Financial reports

Notes to the financial statements

1 Corporate and group information

1.1 Corporate information

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

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

Corporate information is presented in the inner back cover of this Annual Report.

Consolidated financial statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2019 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 and ultimate parent entity

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

Number of employees

The staff strength of the Company and Group as at 31 March 2019 is 2,329 and 3,232 respectively. (2,085 and 2,806 as at 31 March 2018).

1.2 Group information

Principal activities and nature of operations

Company

People's Leasing & Finance PLC

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

Subsidiaries and associate

Name of the Company	Principal activities	Country of incorporation	Percentage equity interest	
			2019	2018
Subsidiaries				
People's Leasing Fleet Management Limited	Fleet management, vehicle valuation, sale of vehicles, insurance assessment and vehicles repairing	Sri Lanka	**100**	100
People's Leasing Property Development Limited	Carrying out a mixed development projects and property development activities	Sri Lanka	**100**	100
People's Insurance PLC	Carrying out general insurance business	Sri Lanka	**75**	75
People's Leasing Havelock Properties Limited	Construct and operate an office complex	Sri Lanka	**100**	100
People's Micro-commerce Ltd.	Providing non-bank financial services to low income earners and micro enterprises	Sri Lanka	**100**	100
Lankan Alliance Finance Limited	Providing leasing of movable and immovable properties and provide loans	Bangladesh	**51**	51
Associate				
People's Merchant Finance PLC	Mobilisation of deposits, providing finance leases, term loans, real estate developments, pawning and related services	Sri Lanka	**37.06**	37.06

Notes to the financial statements

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

2 Basis of preparation and other significant accounting policies

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 March 2019 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at www.casrilanka.com

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

Details of the Group's General accounting policies followed during the year are given in Note 3 on pages 231 to 237.

2.2 Responsibility for financial statements

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

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the certification on the Statement of Financial Position on pages 213 and 223 respectively.

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 221 and 222);

  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 223);
- 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 224 to 225);

  a Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows (Refer page 226); and
- Notes to the Financial Statements comprising accounting policies and other explanatory information (Refer pages 227 to 369).

2.3 Approval of financial statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 March 2019 (including comparatives) were approved and authorised for issue on 13 June 2019 in accordance with the resolution of the Board of Directors on 13 June 2019.

2.4 Basis of measurement

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

Item	Basis of measurement	Note	Page No.
Financial assets – Fair value through profit or loss/Held for trading	Fair value	24	269
Financial assets – Fair value other comprehensive income/available for sale	Fair value	27	294
Investment property	Fair value	31	301
Retirement benefit obligation	Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses.	43.1	325

Notes to the financial statements

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 55 (Current/non-current analysis). No adjustments have been made for inflationary factors affecting the Financial Statements.

2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to 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.

2.7 Functional and presentation currency

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

The information presented in US Dollars in the Section on "supplementary information" on pages 385 and 386 does not form part of the Financial Statements and is made available solely for the information of stakeholders.

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 1 – "Presentation of Financial Statements".

2.9 Materiality and aggregation

In compliance with the Sri Lanka Accounting Standard – LKAS 1 – "Presentation of Financial Statements", each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.10 Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs and LKASs requires management to make judgements, 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 judgements, 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 judgements, 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.

Classification of financial assets and liabilities

Applicable from 1 April 2018

As per SLFRS 9, the Significant Accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 3.4 on page 233.
- The contractual cash flow characteristics of the financial assets as set out in Note 3.4 on page 233.

Applicable up to 31 March 2018

The Significant Accounting Policies of the Group provided scope for assets to be classified at inception into different financial asset categories under certain circumstances as per LKAS 39.

- In classifying financial assets or liabilities at "fair value through profit or loss" (FVTPL), the Group has determined that it has met the criteria for this designation set out in Note 24 on page 269.
- In classifying financial assets as "held to maturity" (HTM), the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by Note 28 on page 296.
- In classifying financial assets as "loans and receivables" (L&R), the Group has determined that it has met the criteria for this designation set out in Notes 22, 23, 25, and 35 on pages 268, 269, 273 and 310.
- In classifying financial assets as "available for sale" (AFS), the Group has determined that all non-derivative financial assets that are designated as AFS or those financial assets not classified as loans and receivables, FVTPL or HTM be classified as AFS as set out in Note 27 on page 294.

