	-	98,411,195	-	98,411,195
Financial investments - Available-for-sale	-	-	-	939,199	939,199
Financial investments - Held-to maturity	-	5,266,407	-	-	5,266,407
Other financial assets	-	-	253,723	-	225,723
Total financial assets	196,193	5,266,407	102,130,378	939,199	108,532,177

As at 31st March 2015	FVTPL Rs. '000	Other Financial Liabilities at amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	21,228,600	21,228,600
Due to customers	-	34,022,572	34,022,572
Debt Securities issued	-	28,690,194	28,690,194
Other Financial liabilities	-	3,234,445	3,234,445
Derivative financial instruments	92,193	-	92,193
Total financial liabilities	92,193	87,175,811	87,268,004

17.2 Company

As at 31st March 2014	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	11,452,997	-	11,452,997
Balances with banks & financial institutions	-	-	3,329,562	-	3,329,562
Derivative financial instruments	245	-	-	-	245
Financial investments - Held-for-trading	184,243	-	-	-	184,243
Loans and receivables	-	-	90,218,355	-	90,218,355
Financial investments - Available-for-sale	-	-	-	224,068	224,068
Financial investments - Held-to maturity	-	4,746,558	-	-	4,746,558
Other financial assets	-	-	126,346	-	126,346
Total financial assets	184,488	4,746,558	105,127,260	224,068	110,282,374

As at 31st March 2014	FVTPL Rs. '000	Other Financial Liabilities at amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	14,131,807	14,131,807
Due to customers	-	40,921,485	40,921,485
Debt Securities issued	-	34,473,380	34,473,380
Other Financial liabilities	-	1,857,324	1,857,324
Total financial liabilities	-	91,383,996	91,383,996

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

17 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

17.3 Group

As at 31st March 2015	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	3,413,951	-	3,413,951
Balances with banks & financial institutions	-	-	1,830,668	-	1,830,668
Financial investments - Held-for-trading	503,268	-	-	-	503,268
Loans and receivables	-	-	97,996,856	-	97,996,856
Insurance and reinsurance receivables	-	-	187,300	-	187,300
Financial investments - Available-for-sale	-	-	-	2,043,342	2,043,342
Financial investments - Held-to maturity	-	5,266,407	-	-	5,266,407
Total financial assets	503,268	5,266,407	103,428,775	2,043,342	111,241,792

As at 31st March 2015	FVTPL Rs. '000	Other Financial Liabilities at amortised cost Rs. '000	Total Rs. '000
Liabilities			
Due to banks	-	22,391,144	22,391,144
Due to customers	-	33,930,221	33,930,221
Debt Securities issued	-	28,586,186	28,586,186
Other Financial liabilities	-	3,165,912	3,165,912
Derivative financial instruments	92,193	-	92,193
Insurance liabilities and reinsurance payable	-	2,894,358	2,894,358
Total financial liabilities	92,193	90,967,821	91,060,014

17.4 Group

As at 31st March 2014	FVTPL Rs.'000	HTM Rs.'000	L & R Rs.'000	AFS Rs.'000	Total Rs.'000
Assets					
Cash and cash equivalents	-	-	11,695,561	-	11,695,561
Balances with banks & financial institutions	-	-	4,725,904	-	4,725,904
Derivative financial instruments	245	-	-	-	245
Financial investments - Held-for-trading	378,312	-	-	-	378,312
Loans and receivables	-	-	90,341,901	-	90,341,901
Insurance and reinsurance receivables	-	-	137,576	-	137,576
Financial investments - Available-for-sale	-	-	-	1,316,819	1,316,819
Financial investments - Held-to maturity	-	4,746,558	-	-	4,746,558
Total financial assets	378,557	4,746,558	106,900,942	1,316,819	113,342,876

As at 31st March 2014	Other Financial Liabilities at amortised		Total Rs. '000
	FVTPL Rs. '000	cost Rs. '000	
Liabilities			
Due to banks	-	15,776,883	15,776,883
Due to customers	-	40,839,278	40,839,278
Debt securities issued	-	34,369,214	34,369,214
Other financial liabilities	-	1,728,158	1,728,158
Insurance liabilities and reinsurance payable	-	2,570,540	2,570,540
Total financial liabilities	-	95,284,073	95,284,073

FVTPL : Fair Value Through Profit or Loss

HTM : Held-To-Maturity

L & R : Loans & Receivables

AFS : Available-For-Sale

18 CASH AND CASH EQUIVALENTS

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash in hand	307,542	253,072	322,713	267,922
Securities purchase under resale agreement	1,549,283	9,562,049	1,759,628	9,751,747
Current Accounts with Banks	1,222,701	1,587,596	1,271,962	1,625,285
Savings Accounts with Banks	52,111	42,773	52,146	43,100
Saving deposit in foreign currency	7,502	7,507	7,502	7,507
Total	3,139,139	11,452,997	3,413,951	11,695,561

19 BALANCES WITH BANKS & FINANCIAL INSTITUTIONS

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Fixed deposits	326,321	68,849	1,828,805	1,465,191
Deposit in foreign currency	-	3,260,713	1,863	3,260,713
Total	326,321	3,329,562	1,830,668	4,725,904

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

20 FINANCIAL INVESTMENTS - HELD FOR TRADING

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Investment in treasury bond (Note 20.1)	-	-	57,130	-
Quoted equity securities (Note 20.2)	196,193	184,243	446,138	378,312
Total	196,193	184,243	503,268	378,312

20.1 Investment in Treasury Bonds

	Company		Group	
	Cost Rs. '000	Market Value Rs. '000	Cost Rs. '000	Market Value Rs. '000
Investment in treasury bond	-	-	60,483	57,130
	-	-	60,483	57,130

20.2 Quoted Equity Securities

As at 31st March	2015			2014		
	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000
Bank, Finance & Insurance						
Nations Trust Bank PLC	392,871	25,877	39,326	612,971	40,375	39,782
Commercial Bank of Ceylon PLC - Voting	212,315	20,686	35,117	240,431	23,659	29,573
Commercial Bank of Ceylon PLC -Non voting	104,677	8,656	13,734	336,815	28,387	32,671
Sampath Bank PLC- Voting	96,008	17,056	24,204	93,555	17,056	17,036
Hatton National Bank PLC - Non voting	10,183	1,200	1,680	10,183	1,200	1,222
Seylan Bank PLC -Voting	118,994	9,166	11,899	43,994	2,926	2,802
Seylan Bank PLC -Non voting	249,265	7,994	15,803	249,265	7,994	9,223
Diversified Holdings						
Aitken Spence PLC	82,800	16,287	8,239	82,800	16,287	8,106
John Keells Holdings PLC	69,230	15,221	13,804	69,230	15,221	15,715
John Keells Holdings PLC - Warrants	6,152	419	163	-	-	-
Hemas Holdings PLC	-	-	-	25,000	1,109	943
Manufacturing						
Tokyo Cement Company (Lanka) PLC - Non Voting	110,000	4,650	4,114	110,000	4,650	3,190
Distilleries Company of Sri Lanka PLC	100,000	24,133	24,050	100,000	12,133	20,300
Other						
Vallibel One PLC	100,000	768	2,030	100,000	2,196	1,700
John Keells Hotels PLC	100,000	2,196	1,430	100,000	2,001	1,250
Mackwoods Energy PLC	100,000	1,400	600	100,000	1,400	730
		155,709	196,193		176,594	184,243

As at 31st March	2015			2014		
	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000	No. of Shares	Total Cost Rs. '000	Market Value Rs. '000
Bank, Finance & Insurance						
Nations Trust Bank PLC	392,871	55,705	39,326	912,971	55,705	59,251
Commercial Bank of Ceylon PLC - Voting	393,238	57,171	65,042	572,677	57,171	70,439
Commercial Bank of Ceylon PLC - Non voting	166,617	38,102	21,860	457,953	38,102	44,421
Sampath Bank PLC - Voting	396,008	45,187	99,834	258,555	45,187	47,083
Hattton National Bank PLC - Non voting	110,183	24,366	18,180	224,271	24,366	26,913
National Development Bank	60,855	8,651	15,092	60,855	8,651	10,869
Seylan Bank PLC - Voting	167,421	6,103	16,742	92,421	6,103	5,887
Seylan Bank PLC - Non voting	403,122	12,485	25,558	403,122	12,485	14,916
Diversified Holdings						
Aitken Spence PLC	82,800	16,287	8,239	82,800	16,287	8,106
John Keells Holdings PLC	258,067	39,196	51,459	183,067	39,196	41,556
John Keells Holdings PLC - Warrants	6,152	419	163	-	-	-
Hemas Holdings PLC	-	-	-	25,000	1,109	943
CIC Holdings PLC	176,512	15,004	13,415	-	-	-
Manufacturing						
Tokyo Cement Company (Lanka) PLC - Non voting	110,000	4,650	4,114	110,000	4,650	3,190
Distilleries Company of Sri Lanka PLC	200,000	24,133	48,100	200,000	24,133	40,600
Other						
Horana Plantation PLC	20,000	768	449	20,000	768	458
Vallibel One PLC	100,000	2,196	2,030	100,000	2,196	1,700
John Keells Hotels PLC	100,000	2,001	1,430	100,000	2,001	1,250
Mackwoods Energy PLC	100,000	1,400	600	100,000	1,400	730
Asiri Hospital Holding PLC	500,000	11,590	10,100	-	-	-
United Motors Lanka PLC	50,000	5,000	4,405	-	-	-
		370,414	446,138		339,510	378,312

21 LOANS AND RECEIVABLES

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Loans and receivables (Note 21.1)	100,536,007	91,566,211	100,166,651	91,704,889
Less:				
Individual impairment charges (Note 21.4)	373,363	322,090	373,363	322,090
Collective impairment charges (Note 21.4)	1,751,449	1,025,766	1,796,432	1,040,898
Net loans and receivables	98,411,195	90,218,355	97,996,856	90,341,901

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

21 LOANS AND RECEIVABLES (CONTD.)

21.1 Analysis of Loans and Receivables

21.1.1 Analysis by Product

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
By product				
Lease/Ijhara receivables	54,787,760	47,851,052	54,787,760	47,851,052
Hire-Purchase/ BBA receivables	22,458,850	28,503,703	22,728,727	28,595,519
Term Loan	20,059,286	14,230,161	20,289,494	14,601,109
Staff loans	385,973	328,155	416,383	352,565
Related party receivables (Note 21.1.1.1)	1,452,586	595,834	18,370	10,711
Debentures	-	-	534,365	236,627
Margin trading receivables	1,391,552	57,306	1,391,552	57,306
Gross total	100,536,007	91,566,211	100,166,651	91,704,889

21.1.1.1 Related Party Receivables

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
People's Bank	-	-	18,370	10,711
People's Leasing Property Development Limited	1,409,110	569,268	-	-
People's Leasing Fleet Management	2,314	1,937	-	-
People's Leasing Havelock Properties Limited	29,738	2,974	-	-
People's Microfinance Limited	2,023	2,959	-	-
People's Insurance Limited	9,401	18,696	-	-
Total	1,452,586	595,834	18,370	10,711

21.1.2 Analysis by Currency

Sri Lankan Rupee	100,536,007	91,566,211	100,166,651	91,704,889
Gross total	100,536,007	91,566,211	100,166,651	91,704,889

21.1.3 Analysis by Industry

Agriculture and fishing	2,275,233	2,622,106	2,397,189	2,756,324
Manufacturing	10,750	12,896	27,640	20,785
Tourism	369,594	363,026	371,844	364,611
Transport	15,033,463	16,493,992	15,035,443	16,496,342
Construction	4,907,300	4,359,061	4,586,034	3,788,757
Traders	19,641,605	22,668,018	19,857,938	22,881,511
Services	44,344,151	40,171,147	42,705,660	40,157,334
Industry	1,200,033	1,223,462	1,281,102	1,312,877
Financial services	1,803,879	686,108	2,416,982	424,893
Others	10,949,999	2,966,395	11,486,819	3,501,455
Gross total	100,536,007	91,566,211	100,166,651	91,704,889

21.2 Rental receivable on Lease, Hire-Purchase and Ijarah/BBA - Company

As at 31st March	2015				2014			
	Within	1-5	Over 5	Total	Within	1-5	Over 5	Total
	one year	years	years		one year	years	years	
Lease	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivables	24,971,234	41,073,101	3,553	66,047,888	25,404,590	34,039,316	12,100	59,456,006
Less: Unearned income	6,741,653	6,174,608	108	12,916,369	6,849,411	6,224,600	597	13,074,608
Net Rentals Receivables	18,229,581	34,898,493	3,445	53,131,519	18,555,179	27,814,716	11,503	46,381,398
Less : Rentals received in advance	-	-	-	116,559	-	-	-	233,971
Less : Allowance for impairment losses	-	-	-	1,000,288	-	-	-	568,538
Total net rentals receivable	18,229,581	34,898,493	3,445	52,014,672	18,555,179	27,814,716	11,503	45,578,889

As at 31st March	2015				2014			
	Within	1-5	Over 5	Total	Within	1-5	Over 5	Total
	one year	years	years		one year	years	years	
Hire-Purchase	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivables	10,056,556	14,671,961	1,294	24,729,811	15,976,766	18,221,222	694	34,198,682
Less: Unearned income	2,668,831	2,033,957	60	4,702,848	4,017,476	3,515,031	51	7,532,558
Net rentals receivables	7,387,725	12,638,004	1,234	20,026,963	11,959,290	14,706,191	643	26,666,124
Less : Rentals received in advance	-	-	-	4,494	-	-	-	11,661
Less : Allowance for impairment losses	-	-	-	619,450	-	-	-	485,322
Total net rentals receivable	7,387,725	12,638,004	1,234	19,403,019	11,959,290	14,706,191	643	26,169,141

As at 31st March	2015				2014			
	Within	1-5	Over 5	Total	Within	1-5	Over 5	Total
	one year	years	years		one year	years	years	
Ijarah /BBA	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross rentals receivables	2,011,528	3,338,534	-	5,350,062	2,117,705	2,370,722	-	4,488,427
Less: Unearned income	512,795	495,828	-	1,008,623	517,648	417,304	-	934,952
Net rentals receivables	1,498,733	2,842,706	-	4,341,439	1,600,057	1,953,418	-	3,553,475
Less : Rentals received in advance	-	-	-	132,259	-	-	-	608
Less : Allowance for impairment losses	-	-	-	21,629	-	-	-	31,563
Total net rentals receivable	1,498,733	2,842,706	-	4,187,551	1,600,057	1,953,418	-	3,521,304

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

21 LOANS AND RECEIVABLES (CONTD.)

21.3 Movement in Individual and Collective Impairment Charges During the Year

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

Company

	Lease Rs. '000	Hire Purchase Rs. '000	Ijara Rs. '000	Term Loans Rs. '000	Re- finance loans Rs. '000	BBA Rs. '000	Trading Muraba Rs. '000	Total Rs. '000
At 1st April 2013	334,093	310,491	5,187	157,764	933	16,285	16,969	841,722
Charge/(Reversal) for the year	234,445	174,831	2,484	66,941	24,156	7,606	(4,329)	506,134
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2014	568,538	485,322	7,671	224,705	25,089	23,891	12,640	1,347,856
Individual impairment	60,577	96,233	324	130,837	24,176	-	9,943	322,090
Collective impairment	507,961	389,089	7,347	93,868	913	23,891	2,697	1,025,766
	568,538	485,322	7,671	224,705	25,089	23,891	12,640	1,347,856
At 1st April 2014	568,538	485,322	7,671	224,705	25,089	23,891	12,640	1,347,856
Charge/(Reversal) for the year	431,750	134,128	764	225,964	1,245	(10,696)	(6,199)	776,956
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2015	1,000,288	619,450	8,435	450,669	26,334	13,195	6,441	2,124,812
Individual impairment	95,640	105,232	139	146,931	25,421	-	-	373,363
Collective impairment	904,648	514,218	8,296	303,738	913	13,195	6,441	1,751,449
	1,000,288	619,450	8,435	450,669	26,334	13,195	6,441	2,124,812