Notes to the financial statements

Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

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

Impairment losses on loans and receivables

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

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

Details of the "impairment losses on loans and receivables" are given in Note 25.7 to the Financial Statements.

Impairment charges on financial investments

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

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

Impairment of FVOCI/ available-for-sale assets

Details of the "impairment of available-for-sale assets" are given in Note 27 to the Financial Statements.

Useful life time of the property, plant and equipment

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

Useful lifetime of the intangible assets

Details of the "useful lifetime of the intangible assets" are given in Note 33 to the Financial Statements.

Transfer pricing regulation

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

Deferred tax

Details of the "deferred tax" are given in Note 42 to the Financial Statements.

Retirement benefit obligation

Details of the "retirement benefit obligation" are given in Note 43.1 to the Financial Statements.

Valuation of general insurance contract liabilities of subsidiary, People's Insurance PLC

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

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

2.11 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The details of which are given in Note 54 on pages 334 to the Financial Statements.

Notes to the financial statements

The Group/Company has not restated the comparative information for 2018 for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9). Therefore, the comparative information for 2018 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" (LKAS 39) and is not comparable to the information presented for 2019. Differences arising from adoption of SLFRS 9 have been recognised directly in equity as of 1 April 2018 and are disclosed in Note 4 on pages 238 to 242.

3 General accounting policies

3.1 Basis of consolidation

The Consolidated Financial Statements of the Group for the year ended 31 March 2019 include the Company, its subsidiaries and its associate company. The Financial Statements of the Company's subsidiaries and associate are prepared for the same reporting year except for People's Insurance PLC, a subsidiary of People's Leasing & Finance PLC, whose financial year ends on 31 December. For consolidation purpose same reporting year has been used.

3.1.1 Business combination and goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Sri Lanka Accounting Standard – SLFRS 3 – (Business Combinations).

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

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

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

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

3.1.2 Common control business combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) – Merger Accounting for Common Control Business Combinations issued by The Institute of Chartered Accountants of Sri Lanka.

3.1.3 Loss of control

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

3.1.4 Transactions eliminated on consolidation

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

3.2 Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at the spot exchange rate at the date of the transactions were effected. 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.

Notes to the financial statements

3.3 Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these Financial Statements, except for the changes arising out of transition to SLFRS 9 – Financial Instruments and SLFRS 7 (revised) – "Financial Instruments: Disclosures" and Sri Lanka Accounting Standard SLFRS 15 – "Revenue from Contracts with Customers" as set out below:

New and amended standards and interpretations In these Financial Statements, the Group has applied SLFRS 9, SLFRS 7 and SLFRS 15, which are effective for the annual reporting periods beginning on or after 1 January 2018, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

3.3.1 SLFRS 9 – "Financial Instruments"

SLFRS 9 issued in December 2014 replaced LKAS 39 and is applicable for annual reporting periods beginning on or after 1 January 2018.

In accordance with the option given in SLFRS 9 not to restate the comparatives, the Group has not restated comparative information for 2018 for financial instruments within the scope of SLFRS 9.

Therefore, comparative information for 2017/18 is reported under LKAS 39 and is not comparable with the information presented for 2018/19. Differences arising from the adoption of SLFRS 9 have been recognised directly in equity as of 1 April 2018 and are disclosed in Note 4 on pages 238 to 242.

3.3.2 Changes to classification and measurement

To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' cash flow characteristics.

Classification and measurement categories

As specified in LKAS 39 for financial assets (FVTPL, HTM, L&R and AFS) have been replaced by –

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at fair value through profit or loss (FVTPL)

FVOCI includes equity instruments measured at fair value through other comprehensive income. Cumulative gains or losses on derecognition of equity instruments measured at FVOCI are not reclassified to profit or loss and transferred directly to retained earnings. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39, all fair value changes of liabilities designated under the fair value option were recognised in profit or loss. Under SLFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income (OCI); and
- The remaining amount of change in the fair value is presented in profit or loss.

The following assessments have been made on the basis of the facts and circumstances that existed at the transition date; i.e. 1 April 2018.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For financial liabilities designated at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The Group's classification of its financial assets and liabilities is given in Note 20 on pages 258 and 261. The quantitative impact of applying SLFRS 9 as at 1 April 2018 is disclosed in Note 4 on pages 238 to 242.

Changes to the impairment calculation the adoption of SLFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing the incurred loss approach under LKAS 39 with a forwardlooking expected credit loss (ECL) approach. SLFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts but not to equity investments. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The allowance is based on the ECLs associated with the Probability of Default (PD) in the next twelve months unless there has been a significant increase in credit risk since origination. Lifetime expected credit loss is provided for financial assets for which the credit risk has increased significantly from initial recognition and the credit impaired assets subsequent to initial recognition.
If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

If a debt security had low credit risk at the date of initial application of SLFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Details of the Group's impairment method are disclosed in Note 25.7 on pages 284 to 288.

Notes to the financial statements

3.3.3 SLFRS 7 (Revised) – "Financial Instruments: Disclosures"

The Group adopted SLFRS 7 together with SLFRS 9, effective from 1 January 2018. Changes including transition disclosures as shown in Note 4 on pages 238 to 242 together with detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are disclosed as per the requirements of the Standards in Note 25.7 on pages 284 to 288.

Movements during the year in the ECL allowances are presented in Note 25.9 on page 291.

3.3.4 SLFRS 15 – "Revenue from contracts with customers"

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

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

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

There is no significant impact on the Financial Statement of the Group and the Company resulting from the application of SLFRS 15.

3.4 Financial instruments – Initial recognition and subsequent measurement

3.4.1 Date of recognition

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

3.4.2 Classification and subsequent measurement of financial assets

3.4.2.1 After 1 April 2018

From 1 April 2018 as per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either –

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

The subsequent measurement of financial assets depends on their classification.

Up to 31 March 2018 as per LKAS 39, the Group classified its financial assets into one of the following categories:

- Financial assets at fair value through profit or loss (FVTPL), and within this category
  - Held for trading
  - Designated at fair value through profit or loss
- Loans and receivables
- Held to maturity
- Available for sale

Details of the impact on reclassification and measurement from LKAS 39 to SLFRS 9 are disclosed in transition disclosures given in Note 4 on pages 238 to 242.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Notes to the financial statements

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

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

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

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

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

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

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

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

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

Financial assets measured at amortised cost

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

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

Financial assets measured at amortised cost are given in Notes 22,23,25,26, and 35.

Financial assets measured at FVOCI

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

Financial assets measured at FVTPL

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

Financial assets designated at fair value through profit or loss

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

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

3.4.2.2 Before 1 April 2018

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

i. Financial Assets at fair value through profit or loss (FVTPL);
   - Financial assets – Held for trading or
   - Financial assets – Designated at fair value through profit or loss

ii. Financial assets – Loans and receivables (L&R);

iii. Financial assets – Held to maturity (HTM); or

iv. Financial assets – Available-for-sale (AFS).

The 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.

Financial assets at fair value through profit or loss (FVTPL)

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

Financial assets – Designated at fair value through profit or loss

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

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

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

Financial assets – Loans and receivables (L&R)

Details of "financial assets – loans and receivables" are given in Note 25 on pages 273 to 292.

Financial assets – Held to maturity (HTM)

Details of "financial assets – held to maturity" are given in Note 28 on pages 296 and 297.

Financial assets – Available for sale (AFS)

Details of "financial assets – available for sale" are given in Note 27 on pages 294 to 296.

3.4.3 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; or
   - 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.

3.4.3.1 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 therein recognised in Statement of Profit or Loss.

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

3.4.3.2 Financial liabilities at amortised cost

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'due to customers', "debt securities issued" and 'other financial liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

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

The details of the Group's financial liabilities at amortised cost are shown in Note 36 (pages 311), Note 37 (page 314), Note 38 (page 315), Note 39 (page 318) and Note 40 (page 318) to the Financial Statements.