Group

	Lease Rs. '000	Hire Purchase Rs. '000	Ijara Rs. '000	Term Loans Rs. '000	Re- finance loans Rs. '000	BBA Rs. '000	Trading Muraba Rs. '000	Total Rs. '000
At 1st April 2013	334,093	310,490	5,187	157,764	933	16,285	16,969	841,721
Charge/(Reversal) for the year	234,445	176,240	2,484	80,665	24,156	7,606	(4,329)	521,267
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2014	568,538	486,730	7,671	238,429	25,089	23,891	12,640	1,362,988
Individual impairment	60,577	96,233	324	130,837	24,176	-	9,943	322,090
Collective impairment	507,961	390,497	7,347	107,592	913	23,891	2,697	1,040,898
	568,538	486,730	7,671	238,429	25,089	23,891	12,640	1,362,988
At 1st April 2014	568,538	486,730	7,671	238,429	25,089	23,891	12,640	1,362,988
Charge/(Reversal) for the year	431,750	134,172	764	255,771	1,245	(10,696)	(6,199)	806,807
Amounts written off	-	-	-	-	-	-	-	-
At 31st March 2015	1,000,288	620,902	8,435	494,200	26,334	13,195	6,441	2,169,795
Individual impairment	95,640	105,232	139	146,931	25,421	-	-	373,363
Collective impairment	904,648	515,670	8,296	347,269	913	13,195	6,441	1,796,432
	1,000,288	620,902	8,435	494,200	26,334	13,195	6,441	2,169,795

22 INSURANCE AND REINSURANCE RECEIVABLES

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Reinsurance receivables	-	-	115,394	111,560
Insurance receivables	-	-	71,906	26,016
Total	-	-	187,300	137,576

23 FINANCIAL INVESTMENTS-AVAILABLE FOR SALE

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Equity securities (Note 23.1)	416,433	224,068	416,433	224,068
Treasury bills	-	-	1,049,675	1,041,236
Unit trust	522,766	-	577,234	51,515
Net Available-for-sale Investments	939,199	224,068	2,043,342	1,316,819

23.1 Equity Securities - Company and Group

As at 31st March	2015			2014		
	No of	Cost of	Market	No of	Cost of	Market
	Shares	Investment Rs. '000	Value Rs. '000	Shares	Investment Rs. '000	Value Rs. '000
Quoted Investments						
Sanasa Development Bank PLC	1,750,000	160,000	205,625	1,000,000	100,000	75,000
People's Merchant Finance PLC	8,819,992	205,160	210,798	8,819,992	205,160	149,058
		365,160	416,423		305,160	224,058
Unquoted Investments						
Credit Information Bureau of Sri Lanka	100	10	10	100	10	10
		365,170	416,433	-	305,170	224,068

23.2 Movements in Impairment Charges During the Year

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance as at 1st April	(56,102)	(120,990)	(52,122)	(119,311)
Recycling to statement of profit or loss	-	25,000	-	25,000
Reversal for the year	155,131	39,888	154,040	42,189
Closing balance as at 31st March	99,029	(56,102)	101,918	(52,122)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

24 FINANCIAL INVESTMENTS – HELD TO MATURITY

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Treasury bills	4,632,896	4,358,415	4,632,896	4,358,415
Treasury bonds	633,511	388,143	633,511	388,143
Total	5,266,407	4,746,558	5,266,407	4,746,558

25 INVESTMENTS IN SUBSIDIARIES

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Unquoted equity share	1,875,000	1,475,000	-	-
Less: Impairment charges	-	-	-	-
Net total	1,875,000	1,475,000	-	-

25.1 Details of Subsidiaries

As at 31st March	Holding %	Company		Group	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Unquoted equity share					
People's Leasing Fleet Management Limited	100	75,000	75,000	-	-
People's Leasing Property Development Limited	100	550,000	550,000	-	-
People's Leasing Havelock Properties Limited	100	600,000	200,000	-	-
People's Microfinance Limited	100	50,000	50,000	-	-
People's Insurance Limited	100	600,000	600,000	-	-
Total		1,875,000	1,475,000	-	-

26 INVESTMENTS IN ASSOCIATES

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Unquoted equity share (Note 26.1)	50,000	50,000	50,000	50,000
Less: Impairment charges (Note 26.2)	(50,000)	(50,000)	(50,000)	(50,000)
Total	-	-	-	-

26.1 Movements in Impairment Charges during the Year

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Associates				
Opening balance at 1st April	50,000	50,000	50,000	50,000
Charge/(Write back) to profit or loss	-	-	-	-
Closing balance at 31st March	50,000	50,000	50,000	50,000

26.2 Details of Associates

As at 31st March	Holding	Company		Group	
	%	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Unquoted equity share					
City Finance Corporation Limited (50,000,000 ordinary shares)	28.51	50,000	50,000	50,000	50,000
Total		50,000	50,000	50,000	50,000

27 PROPERTY, PLANT AND EQUIPMENT

27.1 Property, Plant and Equipment - Company

	Buildings Rs. '000	Land Improvement and of Leasehold properties Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipment Rs. '000	Furniture and Fittings Rs. '000	Total Rs. '000
2015-Current year							
Cost							
Opening balance at 01.04.2014	239,480	57,419	178,017	403,491	347,715	315,919	1,542,041
Additions	304,591	444	29,444	34,412	65,173	23,595	457,659
Disposals	-	(690)	(19,409)	(146)	(108)	(4,621)	(24,974)
Transfers	52,000	-	-	1,876	(1,158)	(718)	52,000
Closing balance at 31.03.2015	596,071	57,173	188,052	439,633	411,622	334,175	2,026,726
Less: Accumulated depreciation							
Opening balance at 01.04.2014	714	47,604	109,423	256,405	163,060	163,700	740,906
Additions	406	6,710	23,272	55,122	60,421	55,330	201,261
Disposals	-	(690)	(19,188)	(73)	(83)	(4,088)	(24,122)
Transfers	-	-	-	1,068	(495)	(573)	-
Closing balance at 31.03.2015	1,120	53,624	113,507	312,522	222,903	214,369	918,045
Net book value at 31.03.2015	594,951	3,549	74,545	127,111	188,719	119,806	1,108,681
2014-Previous year							
Cost							
Opening balance at 01.04.2013	145,583	58,822	188,384	383,103	234,655	280,709	1,291,256
Additions	93,897	301	19,760	48,216	85,018	54,379	301,571
Disposals	-	(1,704)	(30,127)	-	(1,543)	(1,051)	(34,425)
Transfers/adjustments	-	-	-	(27,828)	29,585	(18,118)	(16,361)
Closing balance at 31.03.2014	239,480	57,419	178,017	403,491	347,715	315,919	1,542,041
Less: Accumulated depreciation							
Opening balance at 01.04.2013	379	42,453	115,698	218,838	105,406	117,948	600,722
Additions	335	6,855	18,940	54,732	46,938	54,150	181,950
Disposals	-	(1,704)	(25,215)	-	(1,380)	(793)	(29,092)
Transfers/adjustments	-	-	-	(17,165)	12,096	(7,605)	(12,674)
Closing balance at 31.03.2014	714	47,604	109,423	256,405	163,060	163,700	740,906
Net book value at 31.03.2014	238,766	9,815	68,594	147,086	184,655	152,219	801,135

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

27 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

27.2 Property, Plant and Equipment - Group

	Land Improvement and of Leasehold Buildings properties Rs. '000	Rs. '000	Motor Vehicles Rs. '000	Computer Hardware Rs. '000	Office Equipment Rs. '000	Furniture and Fittings Rs. '000	Working in Progress Rs. '000	Total Rs. '000
2015-Current year								
Cost								
Opening balance at 01.04.2014	1,970,617	57,419	405,147	444,252	591,362	331,118	180,299	3,980,214
Additions	719,389	444	37,294	41,244	70,509	23,978	147,750	1,040,608
Disposals	-	(690)	(19,409)	(146)	(3,700)	(4,621)	-	(28,566)
Transfers	(3,187)	-	-	1,876	(4,121)	2,245	-	(3,187)
Adjustments	(4,000)	-	-	-	-	-	-	(4,000)
Closing balance at 31.03.2015	2,682,819	57,173	423,032	487,226	654,050	352,720	328,049	4,985,069
Less: Accumulated depreciation								
Opening balance at 01.04.2014	60,983	47,604	145,172	271,694	232,409	170,263	-	928,125
Charge for the year	21,887	6,710	41,099	64,159	87,450	58,811	-	280,116
Disposals	-	(690)	(19,188)	(73)	(2,735)	(4,089)	-	(26,775)
Transfers	(1,103)	-	-	1,068	(1,945)	877	-	(1,103)
Closing balance at 31.03.2015	81,767	53,624	167,083	336,848	315,179	225,862	-	1,180,363
Net book value at 31.03.2015	2,601,052	3,549	255,949	150,378	338,871	126,858	328,049	3,804,706
2014-Previous year								
Cost								
Opening balance at 01.04.2013	1,700,712	58,822	413,039	410,732	472,496	287,765	28,112	3,371,678
Additions	269,905	301	43,860	61,348	94,421	58,925	152,187	680,947
Disposals	-	(1,704)	(51,752)	-	(1,543)	(1,051)	-	(56,050)
Transfers/adjustments	-	-	-	(27,828)	25,988	(14,521)	-	(16,361)
Closing balance at 31.03.2014	1,970,617	57,419	405,147	444,252	591,362	331,118	180,299	3,980,214
Less: Accumulated depreciation								
Opening balance at 01.04.2013	36,873	42,453	155,491	226,565	149,002	120,160	-	730,544
Charge for the year	24,110	6,855	36,554	62,734	73,208	56,952	-	260,413
Disposals	-	(1,704)	(46,873)	-	(788)	(793)	-	(50,158)
Transfers	-	-	-	(17,605)	10,987	(6,056)	-	(12,674)
Closing balance at 31.03.2014	60,983	47,604	145,172	271,694	232,409	170,263	-	928,125
Net book value at 31.03.2014	1,909,634	9,815	259,975	172,558	358,953	160,855	180,299	3,052,089

27.3 Fully Depreciated Property, Plant and Equipment

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

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Improvement of leasehold properties	28,065	27,989	28,065	27,989
Motor vehicles	52,574	32,172	52,574	38,070
Computer hardware	153,279	131,630	154,427	131,630
Office equipment	77,995	63,510	80,043	63,510
Furniture and fittings	48,272	39,018	50,798	39,018
	360,185	294,319	365,907	300,217

27.4 Group Free Hold Land & Buildings

Location	Address	Date of Valuation	Method of Valuation	Land Extent	Building Area (Sq.Ft)	2015		2014
						Cost Rs. '000	Revaluation Rs. '000	Revaluation Rs. '000
People's Leasing & Finance PLC								
Vehicle Yard								
Makola	496, Makola North, Makola	15.01.2015	MCM	90 perches	11,600	7,632	39,000	39,900
Mabima	225/D, Nayagala Rd, Heiyantuduwa, Mabima	15.01.2015	MCM	2 acres & 10.75 perches	660	21,624	50,000	50,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	17.01.2015	MCM	260 Perches	1,836	27,558	13,754	27,558
Monaragala	10, Pothuwil Rd, Monaragala	18.01.2015	MCM	125.9 perches	1,376	41,056	45,000	45,441
Administrative purpose								
Bandarawela	35/2D, Welimada Rd, Bandarawela	18.01.2015	MCM	8.3 perches	5,194	31,257	37,000	37,000
Jaffna	10, Mahathma Gandhi Rd, Jaffna	18.01.2015	MCM	44.72 perches	-	45,764	148,860	148,860
Boralesgamuwa	81, Old Kesbawa Rd, Diulpitiya, Boralesgamuwa	18.01.2015	MCM	42 perches	13,321	52,000	52,000	55,000
Hokandara	414, Hokandara Rd, Wellangiriya	18.01.2015	MCM	224 perches	-	68,537	78,400	64,589
Matara	367 Anagarila Darmapala Mw, Matara	*	*	42.1 perches	-	93,599	93,690	-
Kandy	86 Katugasthota Rd, Kandy	*	*	23.25 perches	-	64,479	64,479	-
Kandy	296 Senanayaka Rd, Kandy	*	*	47.27 perches	-	142,565	142,633	-
						596,071	764,816	468,348
People's Leasing Property Development Limited								
Borella	1161, Maradana Rd, Colombo 08	06.04.2015	MCM	104.90 perches	127,621	1,532,368	1,818,500	2,000,000
						1,532,368	1,818,500	2,000,000
People's Leasing Havelock Properties Development Limited								
Colombo 05	No. 07, Havelock Road, Colombo 05	18.01.2015	MCM	111.45 perches	-	554,380	686,500	178,500
						554,380	686,500	178,500

MCM - Market comparable method

* - These lands were purchased at the end of 2014/15 financial year.

Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment idle as at 31st March 2015 and 31st March 2014

Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment retired from active use as at the reporting date (2014 : Nil)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

27 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2015 (2014 : Nil)

Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than disclosed in Note 53 (Asset pledged) to the Financial Statements.

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

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2014 : Nil).

28 GOODWILL AND INTANGIBLE ASSETS

Intangible Assets	Company			Group			
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Software Rs. '000	Customer List Rs. '000	Goodwill Rs. '000	Total Rs. '000
2015-Current year							
Cost							
Opening balance at 01.04.2014	128,453	308,545	436,998	143,724	6,034	308,545	458,303
Additions	5,527	-	5,527	5,526	-	-	5,526
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	3,187	-	-	3,187
Closing balance at 31.03.2015	133,980	308,545	442,525	152,437	6,034	308,545	467,016
Less: Accumulated amortisation							
Opening balance at 01.04.2014	89,071	-	89,071	96,537	6,034	-	102,571
Amortisation	15,807	-	15,807	18,804	-	-	18,804
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Closing balance at 31.03.2015	104,878	-	104,878	115,341	6,034	-	121,375
Net book value at 31.03.2015	29,102	308,545	337,647	37,096	-	308,545	345,641
2014-Previous year							
Cost							
Opening balance at 01.04.2013	96,840	308,545	405,385	114,453	6,034	308,545	429,032
Additions	15,252	-	15,252	15,252	-	-	15,252
Disposals	-	-	-	(2,342)	-	-	(2,342)
Transfers	16,361	-	16,361	16,361	-	-	16,361
Closing balance at 31.03.2014	128,453	308,545	436,998	143,724	6,034	308,545	458,303
Less: Accumulated amortisation							
Opening balance at 01.04.2013	61,537	-	61,537	66,125	4,626	-	70,751
Amortisation	14,860	-	14,860	18,456	1,408	-	19,864
Disposals	-	-	-	(718)	-	-	(718)
Transfers	12,674	-	12,674	12,674	-	-	12,674
Closing balance at 31.03.2014	89,071	-	89,071	96,537	6,034	-	102,571
Net book value at 31.03.2014	39,382	308,545	347,927	47,187	-	308,545	355,732

Intangible assets include fully amortised amount of Rs. 57,527,862 as at 31st March 2015 (Rs. 50,519,380 - 31st March 2014), which are still in use as at the reporting date.

Impairment Tests for Goodwill

Goodwill acquired through business combinations has been allocated to lease and hire purchase unit. The group undertakes an annual test for impairment, based on value in use computation using cash flow projections based on financial budgets approved by the senior management. The discount rate of 10.55% and the projected growth rate of 5% are the key assumptions used for this purpose. The discount rate was estimated based on an average percentage of weighted average cost of capital of the company. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

There were no restrictions existed on the title of the intangible assets of the Group/Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2015.

29 INVESTMENT PROPERTY

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
At the beginning of the year	55,000	56,000	-	-
Loss from fair value adjustments	(3,000)	(1,000)	-	-
Transfer during the year	(52,000)	-	-	-
At the end of the year	-	55,000	-	-

Land and Building situated at No 81, Old Kasbawa Road, Raththanapitiya, Borlasagamuwa is rented out to People's Leasing Fleet Management Limited by the Company and the Company receives rent income. Accordingly, these land and building have been classified as investment property in the Statement of Financial Position of the Company. However, according to Sri Lanka Accounting Standard (LKAS 40) "Investment Property", the said land and building are treated as property, plant and equipment in the Consolidated Statement of Financial Position, since these are rented to a Group entity.