3.4.4 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 – "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 Statement of Profit or Loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Profit or Loss.

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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.

3.4.5 Derecognition of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

3.4.6 Offsetting financial instruments

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

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

3.4.7 Determination of fair value

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

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

3.5 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/

Notes to the financial statements

amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in Statement of Profit or Loss.

3.6 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 – "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.

3.7 Borrowing costs

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

3.8 Current tax

Details of the "income tax expense" are given in Note 17 to the Financial Statements.

3.9 Deferred tax

Details of the "deferred tax" are given in Note 42 to the Financial Statements.

3.10 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 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.11 Tax on financial services

Details of the 'VAT, NBT and debt repayment levy on financial services are given in Note 16 to the Financial Statements.

3.12 Standards issued but not yet effective

The following Sri Lanka Accounting Standards were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2019. Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2019.

SLFRS 16 – Leases

SLFRS 16 will replace Sri Lanka Accounting Standard (LKAS 17) – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating Leases Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-ofuse asset. Lessor accounting under SLFRS 16 is substantially unchanged from today's accounting under LKAS 17.

Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases. SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17. SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. Lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Pending a detailed impact analysis, possible impact from SLFRS 16 is not reasonably estimable as of the reporting date.

Operating lease commitments (payables)

The Group has taken on leased a number of branches under operating leases. These leases have an average life of between five to ten years. Lease agreements include clauses to enable upward revision of the rental payments on a periodic basis to reflect market conditions. These leases have an average life of between one to five years. Future minimum rentals receivables under operating leases are as follows:

	2019 Rs. '000
Less than one year	623,508
Between one to five years	927,203
Over five years	187,443
Total	1,738,154

IFRIC interpretation 23 (Uncertainty over income tax treatment)

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Sri Lanka Accounting Standards – LKAS 12 – Income Tax. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

IFRS 17–Insurance contracts

After a very long journey, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard 17 on Insurance Contracts (IFRS 17). This standard will be mandatorily. effective for annual reporting periods beginning on or after 1 January 2022. IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, and will give user of financial statements a whole new persepective .for the first time,insurers will be on a level footing internationally.

Notes to the financial statements

4 Transition disclosures

4.1 Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as at 1 April 2018

The following pages set out the impact of adopting SLFRS 9 on the Statement of Financial Position, and retained earnings including the effect of replacing LKAS 39's incurred credit loss calculations with SLFRS 9's ECLs.

A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1 April 2018 is, as follows:

		Company						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
For the year ended 31st March	Note	Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial assets								
Cash and cash equivalents	A	L&R	4,412,683	–	–	–	4,412,683	AC
Balances with banks and financial institutions	A	L&R	4,370,473	–	–	–	4,370,473	AC
Financial assets – Fair value through profit or loss/Held for trading			–	174,736	–	–	174,736	FVTPL
From: Financial assets – Held for trading		FVTPL	174,736	(174,736)	–	–	–	
Loans and receivables	A/D	L&R	140,165,437	–	(895,459)	(111,181)	139,158,797	AC
Financial assets – Fair value through other comprehensive income/Available for sale			–	219,132	–	–	219,132	FVOCI
From: Financial assets – Available for sale	B	AFS	219,132	(219,132)	–	–	–	
Debt Instrument at amortised cost/ Held to maturity			–	4,889,641	–	–	4,889,641	AC
From: Financial assets – Held to maturity	C	HTM	4,889,641	(4,889,641)	–	–	–	
Other financial assets	A	L&R	145,650	–	–	–	145,650	AC
Total financial assets			154,377,752	–	(895,459)	(111,181)	153,371,112	
Non-financial assets								
Investments in subsidiaries			3,213,788	–	–	–	3,213,788	
Investments in associate			586,427	–	–	–	586,427	
Investment property			134,400	–	–	–	134,400	
Property, plant and equipment			1,166,883	–	–	–	1,166,883	
Goodwill and intangible assets			346,395	–	–	–	346,395	
Current tax receivables			89,849	–	–	–	89,849	
Leasehold property			87,131	–	–	–	87,131	
Other assets			687,969	–	-	-	687,969	
Total non-financial assets			6,312,842	–	-	-	6,312,842	
Total assets			160,690,594	–	(895,459)	(111,181)	159,683,954	

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		Company						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
For the year ended 31st March	Note	Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial liabilities								
Due to banks		AC	39,921,789	–	–	–	39,921,789	AC
Due to customers		AC	69,763,219	–	–	–	69,763,219	AC
Debt securities issued		AC	15,783,502	–	–	–	15,783,502	AC
Other financial liabilities		AC	4,645,818	–	–	–	4,645,818	AC
Total financial liabilities			130,114,328	–	–	–	130,114,328	
Non-financial liabilities								
Deferred tax liabilities			2,275,868	–	–	(250,729)	2,025,139	
Other liabilities			1,270,576	–	–	–	1,270,576	
Total non-financial liabilities			3,546,444	–	–	(250,729)	3,295,715	
Total liabilities			133,660,772	–	–	(250,729)	133,410,043	
Equity								
Stated capital			13,236,073	–	–	–	13,236,073	
Statutory reserve fund			1,837,413	–	–	–	1,837,413	
Retained earnings			11,502,165	–	(895,459)	139,548	10,746,254	
Other reserves			454,171		–	–	454,171	
Total equity			27,029,822	–	(895,459)	139,548	26,273,911	
Total liabilities and equity			160,690,594	–	(895,459)	(111,181)	159,683,954	

A. As at 1 April 2018, the Company has classified loans and receivables under into amortised cost since these assets are managed within a business model of collecting contractual cash flows.

B. The Company has elected the option to irrevocably designate all its previous AFS equity instruments as equity instruments at FVOCI.

C. As of 1 April 2018, all debt instruments meet the SPPI criterion within its held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

D. Revenue can be recognised only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arises about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 – "Financial Instrument" replacing LKAS 39 "Financial Instrument" during the financial year, Customer default point (Uncertainty about the recoverability) has been change to 90 days past due rather than 6 months past due applied in previous Standards (LKAS 39). Accordingly interest income can be recognised only up to 90 days past due in accordance with SLFRS 9, instead of recognising up to 6 months past due as per the LKAS 39.

Notes to the financial statements

		Group						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
For the year ended 31st March	Note	Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial assets								
Cash and cash equivalents	A	L&R	4,765,518	–	–	–	4,765,518	AC
Balances with banks and financial institutions	A	L&R	8,758,715	–	–	–	8,758,715	AC
Financial assets – fair value through profit or loss/Held for trading			–	315,485	–	–	315,485	FVTPL
From: Financial assets – Held for trading		FVTPL	315,485	(315,485)	–	–	–	
Loans and receivables	A, D	L&R	141,915,077	–	(944,066)	(122,620)	140,848,391	AC
Insurance and reinsurance receivables	A	L&R	406,687	–	–	–	406,687	AC
Financial assets – Fair value through other comprehensive income/Available for sale			–	(905,190)	–	–	(905,190)	FVOCI
From: Financial assets – Available for sale				(905,190)				
Financial assets – Available for sale	B	AFS	219,132	(219,132)	–	–	–	
To: Financial assets – Fair value through other comprehensive income/Available for sale			–	905,190	–	–	–	
To: Debt instrument at amortised cost/ Held to maturity			–	(1,124,322)	–	–	–	
Debt Instrument at amortised cost/ Held to maturity			–	7,138,285	–	–	7,138,285	AC
From: Financial assets – Available for sale			–	1,124,322	–	–	–	
From: Financial assets – Held to maturity			–	6,013,963	–	–	–	
Financial assets – Held to maturity	C	HTM	6,013,963	(6,013,963)	–	–	–	
To: Debt instrument at amortised cost/ Held to maturity			–	(6,013,963)	–	–	–	
Total financial assets			162,394,577	–	(944,066)	(122,620)	161,327,891	
Non-financial assets								
Investments in subsidiaries			–	–	–	–	–	
Investments in associate			423,439	–	–	–	423,439	
Investment property			1,265,996	–	–	–	1,265,996	
Property, plant and equipment			4,112,715	–	–	–	4,112,715	
Goodwill and intangible assets			452,883	–	–	–	452,883	
Current tax receivables			89,849	–	–	–	89,849	
Leasehold property			87,131	–	–	–	87,131	
Deferred tax assets			28,155	–	–	–	28,155	
Other assets			1,301,155	–	–	–	1,301,155	
Total non-financial assets			7,761,323	–	–	–	7,761,323	
Total assets			170,155,900	–	(944,066)	(122,620)	169,089,214	