The Company carries investment properties at Market value. Market valuations of the above investment properties were carried out as at 31st December 2014 by Mr K.T.D. Tissera, FRICS (Eng), who is independent valuers not connected with the Company.

Rent income is included in the Statement of Profit or Loss as;

For the year ended 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Rent income	255	612	-	-
Direct operating expenses arising from Investment Property that generated rental income during the period.	-	-	-	-

Reclassification of Investment Property

On 28th February 2015, the Group reclassified investment property to Property, plant and equipment with the change in use. The transfer of investment property carried at fair value to property, plant and equipment is based on deemed cost of property at the date of change in use.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

30 OTHER ASSETS

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Other financial assets	253,723	126,346	-	-
Non financial assets (Note 30.1)	469,474	815,000	1,768,840	1,666,080
Total	723,197	941,346	1,768,840	1,666,080

30.1 Non Financial Asstes

Advance payments	126,793	164,369	232,335	254,717
VAT Recoverable	18,264	57,976	19,402	58,058
Inventories	29,926	47,078	39,364	51,200
Other receivables	294,491	545,577	1,477,739	1,302,105
Total	469,474	815,000	1,768,840	1,666,080

31 DUE TO BANKS

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Overdraft	159,555	153,702	195,537	266,614
Long term loans	15,858,448	13,260,359	16,985,010	14,792,523
Bank Borrowings - Short Term Loans	4,903,078	200,038	4,903,078	200,038
Redeemable Preference Shares (Note 31.1)	307,519	517,708	307,519	517,708
Total	21,228,600	14,131,807	22,391,144	15,776,883

31.1 Redeemable Preference Shares

Redeemable Preference Shares	300,000	500,000	300,000	500,000
Interest payable	7,519	17,708	7,519	17,708
Total	307,519	517,708	307,519	517,708

32 DUE TO CUSTOMERS

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Fixed Deposits	29,081,483	38,855,822	28,993,218	38,775,452
Savings Deposits	4,941,089	2,065,663	4,937,003	2,063,826
Total	34,022,572	40,921,485	33,930,221	40,839,278

33 DEBT SECURITIES ISSUED

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Promissory Notes	160,972	921,047	160,972	921,047
Debentures (Note 33.1)	9,465,682	7,734,205	9,361,674	7,630,039
Commercial Papers	466,180	4,755,278	466,180	4,755,278
Asset backed securities	18,597,360	21,062,850	18,597,360	21,062,850
Total	28,690,194	34,473,380	28,586,186	34,369,214

33.1 Debentures

Not listed debentures	233,303	1,571,505	233,303	1,571,505
Listed debentures (Note 33.1.1)	9,232,379	6,162,700	9,128,371	6,058,534
Total	9,465,682	7,734,205	9,361,674	7,630,039

33.1.1 Listed Debentures

In 2013 the Company issued Rs. 6,000 million worth of Senior, unsecured, redeemable, 'AA(-) rated Four year (2013/2017) and Five year (2013/2018) debentures of Rs. 100/- each. In 2014 the Company issued Rs. 3,000 million worth of Senior, unsecured, redeemable, 'AA(-) rated Three year (2014/2017) and Four year (2014/2018) debentures of Rs. 100/- each.

	Face value Rs. '000	Interest rate	Repayment term	Issued date	Maturity date	Company		Group	
						2015	2014	2015	2014
						Rs. '000	Rs. '000	Rs. '000	Rs. '000
Senior, unsecured, redeemable, 'AA(-) rated									
Option 01	1,986,500	16.50%	Semi Annually	27-Mar-2013	26-Mar-2017	2,050,753	2,040,367	2,050,753	2,005,880
Option 02	1,583,500	16.75%	Semi Annually	27-Mar-2013	26-Mar-2018	1,633,517	1,626,439	1,581,936	1,598,948
Option 03	2,430,000	17.00%	Annually	27-Mar-2013	26-Mar-2018	2,502,789	2,495,894	2,450,362	2,453,706
Type A	1,500,000	8.75%	Annually	15-Sep-2014	14-Sep-2017	1,521,521	-	1,521,521	-
Type B	1,500,000	9.63%	Annually	15-Sep-2014	14-Sep-2018	1,523,799	-	1,523,799	-
Total	9,000,000					9,232,379	6,162,700	9,128,371	6,058,534

34 OTHER FINANCIAL LIABILITIES

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount payable to suppliers	2,607,717	1,247,483	2,773,296	1,311,245
Insurance Payable	497,005	458,826	77,307	113,797
Dividends Payable	10,570	7,372	10,570	7,372
Other Payables	119,153	143,643	304,739	295,744
Total	3,234,445	1,857,324	3,165,912	1,728,158

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

35 DERIVATIVE FINANCIAL INSTRUMENTS

Company and Group

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

As at 31st March

	2015		2014	
	Asset/ (Liability) Rs. '000	Notional Amount Rs. '000	Asset/ (Liability) Rs. '000	Notional Amount Rs. '000
Forward foreign exchange contracts	(92,193)	3,199,680	245	1,895,585
	(92,193)	3,199,680	245	1,895,585

Hedge Accounting

The Company has raised USD 50 Mn on 31st December 2013 through foreign borrowings for a period of two and half years, against which a forward foreign exchange contracts arrangement has been entered into with the People's Bank for USD 14.5 Mn which will be matured from 23rd June 2014 to 23rd February 2015. For the balance, the Company entered into another forward rate agreements for US\$ 15.75 and US\$ 9.75 million with HSBC Bank on 11th April 2014 and 21st May 2014 respectively.

As per Sri Lanka Accounting Standards - LKAS 39 (Financial Instruments: Recognition & Measurement) the Company has identified this particular transaction as a 'Cash Flow Hedge' after documenting the hedge relationship.

The objective of the hedge is to reduce the variability of the cash flows of a foreign currency denominated above mentioned borrowing (only the capital portion) attributable to changes in LKR / USD exchange rate.

Details	Description of the Hedge
Hedge instruments	Forward foreign exchange contract Counterparty - HSBC Notional amount - USD 23.75 Mn
Hedge item	USD denominated borrowing - USD 23.75 Mn Capital is repayable in full on 23rd February 2016.
The periods when the cash flows are expected to occur	23rd April 2015 to 23rd February 2016
The amount recognised in Other Comprehensive Income during the year	Rs. 6 Mn
Fair value of the hedge item as at 31st March 2015	Rs. 3,166 Mn
Fair value of the hedge instrument as at 31st March 2015	Rs. 92 Mn
Any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur	None
The amount that was reclassified from equity to profit or loss as a reclassification adjustment	None

The expected impact to the statement of profit or loss on the hedge is as follows;

	Less than one year Rs. '000
Forecast receivable cash flow	3,399,620
Forecast payable cash flow	(3,166,350)
Total	233,270

36 INSURANCE LIABILITIES AND REINSURANCE PAYABLE

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Insurance Liabilities (Note 36.1)	-	-	2,848,058	2,531,743
Reinsurance payables	-	-	46,300	38,797
Total	-	-	2,894,358	2,570,540

36.1 Insurance Liabilities

Outstanding claims provision	-	-	1,182,722	1,014,259
Provision for unearned premiums (net)	-	-	1,665,336	1,517,484
Provision for liability adequacy	-	-	-	-
Total	-	-	2,848,058	2,531,743

37 CURRENT TAX LIABILITIES

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Tax Payable	550,042	446,832	618,198	540,841
Total	550,042	446,832	618,198	540,841

38 DEFERRED TAX LIABILITIES

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Deferred tax assets (Note 38.2)	(43,431)	(36,083)	(75,880)	(50,816)
Deferred tax liabilities (Note 38.2)	1,992,921	1,609,544	2,052,298	1,649,389
Total	1,949,490	1,573,461	1,976,418	1,598,573

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

38 DEFERRED TAX LIABILITIES (CONTD.)

38.1 Deferred Tax Movement

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
At the beginning of the year	1,573,461	1,200,641	1,598,573	1,209,777
Charge for the year	375,924	388,846	377,914	405,574
Deferred Tax charge relating to components of other comprehensive income	105	(16,026)	(69)	(16,778)
At the end of the year	1,949,490	1,573,461	1,976,418	1,598,573

38.2 Reconciliation of Deferred Tax

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Deferred tax assets and liabilities are attributable to the following:				
Deferred tax assets				
Carry forward tax losses	-	-	(23,669)	(13,441)
Defined benefit plan liability	(43,536)	(20,057)	(45,893)	(20,597)
Actuarial losses recognised in other comprehensive income	105	(16,026)	(69)	(16,778)
Bad debts provision	-	-	(6,249)	-
Total	(43,431)	(36,083)	(75,880)	(50,816)

Deferred Tax Liability

Accelerated depreciation allowance for tax purpose (Rentals receivable)	1,917,748	1,555,506	1,917,748	1,555,506
Accelerated depreciation allowance for tax purpose (Property, plant & equipment)	75,173	54,038	134,550	93,185
Fair value losses recognised in other comprehensive income	-	-	-	698
Net deferred tax liabilities	1,992,921	1,609,544	2,052,298	1,649,389
	1,949,490	1,573,461	1,976,418	1,598,573

Deferred tax assets/liabilities have been calculated at the rate of 28%.

39 OTHER LIABILITIES

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
VAT on Financial Services Payable	50,256	34,996	52,671	37,432
Value Added Tax (VAT)	-	-	7,757	22,842
Retirement Benefit Obligations (Note 39.1)	155,111	128,870	163,547	134,049
Other Payable	1,214,288	1,012,345	1,229,515	1,031,157
Total	1,419,655	1,176,211	1,453,490	1,225,480

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000

39.1 Retirement Benefit Obligations

Balance at the beginning of the year	128,870	55,579	134,049	56,572
Amount recognise in statement of profit or loss	31,924	23,313	34,934	27,195
Actuarial (gain)/loss	(375)	57,236	(23)	57,574
Benefits paid	(5,308)	(7,258)	(5,413)	(7,292)
Balance at the end of the year	155,111	128,870	163,547	134,049

39.1.2 Amount Recognise in Statement of Profit or Loss

Current service cost	18,264	13,119	20,398	15,652
Net interest on the net defined benefit liability	13,660	10,194	14,536	11,543
Total amount recognised in profit or loss	31,924	23,313	34,934	27,195

39.1.2 Amount Recognise in other Comprehensive Income

Losses/(gain) due to changes in assumptions	3,426	35,191	3,379	35,337
Experience losses/(gain) arising during the year	(3,801)	22,045	(3,402)	22,237
Total actuarial losses/(gain) recognised in OCI	(375)	57,236	(23)	57,574

An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2015 by Messrs Piyal S Goonetilleke & Associates, a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the 'Projected Unit Credit (PUC), the method recommended by the Sri Lanka Accounting Standard, LKAS 19 on 'Employee Benefits'.

Company /Group	2015	2014
Actuarial assumptions		
Discount rate as at 31st March	10.40%	10.5% - 10.6%
Future salary increment rate	9.00%	9.00%
Mortality	Mortality - GA - 1983	Mortality - GA - 1983
Disability loading	Long term Disability 1987 Soc. Sec. Table	Long term Disability 1987 Soc. Sec. Table
Retirement age	55 Years	55 Years

Expected average working life of the active participants is 14.15 years for the year ended 31st March 2015. (14.21-2014)

Staff Turnover	2015	2014
20 Years	8.00%	8.00%
25 Years	7.50%	7.50%
30 Years	7.00%	7.00%
35 Years	5.00%	5.00%
40 Years	1.50%	1.50%
45 Years	0.90%	0.90%
50 Years	0.01%	0.01%

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

39 OTHER LIABILITIES (CONTD.)

Sensitivity of Assumptions Employed in Actuarial Valuation

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

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

	2015		2014	
	Effect on comprehensive income statement increase/(reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000	Effect on comprehensive income statement increase/(reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000
Increase/ (decrease) in discount rate				
1%	16,096	16,096	15,861	15,861
-1%	(18,896)	(18,896)	(13,811)	(13,811)
Increase/ (decrease) in salary Increment				
1%	(18,443)	(18,443)	(13,843)	(13,843)
-1%	16,013	16,013	16,202	16,202

40 CAPITAL

As at 31st March

	2015		2014	
	Number	Rs. '000	Number	Rs. '000
Ordinary shares as at 1st April	1,579,862,482	12,736,073	1,579,862,482	12,536,073
Transfer from preference shares on redemption	-	200,000	-	200,000
Ordinary shares as at 31st March	1,579,862,482	12,936,073	1,579,862,482	12,736,073

40.1 Stated Capital

As at 31st March

	2015		2014	
	Number	Rs. '000	Number	Rs. '000
Fully paid ordinary shares	1,579,862,482	11,886,073	1,560,000,160	11,608,001
Issue of new shares	-	-	19,862,322	278,072
Transfer from preference shares on redemption	-	1,050,000	-	850,000
Issued capital	1,579,862,482	12,936,073	1,579,862,482	12,736,073
Fully paid cumulative redeemable preference shares	135,000,000	1,350,000	135,000,000	1,350,000
Transfer to ordinary shares on redemption	(105,000,000)	(1,050,000)	(85,000,000)	(850,000)
Preference share capital	30,000,000	300,000	50,000,000	500,000
Total		13,236,073		13,236,073

Rights, preferences and restrictions of classes of capital

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

41 STATUTORY RESERVE FUND

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Opening balance at 1st April	1,016,467	860,280	1,016,467	860,280
Transfer during the year	187,649	156,187	187,649	156,187
Closing balance at 31st March	1,204,116	1,016,467	1,204,116	1,016,467

'Statutory Reserve Fund' has been created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

42 RETAINED EARNINGS

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Opening balance at 1st April	4,001,931	3,495,577	4,569,825	3,723,588
Profit for the year	3,752,960	3,123,746	4,101,542	3,463,215
Other comprehensive income	270	(41,211)	46	(40,797)
Transfers to reserves	(266,558)	(401,354)	(266,558)	(401,354)
Transfers from reserves	1,175,823	-	1,175,823	-
Dividend	(1,974,827)	(1,974,827)	(1,974,827)	(1,974,827)
Redemption of preference shares	(200,000)	(200,000)	(200,000)	(200,000)
Share issue expenses	-	-	(2,070)	-
Closing balance at 31st March	6,489,599	4,001,931	7,403,781	4,569,825

43 OTHER RESERVES

43.1 Company - As at 31st March 2015

	Opening balance at 01-04-2014 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2015 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	1,096,914	(1,096,914)	-
Available for sale reserves	(56,102)	155,131	99,029
Cash flow reserves	653	6,318	6,971
Total	1,441,465	(935,465)	506,000

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

43 OTHER RESERVES (CONTD.)

Company - As at 31st March 2014

	Opening balance at 01-04-2013 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2014 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	851,747	245,167	1,096,914
Available for sale reserves	(120,990)	64,888	(56,102)
Cash flow hedge reserve	-	653	653
Total	1,130,757	310,708	1,441,465

43.2 Group - As at 31st March 2015

	Opening balance at 01-04-2014 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2015 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	1,096,914	(1,096,914)	-
Available-for-sale reserve	(52,122)	154,040	101,918
Cash flow reserves	653	6,318	6,971
Total	1,445,445	(936,556)	508,889

Group - As at 31st March 2014

	Opening balance at 01-04-2013 Rs. '000	Movement/ transfers Rs. '000	Closing balance at 31-03-2014 Rs. '000
General reserve	300,000	-	300,000
Tax equalisation reserve fund	100,000	-	100,000
Investment fund reserves (Note 43.3)	851,747	245,167	1,096,914
Available-for-sale reserve	(119,311)	67,189	(52,122)
Cash flow hedge reserve	-	653	653
Total	1,132,436	313,009	1,445,445

43.3 Investment Fund Account (IFA)

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Opening balance	1,096,914	851,747	1,096,914	851,747
Transfers during the year	78,909	245,167	78,909	245,167
Transfer to retain earnings	(1,175,823)	-	(1,175,823)	-
Closing balance	-	1,096,914	-	1,096,914

The Company required to transfer 8% of the profits calculated for the payment of Value Added Tax (VAT) on Financial Services and 5% of the adjusted profit calculated for income tax purpose to a fund identified as "Investment Fund Account"(IFA) as per the proposal made in the Government Budget 2011. The guidelines have also been issued by the Central Bank of Sri Lanka on utilisation of funds in this account. Operation of the Investment Fund Account was abolished with effective from 1st October 2014, therefore the Company transferred the balance in the above reserve fund to retained earnings during the year.

The Company commence utilisation of funds in the IFA investing in long-term government securities with maturities not less than seven years & specified lending on maturities not less than five years at interest rates not exceeding five years treasury bond rates plus two percent.

The details of loans granted under IFA are as follows;

Sector	Rate of Interest %	Tenure of Loan	Granted Amount Rs. '000
Agriculture	10.65 - 13.50	3 - 5 Years	76,757
Factory / Mills modernisation	10.65 - 13.17	4 - 5 Years	512,365
Hotel construction	10.65	5 Years	3,000
Information technology and BPO	12.74	5 Years	31,500
Infrastructure development	10.65 - 13.17	5 Years	216,000
Restructuring a loan granted for a specified project	12.74	5 Years	22,500
Small and medium enterprises	10.65 - 13.17	4 - 7 Years	208,763
Women entrepreneurship venture capital projects up to Rs. 10 Mn	13.17	3 - 5 Years	2,000
Total			1,072,885

The details of investment made on IFA are as follows;

Details of Investment

Description	Rate of Interest %	Tenure of Loan	Amount Rs. '000
Investment in long-term government securities	8.50	7 Years	23,186
Interest accrued thereon			1,070
Total			24,256

44 CONTINGENT LIABILITIES AND COMMITMENTS

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Contingent liabilities (Note 44.1)	426,486	350,086	426,486	350,086
Commitments (Note 44.2)	3,973,577	2,029,166	4,881,723	2,657,005
	4,400,063	2,379,252	5,308,209	3,007,091

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

44 CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

44.1 Contingent liabilities

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

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Accidents of leased out vehicles	79,252	84,957	79,252	84,957
Guarantees - Related parties	325,000	225,000	325,000	225,000
Guarantees - Others	8,375	9,250	8,375	9,250
Letter of credits	13,859	30,879	13,859	30,879
Total	426,486	350,086	426,486	350,086

44.2 Commitments

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

As at 31st March	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Capital Commitments				
Approved and contracted for	-	-	901,846	611,139
Approved but not contracted for	-	37,950	6,300	54,650
Derivative financial instruments	3,399,620	1,951,553	3,399,620	1,951,553
	3,399,620	1,989,503	4,307,766	2,617,342
Un-utilised facilities				
Margin trading	573,957	39,663	573,957	39,663
	573,957	39,663	573,957	39,663
Total	3,973,577	2,029,166	4,881,723	2,657,005

Litigation Against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Pending legal claims where the Company had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not included below as the Company does not expect cash outflows from such claims. However, further adjustments are made to Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate.

As of the date of the statement of financial position, thirty clients have filed cases against the Company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

45 NON- CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation of property, plant and equipment	201,261	181,950	280,116	260,413
Amortisation of intangible assets	15,807	14,860	18,804	19,864
Impairment losses on loans and advances	1,644,876	1,217,746	1,670,681	1,229,856
Charge for defined benefit plans	31,924	23,313	34,934	27,195
Gain/(loss) on sale of property, plant and equipment	(7,122)	(7,386)	(7,122)	(14,416)
Net trading income from sale of vehicles	(34,942)	(14,390)	(34,942)	(14,390)
Gain/(loss) on equities	(57,985)	(7,628)	(120,741)	(29,838)
Total	1,793,819	1,408,465	1,841,730	1,478,684

46 CHANGE IN OPERATING ASSETS

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net (increase)/decrease in other balances				
with bank & financial institutions	3,003,241	(2,631,434)	2,895,236	(2,831,559)
Net (increase)/decrease in financial assets held for trading	46,035	(34,978)	(4,215)	(110,871)
Net (increase)/decrease in loans and receivables	(10,190,052)	(2,991,231)	(9,277,972)	(3,233,896)
Net (increase)/decrease in derivative financial instrument	98,756	-	98,756	408
Net (increase)/decrease in insurance and reinsurance receivables	-	-	(49,724)	21,586
Net (increase)/decrease in financial investment available for sale	(560,000)	-	(572,483)	(100,763)
Net (increase)/decrease in financial investment held to maturity	(519,849)	(4,206,792)	(519,849)	(4,206,792)
Net (increase)/decrease in other assets	208,427	(44,951)	(112,482)	(129,714)
Total	(7,913,442)	(9,909,386)	(7,542,733)	(10,591,601)

47 CHANGE IN OPERATING LIABILITIES

As at 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net increase/(decrease) in due to customers	(6,898,913)	22,074,813	(6,909,057)	22,129,409
Net increase/(decrease) in other financial liabilities	1,377,121	(1,156,468)	1,437,754	(435,756)
Net increase/(decrease) in insurance and reinsurance payables	-	-	323,818	353,599
Net increase/(decrease) in other liabilities	115,127	912,897	42,577	35,153
Total	(5,406,665)	21,831,242	(5,104,908)	22,082,405

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

48 RELATED PARTY DISCLOSURE

48.1 Parent and Ultimate Controlling Party

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

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

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

Terms and Conditions

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates, except the loans that the key management have availed under the loan schemes uniformly applicable to all the staff.

48.2.1 Transactions with Key Management Personnel and their Close Family Members

Remuneration to Key Management Personnel

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Remuneration to Board of Directors				
Short term employees benefits	290	375	610	455
Total	290	375	610	455

For the Year ended 31st March	Company/Group	
	2015	2014
	Rs. '000	Rs. '000
(b) Remuneration to Corporate Management		
Short term employees benefits	73,756	57,270
Post employment benefits	7,926	5,582
Total	81,682	62,852

In addition to the above, the Company has also provided non cash benefits such as company maintained vehicles to KMPs in line with the approved employment terms of the Company.

48.2.2 Share Transactions with Key Management Personnel

For the Year ended 31st March	Company/Group	
	2015	2014
No. of ordinary shares held	2,228,358	2,205,558
Dividend paid (Rs. '000)	2,467	4,975

48.2.3 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and Other Related Entities

	2015 Rs. '000	2014 Rs. '000
(a) Items in Statement of Profit or Loss		
Interest income	450	-
Interest expense	4,572	5,383
(b) Items in Statement of Financial Position		
Assets		
Loans and receivables	3,735	-
Liabilities		
Promissory notes	-	290
Fixed deposits	36,622	47,858
Saving deposits	23,834	4,271
Total	60,456	52,419

48.3.1 Transactions with Government of Sri Lanka and Government Related Entities

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

	Company		Group	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income on lease facilities granted	48,541	12,449	48,541	12,449
Interest income on loans granted	12,053	5,850	12,053	5,850
Interest expense on loans obtained	19,727	54,367	19,727	54,367
Interest expense on commercial paper issued	163,127	78,281	163,127	78,281
Total	243,448	150,947	243,448	150,947
(b) Items in Statement of Financial Position				
Assets				
Leases	508,558	75,072	508,558	75,072
Loans and receivables	244,747	58,689	244,747	58,689
Total	753,305	133,761	753,305	133,761
Liabilities				
Loans	1,565,938	281,250	1,565,938	281,250
Commercial papers	-	147,459	-	147,459
Total	1,565,938	428,709	1,565,938	428,709
(c) Transactions				
RMV charges	399,638	383,387	402,800	384,227
CRIB charges	24,097	18,559	25,327	19,272

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

- Investments in Treasury Bills, Treasury Bonds, Payments of statutory rates and taxes, Payments for utilities mainly comprising of telephone, electricity and water, Payments for employment retirement benefits - ETF

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

48 RELATED PARTY DISCLOSURE (CONTD.)

48.3.2 Transactions with Other Related entities

48.3.2.1 Company

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

	Immediate Parent		Subsidiaries		Affiliates	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest on term loans & bank overdraft	14,159	340,428	268,757	180,479	-	-
Building rent income	-	-	255	612	-	-
Building rent expenses	27,698	20,850	245,244	238,469	-	-
Shared fee income	-	-	54,849	54,229	-	-
Interest on preference shares	66,311	103,417	-	-	-	-
Interest on asset backed securities	22,147	-	-	-	-	-
Interest on deposits and savings	14,296	101,836	8,598	14,012	-	-
Interest on repo investments	8,816	36,252	-	-	-	-
Interest on treasury bills	285,882	109,140	-	-	-	-
Dividend income	-	-	229,750	137,000	-	-
Expense on vehicle services & hiring	-	-	41,493	40,019	-	-
Insurance premium paid in respect of own policies	-	-	77,576	59,043	-	-
Service charges received	-	-	337,719	382,128	-	-
Interest on commercial papers	-	37,038	-	-	-	-
Introducing commission	-	-	893	510	-	-
LC commission	1,007	1,120	-	-	-	-
Income on lease	10,042	19,227	-	-	-	-
(b) Items in Statement of Financial Position						
Assets						
Current account balance	1,187,756	1,328,167	-	-	-	-
Fixed deposits, savings & RFC	90,717	3,337,069	-	-	-	-
Repo investments	750,719	2,111,998	-	-	-	-
Vehicle hiring & service sales	-	-	-	9,612	-	-
Service charges receivable	-	-	145,588	115,311	-	-
Amount due from	-	-	1,461,315	595,833	-	-
Investment in shares	-	-	1,875,000	1,475,000	205,160	205,160
Investment in treasury bills	3,766,540	3,519,610	-	-	-	-
Lease rental	73,505	116,464	-	-	-	-
Term loans	-	-	579,279	565,335	-	-
Liabilities						
Term loans & bank overdraft	1,599,262	1,592,372	-	-	-	-
Insurance premium payable in respect of customers introduced by the Company	-	-	451,932	343,055	-	-
Debentures	-	-	104,009	116,952	-	-
Deposits and savings	-	-	92,352	82,207	-	-
Investment in Asset backed securities	1,052,000	-	-	-	-	-
Placement fee on asset back securities	13,714	-	-	-	-	-
Investment in preference shares	307,519	517,708	-	-	-	-
Commercial papers	-	172,345	-	-	-	-
Building rent	9,241	-	-	-	-	-

	Immediate Parent		Subsidiaries		Affiliates	
	2015	2014	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(c) Transactions						
Transaction cost on debenture issue and securitisation	23,935	-	-	-	-	-
Dividend paid	1,481,121	1,481,121	-	-	-	-
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	-	-	3,208,541	3,386,637	-	-
(d) Off- Balance Sheet Items						
Undrawn facilities	-	50,000	-	-	-	-
Guarantees	-	2,500	325,000	225,000	-	-

48.3.2.2 Group

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

For the Year ended 31st March	Immediate Parent		Affiliates	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Items in Statement of Profit or Loss				
Interest expenses on term loans & bank overdraft	14,445	340,463	-	-
Building rent income	27,551	27,551	-	-
Building rent expenses	28,598	21,975	-	-
Interest income on deposits	21,685	101,836	-	-
Interest on repo investments	18,604	58,294	-	-
Interest on treasury bills	285,882	109,140	-	-
Interest on preference shares	66,311	103,417	-	-
Interest on asset backed securities	22,147	-	-	-
Agency commission income	26,040	9,068	-	-
Income on vehicle hiring	58,312	63,232	-	-
Building project income	-	35,328	-	-
Service charges paid	12,362	9,683	-	-
Differed commission expenses	9,966	8,048	-	-
Insurance premium income	232,803	279,678	-	-
Claim paid	73,332	96,857	-	-
LC commission	1,007	1,120	-	-
Income on lease	10,042	19,227	-	-

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

48 RELATED PARTY DISCLOSURE (CONTD.)

48.3.2 Transactions with Other Related Entities (Contd.)

48.3.2.1 Company (Contd.)

As at 31st March	Immediate Parent		Affiliates	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(b) Items in Statement of Financial Position				
Assets				
Current account balance	1,249,517	1,362,864	-	-
Fixed deposits, savings & RFC	192,550	3,409,198	-	-
Repo investments	961,064	2,301,696	-	-
Vehicle hiring & service sales receivable	20,293	10,711	-	-
Insurance Premium receivable	10,988	1,863	-	-
Commission income receivable	20,082	-	-	-
Building rent receivable	11,156	75	-	-
Building project	-	568,948	-	-
Investment in treasury bills	3,776,540	3,519,610	-	-
Investment in shares	-	-	205,160	205,160
Lease rental	73,505	116,464	-	-
Amount due from	1,019,603	-	-	-
Liabilities				
Term loans & bank overdraft	1,603,885	1,693,806	-	-
Amount due to	-	150	-	-
Investment in asset backed securities	1,052,000	-	-	-
Placement fees on asset backed securities	13,714	-	-	-
Investment in preference shares	307,519	517,708	-	-
Commercial papers	-	172,345	-	-
Building rent payable	9,316	-	-	-
Agency commission payable	3,394	2,211	-	-
Differd commission expenses payable	6,788	-	-	-

48.3.3 Net Accommodation as a % of Capital Funds

As at 31st March	2015	2014
People's Bank	0.35	0.61
People's Leasing Fleet Management Ltd.	0.20	0.70
People's Leasing Property Development Ltd.	6.67	2.97
People's Insurance Ltd.	0.04	0.39
People's Microfinance Ltd.	2.56	0.02
People's Leasing Havelock Properties Ltd.	0.14	0.02

48.3.4 Terms and Conditions

Outstanding balances with related parties are unsecured other than where there are leasing and similar arrangements and bear interest as applicable to relevant products.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

49.1 Financial Investments – Available for Sale

Available for sale financial assets valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

49.2 Financial Assets at Fair Value Through Profit or Loss - Held for Trading

Held For Trading financial assets valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

49.3 Derivatives - Assets & Liabilities

Derivative product is forward foreign exchange contracts valued using a valuation technique with market-observable inputs. The most frequently applied valuation techniques include forward foreign exchange spot & forward premiums.

49.4 Financial Assets and Liabilities Carried at Amortised Cost

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

49.5 Valuation Model

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

49.5.1 Valuation Framework

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

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

49.6 Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

49.6 Determination of Fair Value and Fair Value Hierarchy (Contd.)

The following table shows an analysis of financial instruments recorded/disclosed at fair value by level of the fair value hierarchy:

As at 31st March 2015 Company	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets					
Financial investments - Available for sale					
Quoted investment	31.03.2015	416,433	-	-	416,433
Unit trust	31.03.2015	-	522,766	-	522,766
		416,433	522,766	-	939,199
Financial assets at fair value through profit or loss - Held for trading					
Quoted investment	31.03.2015	196,193	-	-	196,193
		196,193	-	-	196,193
		612,626	522,766	-	1,135,392
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	Note 27.4	-	-	764,816	764,816
		-	-	764,816	764,816
Financial Liabilities					
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2015	-	92,193	-	92,193
		-	92,193	-	92,193
As at 31st March 2014					
Company	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets					
Financial investments - Available for sale					
Quoted investment	31.03.2014	224,068	-	-	224,068
		224,068	-	-	224,068
Financial assets at fair value through profit or loss - Held for trading					
Quoted investment	31.03.2014	184,243	-	-	184,243
		184,243	-	-	184,243
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2014	-	245	-	245
		-	245	-	245
Investment property					
Land and building	31.12.2013	-	-	55,000	55,000
		-	-	55,000	55,000
		408,311	245	55,000	463,556
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	31.12.2013	-	-	468,348	468,348
		-	-	468,348	468,348

There were no material transfers between level 1 and level 2 during the 2014 and 2015. Valuation was carried out by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement).