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Notes to the financial statements

For the year ended 31st March	Note	Group						
		LKAS 39 measurement		Reclassification	Remeasurement		SLFRS 9	
		Category	Amount Rs. '000	Rs. '000	ECL Rs. '000	Other Rs. '000	Amount Rs. '000	Category
Financial liabilities								
Due to banks		AC	41,834,394	–	–	–	41,834,394	AC
Due to customers		AC	69,377,794	–	–	–	69,377,794	AC
Debt securities issued		AC	15,783,502	–	–	–	15,783,502	AC
Other financial liabilities		AC	4,473,552	–	–	–	4,473,552	AC
Total financial liabilities		AC	131,469,242	–	–	–	131,469,242	AC
Non-financial liabilities								
Insurance liabilities and reinsurance payable			4,054,586	–	–	–	4,054,586	
Current tax liabilities			62,673	–	–	–	62,673	
Deferred tax liabilities			2,338,807	–	–	(266,494)	2,072,313	
Other liabilities			1,376,451	–	–	–	1,376,451	
Total non-financial liabilities			7,832,517	–	–	(266,494)	7,566,023	
Total liabilities			139,301,759	–	–	(266,494)	139,035,265	
Equity								
Stated capital			13,236,073	–	–	–	13,236,073	
Statutory reserve fund			1,837,413	–	–	–	1,837,413	
Retained earnings			13,167,172		(944,066)	143,874	12,366,980	
Other reserves			448,413	–	–	–	448,413	
Total equity attributable to equity holders of the Company			28,689,071	–	(944,066)	143,874	27,888,879	
Non-controlling interest			2,165,070	–	–	–	2,165,070	
Total equity			30,854,141	–	(944,066)	143,874	30,053,949	
Total liabilities and equity			170,155,900	–	(944,066)	(122,620)	169,089,214	

A. As at 1 April 2018, the Group has classified loans and receivables under into amortised cost since these assets are managed within a business model of collecting contractual cash flows.

B. The Group has elected the option to irrevocably designate all its previous AFS equity instruments as equity instruments at FVOCI.

C. As of 1 April 2018, all debt instruments meet the SPPI criterion within its held-to-maturity portfolio and available for sale. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

D. Revenue can be recognised only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 – "Financial Instrument" replacing LKAS 39 – "Financial Instrument" during the financial year, Customer default point (Uncertainty about the recoverability) has been change to 90 days past due rather than 6 months past due applied in previous Standards (LKAS 39). Accordingly interest income can be recognised only up to 90 days past due in accordance with SLFRS 9, instead of recognising up to 6 months past due as per the LKAS 39.

Notes to the financial statements

4.2 Impact of transition to SLFRS 9 on reserves and retained earnings

The impact of transition to SLFRS 9 – "Reserves and Retained Earnings" is, as follows:

For the year ended 31 March	Company	Group
	Rs. '000	Rs. '000
Available-for-sale reserve		
Closing balance under LKAS 39 as at 31 March 2018 (A)	46,869	45,585
Transferring AFS reserve to fair value reserve	(46,869)	(45,585)
Opening balance under SLFRS 9 as at 1 April 2018 (B)	–	–
Impact of adoption of SLFRS 9 on available for reserve (C=B-A)	(46,869)	(45,585)
Fair value reserve		
Closing balance under LKAS 39 as at 31 March 2018 (D)	–	–
Transferring AFS reserve to fair value reserve	46,869	45,585
Opening balance under SLFRS 9 as at 1 April 2018 (E)	46,869	45,585
Impact of adoption of SLFRS 9 – Available for reserve (F=E-D)	46,869	45,585
Retained earnings		
Closing balance under LKAS 39 as at 31 March 2018 (G)	11,502,165	13,167,172
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	(1,006,640)	(1,066,686)
Differed tax on traditional adjustment	250,729	266,494
Opening balance under SLFRS 9 as at 1 April 2018 (H)	10,746,254	12,366,980
Impact of adoption of SLFRS 9 on retained earnings (I=H-G)	(755,911)	(800,192)
Total change in equity due to adopting SLFRS 9 (C+F+I)	(755,911)	(800,192)