The following table shows an analysis of financial instruments recorded/disclosed at fair value by level of the fair value hierarchy:

As at 31st March 2015 Group	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets					
Financial investments – Available for sale					
Quoted investment	31.03.2015	416,433	-	-	416,433
Treasury bills	31.03.2015	1,049,675	-	-	1,049,675
Debentures	31.03.2015	-	-	-	-
Unit trust	31.03.2015	-	577,234	-	577,234
		1,466,108	577,234	-	2,043,342
Financial assets at fair value through profit or loss - Held for trading					
Quoted Investment	31.03.2015	503,268	-	-	503,268
		503,268	-	-	503,268
		1,969,376	577,234	-	2,546,610
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	Note 27.4	-	-	3,269,816	3,269,816
		-	-	3,269,816	3,269,816
Financial liabilities					
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2015	-	92,193	-	92,193
		-	92,193	-	92,193
As at 31st March 2014 Group					
Financial assets					
Financial investments – Available for sale					
Quoted investment	31.03.2014	224,068	-	-	224,068
Treasury bills	31.03.2014	1,041,236	-	-	1,041,236
Unit trust	31.03.2014	-	51,515	-	51,515
		1,265,304	51,515	-	1,316,819
Financial assets at fair value through profit or loss - Held for trading					
Quoted investment	31.03.2014	378,312	-	-	378,312
		378,312	-	-	378,312
Derivative financial instruments					
Forward foreign exchange contracts	31.03.2014	-	245	-	245
		-	245	-	245
		1,643,616	51,760	-	1,695,376
Non financial assets disclosed at fair value					
Freehold land & buildings (included under property, plant & equipment).	31.12.2013	-	-	2,646,848	2,646,848
		-	-	2,646,848	2,646,848

There were no material transfers between level 1 and level 2 during the 2014 and 2015. Valuation was carried out by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 (Fair Value Measurement).

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

49.6 Determination of Fair Value and Fair Value Hierarchy (Contd.)

The following table show total gain and losses recognised in profit or loss during the period relating to assets and liabilities held at the respective period ended.

Net Trading Income

For the Year ended 31st March	Company		Group	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets				
Financial assets held for trading				
Quoted equity investments	57,985	7,580	120,741	29,790
Total	57,985	7,580	120,741	29,790

Level 3: Fair Value Measurement

Reconciliation

The following note shows a reconciliation from the beginning balances to the ending balances of fair value measurements in level 3 of the fair value hierarchy.

	Company		Group	
	Investment	Freehold	Investment	Freehold
	property	Land	property	Land
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2013	56,000	145,204	-	1,663,839
Additions	-	93,897	-	269,905
Disposals / transfers	-	-	-	-
Total gains / (losses) recognised in profit or loss;				
Fair value recognised during the year	(1,000)	-	-	-
Depreciation of buildings	-	(335)	-	(24,110)
Balance as at 31st March 2014	55,000	238,766	-	1,909,634
Balance as at 1st April 2014	55,000	238,766	-	1,909,634
Additions	-	304,591	-	719,389
Disposals / transfers	(52,000)	52,000	-	(2,084)
Total gains / (losses) recognised in profit or loss;				
Fair value recognised during the year	(3,000)	-	-	(4,000)
Depreciation of buildings	-	(406)	-	(21,887)
Balance as at 31st March 2015	-	594,951	-	2,601,052

Unobservable Inputs Used in Measuring Fair Value

The table below sets out information about significant unobservable inputs used at 31st March 2014 and 31st March 2015 in measuring non financial instruments categorised as level 3 in the fair value hierarchy.

Type of instrument	Date of Valuation	Fair value Rs. '000	Valuation Technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Company						
Investment property						
Freehold land	31.03.2014	31,400	MCM	Estimated price per perch	Rs. 800,000	*
Freehold buildings	31.03.2014	23,600	MCM	Estimated price per sq.ft	Rs. 2,500	*
			Investment basis	Estimated rental value per sq.ft.	Rs. 15	*
Property, plant & equipment						
Freehold land	31.03.2015	709,524	MCM	Estimated price per perch	Rs. 30,000 - 3,600,000	*
Freehold buildings	31.03.2015	55,292	MCM	Estimated price per sq.ft	Rs. 500 - 4,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 60	*
Group						
Property, plant & equipment						
Freehold land	31.03.2015	2,071,024	MCM	Estimated price per perch	Rs. 30,000 - 6,500,000	*
Freehold buildings	31.03.2015	1,198,792	MCM	Estimated price per sq.ft	Rs. 500 - 10,000	*
			Income basis	Estimated rental value per sq.ft.	Rs. 15 - 250	*

MCM - Market Comparable Method

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

49.7 Fair value of Assets and Liabilities not Carried at Fair Value

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

As at 31st March

		2015		2014	
	Fair value hierarchy	Carrying amount Rs. '000	Amount Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Company					
Financial assets					
Cash and cash equivalents		3,139,139	3,139,139	11,452,997	11,452,997
Balances with banks & financial institutions		326,321	326,321	3,329,562	3,329,562
Loans and receivables	Level 2	98,411,195	101,467,430	90,218,355	89,425,041
Financial investments - Held-to-maturity	Level 1	5,266,407	5,245,310	4,746,558	4,745,969
Other financial assets	Level 2	253,723	253,723	126,346	126,346
Total		107,396,785	110,431,923	109,873,818	109,079,915
Financial liabilities					
Due to banks	Level 2	21,228,600	21,188,757	14,131,807	14,352,147
Due to customers	Level 2	34,022,572	34,073,257	40,921,485	40,044,928
Debt securities issued	Level 2	28,690,194	31,366,748	34,473,380	36,036,291
Other financial liabilities	Level 2	3,234,445	3,234,445	1,857,324	1,857,324
Total		87,175,811	89,863,207	91,383,996	92,290,690
Group					
Financial assets					
Cash and cash equivalents		3,413,951	3,413,951	11,695,561	11,695,561
Balances with banks & financial institutions		1,830,668	1,830,668	4,725,904	4,725,904
Loans and receivables	Level 2	97,996,856	100,141,520	90,341,901	89,540,863
Financial investments - Held-to-maturity	Level 1	5,266,407	5,245,310	4,746,558	4,745,969
Total		108,507,882	110,631,449	111,509,924	110,708,297
Financial liabilities					
Due to banks	Level 2	22,391,144	22,268,652	15,776,883	14,840,065
Due to customers	Level 2	33,930,221	33,981,304	40,839,278	39,962,998
Debt securities issued	Level 2	28,586,186	31,242,545	34,369,214	35,930,155
Other financial liabilities	Level 2	3,165,912	3,165,912	1,728,158	1,728,158
Total		88,073,463	90,658,413	92,713,533	92,461,376

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

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

Fair Value of Financial Assets and Liabilities Not Carried at Fair Value (Contd.)

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

Balances with Bank and Financial Institution

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

Loan and Advances

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

Due to Customers

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

Due to Banks and Debt Securities Issued

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

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

50 CURRENT/NON CURRENT ANALYSIS

As at 31st March Company	2015			2014		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	3,139,139	-	3,139,139	11,452,997	-	11,452,997
Balances with banks & financial institutions	326,321	-	326,321	3,329,562	-	3,329,562
Derivative financial instruments	-	-	-	245	-	245
Financial assets held-for-trading	196,193	-	196,193	184,243	-	184,243
Loans and receivables	41,767,650	56,643,545	98,411,195	37,909,472	52,308,883	90,218,355
Financial investments – Available-for-sale	939,199	-	939,199	224,068	-	224,068
Financial investments – Held-to-maturity	5,242,151	24,256	5,266,407	4,721,558	25,000	4,746,558
Investments in subsidiaries	-	1,875,000	1,875,000	-	1,475,000	1,475,000
Investments in associates	-	-	-	-	-	-
Goodwill and intangible assets	-	337,647	337,647	-	347,927	347,927
Property, plant and equipment	-	1,108,681	1,108,681	-	801,135	801,135
Investment properties	-	-	-	-	55,000	55,000
Other assets	723,197	-	723,197	941,346	-	941,346
Total assets	52,333,850	59,989,129	112,322,979	58,763,491	55,012,945	113,776,436
Liabilities						
Due to banks	11,819,749	9,408,851	21,228,600	8,851,541	5,280,266	14,131,807
Due to customers	29,352,333	4,670,239	34,022,572	35,005,401	5,916,084	40,921,485
Debt securities issued	9,902,243	18,787,951	28,690,194	17,151,230	17,322,150	34,473,380
Other financial liabilities	3,234,445	-	3,234,445	1,857,324	-	1,857,324
Derivative financial instruments	92,193	-	92,193	-	-	-
Current tax liabilities	550,042	-	550,042	446,832	-	446,832
Deferred tax liabilities	-	1,949,490	1,949,490	-	1,573,461	1,573,461
Other liabilities	1,419,655	-	1,419,655	1,176,211	-	1,176,211
Total liabilities	56,370,660	34,816,531	91,187,191	64,488,539	30,091,961	94,580,500
Net balance	(4,036,810)	25,172,598	21,135,788	(5,725,048)	24,920,984	19,195,936

As at 31st March	2015			2014		
	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	3,413,951	-	3,413,951	11,695,561	-	11,695,561
Balances with banks & financial institutions	1,830,668	-	1,830,668	4,725,904	-	4,725,904
Derivative financial instruments	-	-	-	245	-	245
Financial assets held-for-trading	503,268	-	503,268	378,312	-	378,312
Loans and receivables	40,939,597	57,057,259	97,996,856	37,961,386	52,380,515	90,341,901
Reinsurance and insurance receivables	187,300	-	187,300	-	137,576	137,576
Financial investments – Available-for-sale	2,043,342	-	2,043,342	1,316,819	-	1,316,819
Financial investments – Held-to-maturity	5,242,151	24,256	5,266,407	4,358,415	388,143	4,746,558
Investments in subsidiaries	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-
Goodwill and intangible assets	-	345,641	345,641	-	355,732	355,732
Property, plant and equipment	-	3,804,706	3,804,706	-	3,052,089	3,052,089
Investment properties	-	-	-	-	-	-
Other assets	1,768,840	-	1,768,840	1,666,080	-	1,666,080
Total Assets	55,929,117	61,231,862	117,160,979	62,102,722	56,314,055	118,416,777
Liabilities						
Due to banks	12,982,293	9,408,851	22,391,144	9,687,826	6,089,057	15,776,883
Due to customers	29,259,982	4,670,239	33,930,221	35,595,385	5,243,893	40,839,278
Debt securities issued	9,798,235	18,787,951	28,586,186	15,892,310	18,476,904	34,369,214
Other financial liabilities	3,165,912	-	3,165,912	1,728,158	-	1,728,158
Derivative financial instruments	92,193	-	92,193	-	-	-
Insurance and reinsurance payable	-	2,894,358	2,894,358	-	2,570,540	2,570,540
Current tax liabilities	618,198	-	618,198	540,841	-	540,841
Deferred tax liabilities	-	1,976,418	1,976,418	-	1,598,573	1,598,573
Other liabilities	1,453,490	-	1,453,490	1,225,480	-	1,225,480
Total liabilities	57,370,303	37,737,817	95,108,120	64,670,000	33,978,967	98,648,967
Net balance	(1,441,186)	23,494,045	22,052,859	(2,567,278)	22,335,088	19,767,810

51 FINANCIAL REPORTING BY SEGMENT

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.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

51 FINANCIAL REPORTING BY SEGMENT (CONTD.)

Islamic

This segment includes Ijarah, Murabba and Trading Murabba 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.

	Lease & HP		Loans		Islamic		Insurance		Other		Eliminations		GROUP	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Interest income	14,473,573	15,715,572	3,675,942	2,676,946	769,617	852,675	287,959	433,502	658,949	573,981	(270,948)	(199,229)	19,595,092	20,053,447
Net earned premiums	-	-	-	-	-	-	3,036,834	3,464,453	-	-	(86,932)	-	2,949,902	3,464,453
Fee and commission income	688,534	700,428	174,871	119,309	36,612	38,003	-	-	356,053	293,031	(679,479)	(757,755)	576,592	393,016
Net trading income	-	-	-	-	-	-	62,756	22,210	57,985	7,629	-	-	120,741	29,839
Other operating income	276,736	217,032	70,284	36,969	14,715	2,714	50,262	36,542	191,460	174,069	(266,913)	(230,857)	336,545	236,469
Gross income	15,438,843	16,633,032	3,921,098	2,833,224	820,944	893,392	3,437,811	3,956,707	1,264,447	1,048,710	(1,304,272)	(1,187,841)	23,578,871	24,177,224
Interest expenses	6,915,260	8,997,415	1,756,311	1,532,594	367,712	467,429	-	-	566,362	567,285	(255,373)	168,827	9,350,273	11,733,550
Total operating income	8,523,583	7,647,395	2,164,787	1,302,635	453,233	411,211	3,437,811	4,023,399	698,085	482,392	(1,048,899)	(1,085,703)	14,228,599	12,443,674
Credit loss expenses	1,421,121	1,105,180	257,016	104,821	(16,131)	19,855	-	-	12,722	-	-	-	1,674,728	1,229,856
Net operating income	7,102,462	6,542,215	1,907,771	1,197,814	469,364	391,356	3,437,811	4,023,399	685,363	482,392	(1,048,899)	(1,085,703)	12,553,871	11,213,818
Depreciation	167,922	164,965	46,781	28,100	15,171	5,429	11,150	10,698	15,459	10,406	42,437	40,815	298,920	260,413
Segment result	4,038,182	3,600,486	1,025,602	613,296	214,726	193,603	899,193	862,254	330,729	227,116	(248,891)	(263,321)	6,259,541	5,233,434
VAT on financial services	-	-	-	-	-	-	-	-	-	-	-	-	372,121	302,374
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	1,785,879	1,467,844
Profit attributable to equity holder	4,038,182	3,600,486	1,025,602	613,296	214,726	193,603	899,193	862,254	330,729	227,116	(248,891)	(263,321)	4,101,541	3,463,216
Segment Assets	80,447,797	91,308,017	22,411,687	15,553,147	7,267,978	5,313,931	4,801,344	4,107,577	7,406,134	5,759,637	(5,173,961)	(3,625,532)	117,160,979	118,416,777
Total assets	80,447,797	91,308,017	22,411,687	15,553,147	7,267,978	5,313,931	4,801,344	4,107,577	7,406,134	5,759,637	(5,173,961)	(3,625,532)	117,160,979	118,416,777
Segment Liabilities	64,773,227	75,194,398	18,044,960	12,808,399	5,851,874	4,782,206	3,406,392	2,952,585	5,963,109	4,743,203	(2,931,442)	(1,831,824)	95,108,120	98,648,967
Total liability	64,773,227	75,194,398	18,044,960	12,808,399	5,851,874	4,782,206	3,406,392	2,952,585	5,963,109	4,743,203	(2,931,442)	(1,831,824)	95,108,120	98,648,967

52 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements, other than those disclosed below.

Proposed Dividends

The Board of Directors of the Company has proposed a final dividend of Rs. 0.50 per share for the Ordinary Shareholders of the Company for the year ended 31st March 2015. This will be declared at the Annual General Meeting to be held on 27th June 2015, upon approval of the shareholders.

In accordance with Sri Lanka Accounting Standard - LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognised as a liability as at 31st March 2015. As required by section 56(2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the Company has satisfied the 'Solvency Test' in accordance with section 57 of the Companies Act No 7 of 2007, having obtained a certificate from the auditors, prior to recommending the final dividend for the year.

Super Gain Tax

As proposed in the interim budget presented to the parliament on 29th January 2015 one-off "Super Gain Tax" of 25% to be levied on any company which posted a profit exceeding Rs. 2,000 million for the year of assessment 2013/14. Having recorded a post-tax profit of Rs. 3,123.7 million for the financial year 2013/14 People's Leasing & Finance PLC is subject to this proposal. However, the impact cannot be assessed at this point as the details of the computation is not yet known.

53 ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

Nature of Assets	Nature of Liabilities	Carrying Amount Pledged				Included under
		Company		Group		
		31st March 2015 Rs. '000	31st March 2014 Rs. '000	31st March 2015 Rs. '000	31st March 2014 Rs. '000	
Rentals receivable on lease	Securitisation	19,871,975	28,921,386	19,871,975	28,921,386	Loans and receivable
	Term loan/Debentures	17,179,674	14,291,717	17,179,674	14,291,717	Loans and receivable
	Overdrafts	-	26,907	-	26,907	Financial Liabilities
Rentals receivable on hire-purchase	Securitisation	9,841,241	15,073,972	9,841,241	15,073,972	Loans and receivable
	Term loan/Debentures	7,606,080	8,322,528	7,606,080	8,322,528	Loans and receivable
	Overdrafts	-	82,468	-	82,468	Financial Liabilities
Fixed deposit	Overdrafts	-	-	10,000	10,000	Financial Liabilities
Freehold land and building	Term loan	-	-	2,078,485	1,687,372	Property, Plant & Equipments
Fixed deposit	Obtain Money changing	-	-	-	-	Balance with banks and
	License from CBSL	-	-	-	-	Financial institutions

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

54 COMPARATIVE INFORMATION

Accounting Policy

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'. Comparative information is reclassified wherever necessary to comply with the current presentation.

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

	Company			Group		
	As disclosed	Current	Adjustment	As disclosed	Current	Adjustment
	previously	Presentation		previously	Presentation	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Statement of Financial Position						
Other financial liabilities	2,869,667	1,857,324	1,012,343	2,759,315	1,728,158	1,031,157
Other liabilities	163,868	1,176,211	(1,012,343)	194,323	1,225,480	(1,031,157)

Reclassification of other non financial liabilities are included in other financial liabilities.

55 RISK MANAGEMENT

55.1 Introduction

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

Risk Management Structure

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

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

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

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

Assets and Liability Committee (ALCO)

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

55.2 Credit Risk

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

Impairment Assessment

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

Individually Assessed Allowances

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

Collectively Assessed Allowances

Allowances are assessed collectively for losses on leases, hire purchase and loan and for held to maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Company generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Company would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Company may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are Evaluated Separately at each Reporting Date with each Portfolio

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, loan to collateral ratios) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by Management to ensure alignment with the Company's overall policy.

55.2.1 Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets

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

Definition of Past Due

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.2.1 Maximum Exposure to Credit Risk (Contd.)

Company

	Neither past due nor impaired				Un rated Rs. '000	Past due but not impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
	High grade Rs. '000	Standard grade Rs. '000	Sub- standard grade Rs. '000					
As at 31st March 2015								
Cash and cash equivalents (excluding cash in hand)	2,826,122	5,475	-	-	-	-	-	2,831,597
Balances with banks & financial institutions	326,002	-	-	-	-	-	-	326,002
Financial assets held for trading	169,928	2,030	-	24,236	-	-	-	196,194
Loans and receivables	3,900,362	43,738,639	126,312	4,438,562	47,896,809	435,323	-	100,536,007
Financial investments - Available for sale	522,766	416,423	-	10	-	-	-	939,199
Financial investments - Held-to-maturity	5,266,407	-	-	-	-	-	-	5,266,407
Other financial assets	-	-	-	253,723	-	-	-	253,723
Total	13,011,587	44,162,567	126,312	4,716,531	47,896,809	435,323	-	110,349,129

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

	Past due but not impaired				Total Rs. '000
	< 3 Rs. '000	3.1 to 6.0 Rs. '000	6.1 to 12.0 Rs. '000	> 12 Rs. '000	
As at 31st March 2015					
Loans and receivables	43,288,441	2,173,662	972,066	1,462,640	47,896,809

Company

	Neither past due nor impaired				Un rated Rs. '000	Past due but not impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
	High grade Rs. '000	Standard grade Rs. '000	Sub- standard grade Rs. '000					
As at 31st March 2014								
Cash and cash equivalents (excluding cash in hand)	11,194,980	4,945	-	-	-	-	-	11,199,925
Balances with banks & financial institutions	3,329,562	-	-	-	-	-	-	3,329,562
Financial assets held for trading	173,707	1,700	-	8,836	-	-	-	184,234
Loans and receivables	6,578,479	30,828,965	106,356	2,223,581	51,455,467	373,363	-	91,566,211
Financial investments - Available for sale	-	224,058	-	10	-	-	-	224,068
Financial investments - Held-to-maturity	4,746,558	-	-	-	-	-	-	4,746,558
Other financial assets	-	-	-	126,346	-	-	-	126,346
Total	26,023,286	31,059,668	106,356	2,358,773	51,455,467	373,363	-	111,376,904

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

As at 31st March 2014	Past due but not impaired				Total
	< 3 Rs. '000	3.1 to 6.0 Rs. '000	6.1 to 12.0 Rs. '000	> 12 Rs. '000	Rs. '000
Loans and receivables	47,033,255	2,637,728	967,237	817,247	51,455,467

Group

As at 31st March 2015	Neither past due nor impaired				Past due but not impaired		Total
	High grade Rs. '000	Standard grade Rs. '000	Sub-standard grade Rs. '000	Un rated Rs. '000	Impaired Rs. '000	Individually impaired Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	3,085,763	5,475	-	-	-	-	3,091,238
Balances with banks & financial institutions	1,830,668	-	-	-	-	-	1,830,668
Financial assets held for trading	424,393	2,030	-	76,845	-	-	503,268
Loans and receivables	4,538,736	43,738,639	126,312	3,887,872	47,439,769	435,323	100,166,651
Financial investments - Available for sale	1,626,909	416,423	-	10	-	-	2,043,342
Financial investments - Held-to-maturity	5,266,407	-	-	-	-	-	5,266,407
Total	16,772,876	44,162,567	126,312	3,964,727	47,439,769	435,323	112,901,574

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

As at 31st March 2015	Past due but not impaired				Total
	< 3 Rs. '000	3.1 to 6.0 Rs. '000	6.1 to 12.0 Rs. '000	> 12 Rs. '000	Rs. '000
Loans and receivables	42,162,386	2,492,016	1,062,399	1,722,968	47,439,769

Group

As at 31st March 2014	Neither past due nor impaired				Past due but not impaired		Total
	High grade Rs. '000	Standard grade Rs. '000	Sub-standard grade Rs. '000	Un rated Rs. '000	Impaired Rs. '000	Individually impaired Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	11,422,694	4,945	-	-	-	-	11,427,639
Balances with banks & financial institutions	4,725,904	-	-	-	-	-	4,725,904
Financial assets held for trading	366,068	1,700	-	10,544	-	-	378,312
Loans and receivables	6,920,787	30,828,965	106,356	1,458,038	52,017,380	373,363	91,704,889
Financial investments - Available for sale	1,092,741	224,068	-	10	-	-	1,316,819
Financial investments - Held-to-maturity	4,746,558	-	-	-	-	-	4,746,558
Total	29,274,752	31,059,678	106,356	1,468,592	52,017,380	373,363	114,300,121

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.2.1 Maximum Exposure to Credit Risk

Credit Quality by Class of Financial Assets (Contd.)

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by Class of Financial Assets

As at 31st March 2014	Past due but not impaired				Total Rs. '000
	< 3 Rs. '000	3.1 to 6.0 Rs. '000	6.1 to 12.0 Rs. '000	> 12 Rs. '000	
Loans and receivables	47,118,577	2,841,202	1,230,637	826,964	52,017,380

Credit Risk Exposure for each Internal Credit Risk Rating

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of qualitative as well as quantitative variables for the measurement of counterparty risk. All internal risk ratings are tailored to various categories and are derived in accordance with the Company's rating policy. The risk ratings of the business borrowers are updated at least annually or earlier if required. The table below shows the Company's internal credit rating of the loans to & receivables from banks and loans to & receivables from other customers.

Company's Internal Credit Rating	Company rating	Fitch / Ram Rating	2015 Rs. '000	2014 Rs. '000
High Grade				
Risk rating class 1	High	AAA to AA+	8,852,571	19,412,922
Risk rating class 2	High	AA to AA-	1,267,552	2,633,332
Risk rating class 3	High	A+ to BBB+	2,891,464	3,977,032
Standard Grade				
Risk rating class 4	Standard	BBB to BBB-	37,563,804	25,627,944
Risk rating class 5	Standard	BB+ to BB	5,903,344	4,785,516
Risk rating class 6	Standard	BB- to B+	695,419	646,208
Sub Standard Grade				
Risk rating class 7	Sub Standard	B to B-	103,416	96,643
Risk rating class 8	Sub Standard	CCC to CC	21,646	7,658
Risk rating class 9	Sub Standard		1,250	2,055
Unrated			4,716,531	2,358,773
Total			62,016,997	59,548,083

55.2.2 Industry Analysis

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

Company	Financial Services		Agri-culture		Manu-facturing		Tourism		Transport		Con-struction		Traders		Services		Industry		Others		Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31st March 2015	3,139,139	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,139,139
Cash and cash equivalents	326,321	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	326,321
Balances with Banks & financial institutions	141,763	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141,763
Financial assets held for trading	1,803,879	2,275,233	10,750	28,164	369,594	15,033,463	4,907,300	19,641,605	44,344,151	1,200,033	10,949,999	100,536,007	-	-	-	-	-	-	-	-	-	196,193
Loans and receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,124,812)
Net loans and receivables	939,189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	939,189
Financial investments - Available for sale	5,266,407	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,266,407
Financial investments - Held-to-maturity	253,723	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	253,723
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st March 2014	11,452,997	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,452,997
Cash and cash equivalents	3,329,562	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,329,562
Balances with Banks & financial institutions	245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	245
Derivative financial instrument	132,309	-	-	23,490	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	184,243
Financial investments - held for trading	686,108	2,622,106	12,896	363,026	16,493,992	4,359,061	22,668,018	40,171,149	1,223,462	2,966,393	91,566,211	-	-	-	-	-	-	-	-	-	-	126,346
Loans and receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,347,856)
Net loans and receivables	224,058	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,218,355
Financial investments - Available for sale	4,746,558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224,068
Financial investments - Held-to-maturity	126,346	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,746,558
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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55 RISK MANAGEMENT (CONTD.)
Industry Analysis

Group	Financial Services		Agri-culture		Manu-facturing		Tourism		Transport		Con-struction		Traders		Services		Industry		Others		Total	
	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000	Rs. '000	'000
As at 31st March 2015																						
Cash and cash equivalents	3,413,951																					3,413,951
Balances with Banks & financial institutions	1,830,668																					1,830,668
Financial assets held for trading	358,764				52,214										73,275					19,015		503,268
Loans and receivable	2,416,982		2,397,189		27,640		371,844		15,035,443		4,586,034		19,857,938		42,705,660		1,281,102		11,486,819		100,166,651	
-Impairment charges																						(2,169,795)
Net loans and receivables																						97,996,856
Reinsurance and insurance receivable																			187,300			187,300
Financial investments - Available for sale	2,043,332														10							2,043,342
Financial investments - Held-to-maturity	5,266,407																					5,266,407
As at 31st March 2014																						
Cash and cash equivalents	11,695,561																					11,695,561
Balances with Banks & financial institutions	4,725,904																					4,725,904
Derivative financial instrument	279,779				43,790																	245
Financial assets held for trading	424,893		2,756,324		20,785		364,611		16,496,342		3,788,757		22,881,511		40,157,334		1,312,877		3,501,455		91,704,889	
Loans and receivable																						
-Impairment charges																						(1,362,988)
Net loans and receivables																						90,341,901
Reinsurance and insurance receivable																				137,576		137,576
Financial investments - Available for sale	1,316,809														10							1,316,819
Financial investments - Held-to-maturity	4,746,558																					4,746,558

55.2.3 Fair Value of Collateral and Credit Enhancements Held

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

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties

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

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

As at 31st March	2015		2014	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Cash and cash equivalents (excluding cash in hand)	2,831,597	2,831,597	11,199,925	11,199,925
Balances with banks & financial institutions	326,321	326,321	3,329,562	3,329,562
Derivative financial instruments	-	-	245	245
Financial assets held for trading	196,193	196,193	184,243	184,243
Loans and receivables	98,411,195	469,873	90,218,355	11,715,039
Financial investments - Available-for-sale	939,199	939,199	224,068	224,068
Financial investments-Held-to-maturity	5,266,407	5,266,407	4,746,558	4,746,558
Other financial assets	253,723	253,723	126,346	126,346
Total	108,224,635	10,283,313	110,029,302	31,525,986

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.2.3 Fair Value of Collateral and Credit Enhancements Held (Contd.)

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

As at 31st March	2015		2014	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Cash and cash equivalents (excluding cash in hand)	3,091,238	3,091,238	3,091,238	3,091,238
Balances with banks & financial institutions	1,830,668	1,830,668	4,725,904	4,725,904
Derivative financial instruments	-	-	245	245
Financial assets held for trading	503,268	503,268	378,312	378,312
Loans and receivables	97,996,856	1,107,600	90,341,901	12,162,491
Financial investments-Available-for-Sale	2,043,342	2,043,342	1,316,819	1,316,819
Financial investments-Held-to-maturity	5,266,407	5,266,407	4,746,558	4,746,558
Total	110,731,779	13,842,523	104,600,977	26,421,567

55.2.4 Offsetting Financial Assets & Liabilities

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

55.2.5 Financial Assets & Liabilities not subject to Offsetting

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

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

Company

As at 31st March	2015			2014		
	Gross Amount Rs. '000	do Not Qualify for offsetting Rs. '000	Net Amount Rs. '000	Gross Amount Rs. '000	do Not Qualify for offsetting Rs. '000	Net Amount Rs. '000
Financial assets						
Loans and receivables	2,048,599	964,016	1,084,583	2,177,500	888,431	1,289,069

Group As at 31st March	2015			2014		
	Gross Amount Rs. '000	do Not Qualify for offsetting Rs. '000	Net Amount Rs. '000	Gross Amount Rs. '000	do Not Qualify for offsetting Rs. '000	Net Amount Rs. '000
Financial assets						
Loans and receivables	2,048,599	964,016	1,084,583	2,177,500	888,431	1,289,069

55.3 Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

A minimum holiday of liquid assets in compliance with Finance companies (Liquid Assets) direction No: 4 of 2013 which shall not as the close of the business on any day, be less than the total of;

- 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- 5% of the total outstanding borrowing and any payable.

Further the Company maintaining assets in the form of Sri Lankan government Treasury Bills & government securities equivalent to 7.5% of the average of its month end total deposit liabilities and unsecured borrowings of the 12 months preceding financial year.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, balances with banks and financial institutions and investment in government securities.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

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

Liquidity Ratios As at 31st March	Company		Group	
	2015	2014	2015	2014
Advances to deposit ratios (times)	2.89	2.20	2.89	2.21
Liquidity assets to deposit (%)	24%	36%	28%	40%

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55 RISK MANAGEMENT (CONTD.)

55.3.1 Analysis of Financial Assets and Liabilities by remaining Contractual Maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March 2015.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company's deposit retention history.

55.3.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities

Company

	On demand	Less than 3 months	3 to12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets							
Cash and cash equivalents	3,139,139	-	-	-	-	-	3,139,139
Balances with banks & financial institutions	-	-	326,321	-	-	-	326,321
Financial investments - held for trading	-	-	196,193	-	-	-	196,193
Loans and receivables	5,075,165	15,778,953	33,498,382	54,081,842	13,587,529	24,114	122,045,985
Financial investments - Available for sale	-	939,199	-	-	-	-	939,199
Financial investments - held to maturity	-	3,399,651	1,864,124	4,250	27,444	-	5,295,469
Other financial assets	-	253,723	-	-	-	-	253,723
Total undiscounted financial assets	8,214,304	20,371,526	35,885,020	54,086,092	13,614,973	24,114	132,196,029
Financial liabilities							
Due to banks	75,887	6,628,324	6,166,675	7,936,419	2,539,807	-	23,347,112
Due to customers	5,996,583	6,629,508	17,605,299	3,895,060	1,023,430	27,007	35,176,887
Debt securities issued	70,312	3,023,473	7,782,801	15,823,955	8,673,183	-	35,373,724
Other financial liabilities	129,906	3,104,723	-	-	-	-	3,234,629
Derivative financial instrument	-	20,327	71,866	-	-	-	92,193
Total undiscounted financial liabilities	6,272,688	19,406,355	31,626,641	27,655,434	12,236,420	27,007	97,224,545
Net undiscounted financial assets/(liabilities)	1,941,616	965,171	4,258,379	26,430,658	1,378,553	(2,893)	34,971,484

Company

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Cash and cash equivalents	11,452,997	-	-	-	-	-	11,452,997
Balances with banks & financial institutions	3,329,562	3,260,713	68,849	-	-	-	6,659,124
Derivative financial instrument	-	-	245	-	-	-	245
Financial investments - held for trading	184,243	-	-	-	-	-	184,243
Loans and receivables	5,348,069	11,250,274	35,408,813	54,583,684	11,027,324	56,391	117,674,555
Financial investments - Available for sale	224,068	-	-	-	-	-	224,068
Financial investments - held to maturity	-	648,284	4,519,446	-	-	35,961	5,203,691
Other financial assets	-	126,346	-	-	-	-	126,346
Total undiscounted financial assets	20,538,939	15,285,617	39,997,353	54,583,684	11,027,324	92,352	141,525,269
Financial Liabilities							
Due to banks	292,314	5,027,534	3,873,287	3,433,184	2,228,039	10,665	14,865,023
Due to customers	2,053,004	8,645,594	24,526,430	3,451,528	2,254,659	37,907	40,969,122
Debt securities issued	2,170,646	4,993,764	13,114,371	18,746,906	5,877,120	-	44,902,807
Other financial liabilities	-	2,869,668	-	-	-	-	2,869,668
Total undiscounted financial liabilities	4,515,964	21,536,560	41,514,088	25,631,618	10,359,818	48,572	103,606,620
Net undiscounted financial assets/(liabilities)	16,022,975	(6,250,943)	(1,516,735)	28,952,066	667,506	43,780	37,918,649

Group

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Cash and cash equivalents	3,413,950	-	-	-	-	-	3,413,950
Balances with banks & financial institutions	4,939	623,121	1,325,779	-	-	-	1,953,839
Financial investments - held for trading	307,074	12,522	196,193	-	-	-	515,789
Loans and receivables	5,081,702	16,914,178	34,098,375	55,127,011	13,730,842	24,114	124,976,222
Reinsurance and insurance receivable	115,394	69,222	10,039	-	-	-	194,655
Financial investments - Available for sale	1,104,143	939,199	-	-	-	-	2,043,342
Financial investments - held to maturity	-	3,399,651	1,864,125	4,250	27,444	-	5,295,470
Total undiscounted financial assets	10,027,202	21,957,893	37,494,511	55,131,261	13,758,286	24,114	138,393,267
Financial Liabilities							
Due to banks	92,112	6,676,945	6,327,651	8,377,543	2,757,985	203,826	24,436,062
Due to customers	5,996,583	6,673,192	17,660,716	3,895,060	1,023,430	27,007	35,275,988
Debt Securities issued	70,312	3,023,473	7,782,801	15,823,955	8,673,183	-	35,373,724
Other financial liabilities	129,906	3,237,430	373,544	-	-	-	3,740,880
Derivative financial instrument	-	20,327	71,866	-	-	-	92,193
Total undiscounted financial liabilities	6,288,913	19,631,367	32,216,578	28,096,558	12,454,598	230,833	98,918,847
Net undiscounted financial assets/(liabilities)	3,738,289	2,326,526	5,277,933	27,034,703	1,303,688	(206,719)	39,474,420

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55 RISK MANAGEMENT (CONTD.)

55.3.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities (Contd.)

Group

	On demand	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets							
Cash and cash equivalents	11,695,561	-	-	-	-	-	11,695,561
Balances with banks & financial institutions	32,026	3,612,849	999,598	158,890	-	-	4,803,363
Derivative financial instrument	-	-	245	-	-	-	245
Financial investments - held for trading	378,312	-	-	-	-	-	378,312
Loans and receivables	5,348,069	11,519,631	36,535,819	56,648,390	11,444,448	56,391	121,552,748
Reinsurance and insurance receivable	-	368,073	112,558	-	-	-	480,631
Financial investments - Available for sale	275,582	189,524	890,891	-	-	-	1,355,997
Financial investments - held to maturity	-	648,284	4,519,446	-	-	35,961	5,203,691
Total undiscounted financial assets	17,729,550	16,338,361	43,058,557	56,807,280	11,444,448	92,352	145,470,548
Financial liabilities							
Due to banks	381,248	5,027,534	3,885,037	3,348,737	2,173,236	10,665	14,826,457
Due to customers	2,053,004	8,645,594	24,526,430	3,451,528	2,254,659	37,907	40,969,122
Debt Securities issued	2,170,646	4,993,764	13,114,371	18,746,906	5,877,120	-	44,902,807
Other financial liabilities	310,484	2,936,556	159,206	426,144	-	-	3,832,390
Total undiscounted financial liabilities	4,915,382	21,603,448	41,685,044	25,973,315	10,305,015	48,572	104,530,776
Net undiscounted financial assets/(liabilities)	12,814,168	(5,265,087)	1,373,513	30,833,965	1,139,433	43,780	40,939,772

55.3.3 Commitments and Guarantees

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Company

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Guarantees	-	-	6,375	327,000	-	333,375
Letter of credits	-	13,859	-	-	-	13,859
Accidents of leased out vehicles	-	77,030	2,222	-	-	79,252
Capital commitment	-	573,957	-	-	-	573,957
Forward exchange contracts	-	729,050	2,670,570	-	-	3,399,620
Total commitments and guarantees	-	1,393,896	2,679,167	327,000	-	4,400,063

Company

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Guarantees	-	1,400	7,850	225,000	-	234,250
Letter of credits	-	3,776	27,103	-	-	30,879
Accidents of leased out vehicles	-	-	-	84,957	-	84,957
Capital commitment	-	39,663	-	37,950	-	77,613
Forward exchange contracts	-	66,225	1,885,327	-	-	1,951,552
Total commitments and guarantees	-	111,064	1,920,280	347,907	-	2,379,251

Group

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2015	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Guarantees	-	-	6,375	327,000	-	333,375
Letter of credits	-	13,859	-	-	-	13,859
Accidents of leased out vehicles	-	77,030	2,222	-	-	79,252
Capital commitment	-	799,726	545,987	136,390	-	1,482,103
Forward exchange contracts	-	729,050	2,670,570	-	-	3,399,620
Total commitments and guarantees	-	1,619,665	3,225,154	463,390	-	5,308,209

Group

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31st March 2014	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Guarantees	-	1,400	7,850	225,000	-	234,250
Letter of credits	-	3,776	27,103	-	-	30,879
Accidents of leased out vehicles	-	-	-	84,957	-	84,957
Capital commitment	-	27,544	276,831	279,235	-	583,610
Forward exchange contracts	-	66,225	1,885,327	-	-	1,951,552
Total commitments and guarantees	-	98,845	2,197,111	589,192	-	2,885,248

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

55.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

55.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

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55 RISK MANAGEMENT (CONTD.)

55.4.1 Interest Rate Risk (Contd.)

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31st March 2015 and 31st March 2014 to a reasonable possible change in interest rates, with all other variable constant.

As at 31st March	2015 Rs. '000	2014 Rs. '000
Rate sensitive assets and rate sensitive liabilities		
Assets	-	-
Liabilities	4,269,800	7,599,518
Gap	4,269,800	7,599,518
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	(27,622)	(10,735)
1%	(55,245)	(21,469)
-0.50%	27,622	10,735
-1%	55,245	21,469

Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the Company's/Group's interest rate risk exposure on non-trading financial assets and liabilities. The Company's/Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Company

As at 31st March 2015

	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non- interest bearing Rs. '000
Financial assets								
Cash and cash equivalents	3,139,139	1,608,895	-	-	-	-	-	1,530,244
Balances with banks & financial institutions	326,321	-	-	326,321	-	-	-	-
Financial assets - held for trading	196,193	-	-	-	-	-	-	196,193
Loans and receivable	100,536,007	5,310,253	12,211,991	25,147,218	44,878,083	12,952,905	35,557	-
-Impairment charges	(2,124,812)	-	-	-	-	-	-	-
Net loans and receivables	98,411,195	-	-	-	-	-	-	-
Financial investments - Available for sale	939,199	-	-	-	-	-	-	939,199
Financial investments - Held-to-maturity	5,266,407	-	3,398,589	1,843,562	-	24,256	-	-
Other financial assets	253,723	-	-	-	-	-	-	253,723
Total	108,532,177	6,919,148	15,610,580	27,317,101	44,878,083	12,977,161	35,557	2,919,359
Financial liabilities								
Due to banks	21,228,600	127,797	6,226,515	5,465,437	6,985,284	2,423,567	-	-
Due to customers	34,022,572	5,996,583	6,266,128	17,089,622	3,662,920	980,312	27,007	-
Debt securities issued	28,690,194	426,566	2,703,055	6,772,622	11,987,758	6,800,193	-	-
Other financial liabilities	3,234,445	-	-	-	-	-	-	3,234,445
Derivative financial instrument	92,193	-	20,327	71,866	-	-	-	-
Total	87,268,004	6,550,946	15,216,025	29,399,547	22,635,962	10,204,072	27,007	3,234,445
Total interest sensitivity gap	21,264,173	368,202	394,555	(2,082,446)	22,242,121	2,773,089	8,550	(315,086)

	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non- interest bearing Rs. '000
Company - As at 31st March 2014								
Financial assets								
Cash and cash equivalents	11,452,997	9,612,329	-	-	-	-	-	1,840,668
Balances with banks & financial institutions	3,329,562	-	3,260,713	68,849	-	-	-	-
Derivative financial instrument	245	-	-	-	-	-	-	245
Loans and receivable	91,566,211	5,348,745	7,260,056	25,867,035	43,130,388	9,912,256	47,731	-
-Impairment charges	(1,347,856)	-	-	-	-	-	-	-
Net loans and receivables	90,218,355	-	-	-	-	-	-	-
Financial investments - Available-for-sale	224,068	-	-	-	-	-	-	224,068
Financial investments - Held-to-maturity	4,746,558	-	633,084	4,088,474	-	-	25,000	-
Other financial assets	126,346	-	-	-	-	-	-	126,346
Total	110,098,131	14,961,074	11,153,853	30,024,358	43,130,388	9,912,256	72,731	2,064,981
Financial liabilities								
Due to banks	14,131,807	463,724	4,905,771	3,635,748	4,969,871	146,299	10,394	-
Due to customers	40,921,485	2,223,794	8,518,380	24,263,226	4,732,608	1,145,571	37,906	-
Debt securities issued	34,473,380	2,379,542	4,168,316	10,603,373	11,322,149	6,000,000	-	-
Other financial liabilities	1,857,324	-	-	-	-	-	-	1,857,324
Total	91,383,996	5,067,060	17,592,467	38,502,347	21,024,628	7,291,870	48,300	1,857,324
Total interest sensitivity gap	18,714,135	9,894,014	(6,438,614)	(8,477,989)	22,105,760	2,620,386	24,431	207,657

Group - As at 31st March 2015

Financial assets								
Cash and cash equivalents	3,413,951	1,641,975	210,345	-	-	-	-	1,561,631
Balances with banks & financial institutions	1,830,668	4,904	620,391	1,192,315	-	-	-	13,058
Financial assets - held for trading	503,268	-	-	196,194	-	-	-	307,074
Loans and receivable	100,166,651	3,847,775	12,547,955	25,450,330	44,793,067	13,490,649	36,875	-
-Impairment charges	(2,169,795)	-	-	-	-	-	-	-
Net loans and receivables	97,996,856	-	-	-	-	-	-	-
Reinsurance and insurance receivable	187,300	-	-	-	-	-	-	187,300
Financial investments - Available for sale	2,043,342	1,049,675	-	-	-	-	-	993,667
Financial investments - Held-to-maturity	5,266,407	-	3,398,589	1,843,562	-	24,256	-	-
Total	111,241,792	6,544,329	16,777,280	28,682,401	44,793,067	13,514,905	36,875	3,062,730
Financial liabilities								
Due to banks	22,391,144	181,040	5,626,067	6,606,561	6,985,284	2,788,366	203,826	-
Due to customers	33,930,221	5,904,232	6,266,128	17,089,622	3,662,920	980,312	27,007	-
Debt securities issued	28,586,186	322,557	2,703,055	6,772,624	11,987,758	6,800,192	-	-
Other financial liabilities	3,165,912	-	-	-	-	-	-	3,165,912
Derivative financial instrument	92,193	-	20,327	71,866	-	-	-	-
Total	88,165,656	6,407,829	14,615,577	30,540,673	22,635,962	10,568,870	230,833	3,165,912
Total interest sensitivity gap	23,076,136	136,500	2,161,703	(1,858,272)	22,157,105	2,946,035	(193,958)	(103,182)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

55.4.1 Interest Rate Risk (Contd.)

Group

As at 31st March 2014

	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non- interest bearing Rs. '000
Financial assets								
Cash and cash equivalents	11,695,561	9,802,354	-	-	-	-	-	1,893,207
Balances with banks & financial institutions	4,725,904	4,595	3,612,730	964,269	144,310	-	-	-
Derivative financial instrument	245	-	-	-	-	-	-	245
Loans and receivable	91,704,889	5,348,745	7,546,611	26,455,563	42,531,597	9,774,642	47,731	-
-Impairment charges	(2,169,795)	-	-	-	-	-	-	-
Net loans and receivables	89,535,094	-	-	-	-	-	-	-
Reinsurance and insurance receivable	137,576	-	25,018	112,558	-	-	-	-
Financial investments- available for sale	1,316,819	51,515	532,010	509,225	-	-	-	224,069
Financial investments - Held-to-maturity	4,746,558	-	633,084	4,088,474	-	-	25,000	-
Total	112,157,757	15,207,209	12,349,453	32,130,089	42,675,907	9,774,642	72,731	2,117,521
Financial liabilities								
Due to banks	15,776,883	310,022	4,905,771	5,271,410	5,128,323	150,963	10,394	-
Due to customers	40,839,278	2,223,794	8,518,380	24,263,226	4,666,421	1,129,550	37,907	-
Debt securities issued	34,369,214	2,372,352	4,155,721	10,571,333	11,287,938	5,981,870	-	-
Other financial liabilities	1,728,158	-	-	-	-	-	-	1,728,158
Total	92,713,533	4,906,168	17,579,872	40,105,969	21,082,682	7,262,383	48,301	1,728,158
Total interest sensitivity gap	19,444,224	10,301,041	(5,230,419)	(7,975,880)	21,593,225	2,512,259	24,430	389,363

55.4.2 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The only currency risk faced by the Company is from the funds borrowed in USD. Hedging strategies are used for repayment of such borrowings. Therefore, currency risk to the Company is minimal.

The tables below indicate the currencies to which the Company had significant exposures as at 31st March 2014 and the effect to the Gains/Losses in case of a market exchange rates up/drop by 1%. No currency exposure is arised in the year ended 31st March 2015 since the Company has used hedging strategies to minimise such risk. The analysis calculates the effect of a reasonably possible movement of the currency rate against the LKR, with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non trading monetary assets and liabilities).

Impact on Statement of Profit or Loss due to Exchange Rate Shocks

	Change in currency rate in %	2015 Effect on profit before tax Rs. '000	2014 Effect on profit before tax Rs. '000
USD	1	-	25,894
USD	-1	-	(25,894)

55.4.3 Equity Price Risk

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

As at 31st March	2015			2014		
	Net asset value Rs. '000	Profit before tax Rs. '000	Other comprehensive income Rs. '000	Net asset value Rs. '000	Profit before tax Rs. '000	Other comprehensive income Rs. '000
1% Increase/Decrease in Equity Market Prices						
Financial investment - Held for trading	1,977	1,977	-	1,842	1,842	-
Financial investments - Available for sale	532,158	-	532,158	2,241	-	2,241

55.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

55.6 Insurance Risks

People's Insurance Limited (PIL) is a fully owned subsidiary of the Company whose principle line of business is carrying out general insurance business. The following are the risks and their management arising from PIL for its statutory year ended 31st March.

55.6.1 Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PIL is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the PIL maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PIL are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PIL has taken necessary action to comply with and complied with applicable regulations throughout the year.

54.6.2 Nature and Extent of Risks Arising from Insurance Contracts

Objectives, Policies and Processes for Managing Risks Arising from Insurance Contracts

PIL willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PIL's risk management framework focuses on strategic risk, assumed risks and the potential risks. PIL identifies and categorises risks in terms of their source, their impact on PIL and preferred strategies for dealing with them.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)

Method used to Manage Risks

Risk Appetite and Risk Tolerance

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

Identification of Shock Losses

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

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

As at 31st March

	2015			2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	liabilities	receivable	liabilities	liabilities	receivable	liabilities
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Motor	841,945	47,931	794,014	667,150	16,980	650,170
Marine	4,012	1,608	2,404	17,279	1,656	15,623
Fire	131,635	64,345	67,290	107,104	52,341	54,763
Miscellaneous	202,181	1,510	200,671	222,726	40,583	182,143
Total	1,179,773	115,394	1,064,379	1,014,259	111,560	902,699

Claims Development Table

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

Gross Non- Life Insurance Contract Outstanding Claims Provision for 2015 of PIL

Accident Period	Development Period																								Total
	2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
2015 Q1	109	-	(1,005)	(5)	940	526	1,426	3,737	253	3,185	1,718	1,172	3,187	3,022	3,554	5,745	5,910	5,600	(56,014)	73,463	480,434	-	-	-	-
2014 Q4	-	(25)	-	(502)	(600)	(139)	(1,443)	(568)	(1,870)	8,826	380	4,918	2,234	2,340	(2,411)	3,587	8,245	(56,768)	75,000	449,975	-	-	-	-	-
2014 Q3	-	-	66	(187)	(142)	211	559	(2,228)	367	531	(76)	3,846	(5,482)	2,790	4,423	6,351	(69,924)	97,355	535,592	-	-	-	-	-	-
2014 Q2	-	1,626	-	178	220	1,416	(272)	797	1,181	1,328	88	(655)	12,168	3,508	2,363	(64,359)	92,325	469,869	-	-	-	-	-	-	-
2014 Q1	-	4	250	55	977	(229)	574	2,444	3,800	(5,833)	1,865	9,695	6,761	12,800	(63,027)	60,828	438,801	-	-	-	-	-	-	-	-
2013 Q4	-	4	-	(100)	(2,280)	392	(6,664)	4,942	2,839	2,727	5,726	995	4,260	(62,136)	62,041	467,873	-	-	-	-	-	-	-	-	-
2013 Q3	-	(735)	518	(212)	(201)	525	9,604	(591)	1,372	(3,771)	4,072	10,576	(54,728)	98,546	493,283	-	-	-	-	-	-	-	-	-	-
2013 Q2	-	184	(50)	256	126	3,043	7,217	3,797	4,927	16,834	3,885	(32,213)	24,817	444,461	-	-	-	-	-	-	-	-	-	-	-
2013 Q1	-	(34)	2,550	767	5,921	3,532	6,739	14,195	9,242	17,305	(57,356)	(154,997)	563,678	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q4	(60)	67	1,023	940	(344)	61,976	(190)	5,720	(55,206)	(36,313)	(87,480)	664,924	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q3	50	(1,538)	(334)	(3,390)	(886)	(62,462)	(2,465)	(38,633)	11,266	(23,199)	673,686	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q2	-	1,659	(86)	5,476	1,480	2,945	361	(62,895)	74,405	428,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q1	(11)	177	(169)	420	2,851	(2,651)	(42,538)	79,027	392,184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q4	30	(273)	619	1,278	2,360	(45,833)	67,234	439,598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q3	141	273	(712)	6,604	(24,514)	(174,650)	335,263	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q2	(63)	(297)	(2,479)	(14,654)	33,484	585,381	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q1	50	445	(5,856)	17,655	178,613	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q4	92	(282)	(1,664)	111,155	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q3	94	(4,264)	72,186	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q2	(814)	33,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q1	3,762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	3,380	30,379	64,858	125,735	198,005	373,985	375,406	449,341	444,761	410,287	546,510	508,260	556,894	505,330	500,228	480,025	475,357	516,056	554,578	523,438	480,434	8,123,245	-	-	-

NOTES TO THE SPECIAL PURPOSE
FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)
55.6 Insurance Risks (Contd.)
Claims Development Table

Accident Period	Development Period																								Total
	2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
2015 Q1	(109)	(11)	(126)	(33)	(25)	(1,510)	(636)	(1,706)	(1,118)	(2,532)	(30,756)	(1,397)	(1,257)	(2,343)	(1,786)	(4,935)	(4,697)	(14,930)	(39,154)	(196,335)	(252,065)				
2014 Q4	-	(88)	-	(23)	(660)	-	(992)	(1,683)	(1,698)	(291)	(2,286)	(1,031)	(2,408)	(2,845)	(4,032)	(7,654)	(8,891)	(26,854)	(212,074)	(218,269)					
2014 Q3	-	(3)	(3)	(2)	(6,439)	(1,480)	(845)	(874)	(317)	(1,040)	(1,470)	(2,204)	(4,155)	(4,082)	(3,219)	(9,607)	(29,846)	(219,093)	(255,702)						
2014 Q2	-	(1,626)	-	(215)	(58)	(587)	(1,092)	(1,295)	(2,267)	(401)	(1,916)	(3,983)	(4,540)	(7,510)	(9,726)	(17,371)	(200,025)	(209,251)							
2014 Q1	-	(4)	(34)	(334)	(1,029)	(1,001)	(384)	(796)	(1,078)	(3,145)	(2,687)	(3,946)	(4,964)	(15,425)	(26,841)	(205,614)	(206,374)								
2013 Q4	-	(7)	(19)	(26)	(6,616)	(4,091)	(1,400)	(3,352)	(3,016)	(2,655)	(29,960)	(4,961)	(14,245)	(30,991)	(200,371)	(213,652)									
2013 Q3	-	(800)	-	(214)	(125)	(375)	(965)	(1,858)	(5,233)	(2,545)	(7,942)	(9,841)	(39,703)	(225,008)	(233,264)										
2013 Q2	-	(18)	(3)	(1,862)	(133)	(25,614)	(1,058)	(2,001)	(5,595)	(2,496)	(7,712)	(38,536)	(164,773)	(204,098)											
2013 Q1	-	(3)	(73)	(470)	(2,106)	(593)	(1,895)	(5,392)	(4,878)	(3,996)	(21,190)	(101,828)	(295,206)												
2012 Q4	-	(46)	(3)	(484)	(316)	(783)	(1,502)	(9,357)	(12,203)	(5,023)	(88,665)	(313,342)													
2012 Q3	-	(26)	(38)	(638)	(1,825)	(1,595)	(4,657)	(22,541)	(15,170)	(93,896)	(324,685)														
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(27,756)	616	(13,938)	(146,976)	(246,174)															
2012 Q1	-	(19)	(2)	(321)	(495)	(6,763)	(32,163)	(28,859)	(158,460)	(219,499)															
2011 Q4	-	(668)	(331)	2,694	5,097	(10,704)	(127,396)	(195,737)																	
2011 Q3	-	(141)	(297)	(502)	(10,432)	(11,150)	(95,481)	(181,098)																	
2011 Q2	-	(232)	(468)	(7,710)	(59,982)	(125,395)																			
2011 Q1	-	(215)	(1,538)	(3,469)	(48,920)	(81,575)																			
2010 Q4	-	(319)	(2,245)	(28,676)	(52,889)																				
2010 Q3	-	(29)	(11,230)	(25,985)																					
2010 Q2	-	(1,736)	(10,981)																						
2010 Q1	-	(812)																							
Cumulative payments to date	(3,380)	(29,825)	(60,070)	(125,110)	(185,764)	(329,127)	(352,163)	(418,989)	(418,998)	(364,193)	(519,270)	(481,069)	(531,250)	(492,303)	(479,240)	(458,833)	(449,834)	(470,127)	(506,930)	(414,604)	(252,065)	(7,343,146)			
Total gross claims outstanding	-	553	4,788	625	12,241	44,857	23,244	30,352	25,763	46,094	27,239	27,191	25,644	13,027	20,988	21,191	25,523	45,929	47,648	108,835	228,369	780,100			

Net Non-Life Insurance Contract Outstanding Claims Provision for 2015 of PIL

Accident Period	Development Period																								Total
	2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
2015 Q1	5	-	(1,005)	(5)	940	526	1,426	3,737	253	3,185	1,540	1,172	3,137	3,188	3,828	5,751	5,607	5,605	(60,775)	72,640	485,321	-	-	-	-
2014 Q4	-	(25)	-	(502)	(600)	(143)	(1,443)	(575)	(1,873)	8,815	380	4,822	2,234	2,327	(2,411)	3,580	8,247	(56,752)	74,306	447,176	-	-	-	-	-
2014 Q3	-	-	66	(187)	678	211	559	(2,228)	372	499	(16)	3,812	(5,482)	2,019	4,422	6,393	(69,970)	97,953	534,148	-	-	-	-	-	-
2014 Q2	-	1,626	-	178	220	1,416	(272)	806	1,227	1,347	15	(651)	12,168	3,455	2,361	(64,367)	92,272	458,732	-	-	-	-	-	-	-
2014 Q1	-	4	250	55	962	(229)	573	2,447	3,765	(5,822)	1,807	9,652	6,766	12,576	(61,949)	60,781	436,983	-	-	-	-	-	-	-	-
2013 Q4	-	4	-	(100)	(2,280)	396	(6,662)	4,969	2,889	2,491	6,211	1,419	4,067	(61,964)	64,719	467,171	-	-	-	-	-	-	-	-	-
2013 Q3	-	(735)	518	(207)	(2,760)	540	9,669	(493)	3,717	3,077	4,099	10,591	(46,314)	99,543	488,446	-	-	-	-	-	-	-	-	-	-
2013 Q2	-	184	(50)	257	143	3,087	7,217	3,800	4,927	9,848	10,051	(32,508)	24,534	439,971	-	-	-	-	-	-	-	-	-	-	-
2013 Q1	-	(34)	2,550	770	9,358	3,538	6,717	14,105	9,240	17,305	(60,184)	(151,658)	553,950	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q4	(60)	189	905	932	(412)	2,930	(139)	4,408	1,514	(34,491)	(86,842)	656,765	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q3	50	(1,662)	(217)	(3,361)	(810)	(1,900)	(4,028)	3,925	(46,215)	(23,560)	624,161	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q2	-	1,659	(82)	5,471	1,498	1,423	2,634	(63,125)	74,288	425,308	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Q1	(11)	177	(176)	425	5,180	4,725	(42,396)	70,572	385,496	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q4	30	1,033	(685)	1,298	3,321	(52,215)	65,544	392,485	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q3	141	411	(624)	6,821	(24,839)	27,765	333,024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q2	(63)	(388)	(844)	(14,715)	31,561	275,046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2011 Q1	51	(1,044)	(5,014)	18,213	172,394	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q4	(68)	(634)	(3,256)	109,385	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q3	94	(4,113)	71,742	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q2	-	(814)	33,034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010 Q1	3,762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims Incurred	3,117	29,686	64,079	124,728	194,554	267,117	372,423	434,832	439,599	408,003	501,221	503,416	555,058	501,114	499,416	479,310	473,140	505,538	547,679	519,816	485,321	485,321	72,640	74,306	447,176

NOTES TO THE SPECIAL PURPOSE
FINANCIAL STATEMENTS CONTD.

55 RISK MANAGEMENT (CONTD.)
55.6 Insurance Risks (Contd.)
Claims Development Table

Accident Period	Development Period																								Total	
	2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010		2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
2015 Q1	(5)	(11)	(126)	(33)	(25)	(1,510)	(636)	(1,706)	(1,118)	(2,532)	(9,756)	(1,397)	(1,257)	(2,340)	(1,628)	(4,935)	(4,697)	(6,413)	(39,054)	(194,376)	(257,638)	-	-	-	-	
2014 Q4	-	(88)	-	(23)	(660)	-	(992)	(1,683)	(1,698)	(291)	(2,286)	(930)	(2,408)	(2,852)	(4,032)	(7,654)	(8,887)	(26,802)	(211,387)	(217,320)	-	-	-	-	-	
2014 Q3	-	-	(3)	(2)	(4,659)	(1,480)	(845)	(874)	(317)	(1,040)	(1,470)	(2,204)	(4,155)	(4,082)	(3,218)	(9,605)	(29,774)	(218,718)	(255,358)	-	-	-	-	-	-	
2014 Q2	-	(1,626)	-	(215)	(58)	(587)	(1,092)	(1,295)	(2,267)	(390)	(1,819)	(3,852)	(4,540)	(7,114)	(9,712)	(17,300)	(199,169)	(208,415)	-	-	-	-	-	-	-	
2014 Q1	-	(4)	(34)	(334)	(1,014)	(1,001)	(384)	(793)	(1,044)	(2,923)	(2,685)	(3,946)	(4,919)	(15,095)	(27,795)	(205,402)	(206,128)	-	-	-	-	-	-	-	-	
2013 Q4	-	(7)	(19)	(26)	(6,616)	(4,091)	(1,400)	(3,352)	(3,016)	(2,644)	(8,637)	(4,961)	(13,997)	(30,727)	(199,444)	(213,482)	-	-	-	-	-	-	-	-	-	
2013 Q3	-	(800)	-	(214)	(125)	(375)	(965)	(1,858)	(4,836)	(2,542)	(7,940)	(9,788)	(39,233)	(223,250)	(233,138)	-	-	-	-	-	-	-	-	-	-	
2013 Q2	-	(18)	(3)	(1,862)	(133)	(614)	(1,058)	(2,001)	(5,594)	(2,496)	(7,548)	(37,737)	(164,618)	(203,701)	-	-	-	-	-	-	-	-	-	-	-	
2013 Q1	-	(3)	(73)	(470)	(1,942)	(582)	(1,895)	(5,273)	(4,859)	(3,996)	(21,117)	(99,258)	(295,014)	-	-	-	-	-	-	-	-	-	-	-	-	
2012 Q4	-	(46)	(3)	(484)	(313)	(783)	(1,502)	(8,018)	(12,033)	(5,023)	(88,308)	(312,489)	-	-	-	-	-	-	-	-	-	-	-	-	-	
2012 Q3	-	(22)	(38)	(618)	(1,825)	(1,593)	(4,643)	(10,031)	(14,962)	(93,878)	(322,749)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(2,740)	712	(13,656)	(146,659)	(244,350)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2012 Q1	(19)	(2)	(314)	(495)	(6,782)	(10,429)	(26,833)	(158,460)	(217,021)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q4	-	(668)	(331)	2,695	(5,077)	(10,468)	(126,800)	(195,489)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q3	(141)	(297)	(502)	(10,431)	(11,149)	(95,174)	(180,867)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q2	-	(232)	(468)	(7,710)	(59,843)	(124,942)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2011 Q1	(215)	(1,217)	(3,469)	(48,920)	(80,276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q4	(159)	(2,081)	(28,348)	(51,904)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q3	(30)	(11,216)	(25,541)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q2	(1,736)	(10,791)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2010 Q1	(812)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cumulative payments to date	(3,117)	(29,132)	(59,291)	(124,103)	(182,363)	(256,368)	(349,200)	(404,487)	(415,423)	(362,104)	(474,316)	(476,551)	(530,141)	(489,161)	(478,968)	(458,379)	(448,655)	(460,348)	(505,799)	(411,696)	(257,638)	(7,177,239)	-	-	-	
Total net claims outstandings	-	553	4,788	625	12,191	10,749	23,223	30,345	24,175	45,898	26,904	26,865	24,917	11,953	20,449	20,931	24,485	45,190	41,880	108,121	227,684	731,926	-	-	-	-