4.3 Impact of transition to SLFRS 9 – "Impairment"

The following note reconciles the aggregate opening impairment provision allowances under LKAS 39 to the ECL allowances under SLFRS 9.

	Impairment under LKAS 39 as at 31 March 2018 Rs. '000	Remeasurement Rs. '000	ECLs under SLFRS 9 as at 1 April 2018 Rs. '000
Company			
Impairment allowance for loans and receivables as per LKAS 39/ Financial assets at amortised cost under SLFRS 9	3,055,560	895,459	3,951,019
Total impairment	3,055,560	895,459	3,951,019
Group			
Impairment allowance for loans and receivables as per LKAS 39/ Financial assets at amortised cost under SLFRS 9	3,233,329	944,066	4,177,395
Total impairment	3,233,329	944,066	4,177,395

Notes to the financial statements

5 Gross income

ACCOUNTING POLICY

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

For the year ended 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Interest income	6.1	244	**30,836,300**	26,704,635	**32,234,340**	27,582,045
Net earned premium			**–**	–	**4,728,573**	4,053,270
Fee and commission income	8	246	**1,508,952**	1,378,361	**1,004,297**	819,727
Net gains/(losses) on financial assets – FVTPL/Held for trading	9	247	**(27,887)**	18,987	**(44,351)**	59,910
Other operating income	10	247	**418,274**	501,054	**433,346**	629,465
Total			**32,735,639**	28,603,037	**38,356,205**	33,144,417

6 Net interest income

ACCOUNTING POLICY

Recognition of income and expenses

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

Interest income and expenses

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

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

Under both SLFRS 9 and LKAS 39, interest income and interest expense are recorded using the effective interest rate method for all financial assets measured at amortised cost and all financial liabilities measured at amortised cost respectively.

Revenue can be recognised only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 –"Financial instrument" replacing LKAS 39 "financial instrument" during the financial year, Customer default point (uncertainty about the recoverability) has been change to 90 days past due rather than 6 months past due applied in previous standards(LKAS 39). Accordingly interest income can be recognised only up to 90 days past due in accordance with SLFRS 9, instead of recognising up to 6 months past due as per the LKAS 39.

Interest on overdue rentals

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

Notes to the financial statements

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Interest income	6.1	244	**30,836,300**	26,704,635	**32,234,340**	27,582,045
Interest expenses	6.2	244	**15,646,099**	14,500,158	**15,891,298**	14,626,672
Net interest income			**15,190,201**	12,204,477	**16,343,042**	12,955,373

6.1 Interest income

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Cash and cash equivalents			**27,906**	91,536	**57,654**	121,284
Balances with banks and financial institutions			**355,787**	405,770	**485,967**	544,619
Loans and receivables	6.1.1	244	**29,835,673**	25,746,323	**30,765,517**	26,196,854
Financial assets – Available for sale			**–**	–	**–**	258,282
Debt instrument at amortised cost/Held to maturity			**616,934**	461,006	**925,202**	461,006
Total interest income			**30,836,300**	26,704,635	**32,234,340**	27,582,045

6.1.1 Interest income – Loans and receivables

For the year ended 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Lease/Ijarah receivable	**17,887,342**	15,344,028	**17,887,448**	15,345,781
Hire purchase/Murabah receivable	**146,178**	537,729	**806,600**	993,833
Term loans and receivables	**11,802,153**	9,864,566	**12,071,469**	9,857,240
Total	**29,835,673**	25,746,323	**30,765,517**	26,196,854

6.2 Interest expenses

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Due to banks	6.2.1	245	**4,569,420**	5,047,798	**4,857,611**	5,236,146
Due to customers	6.2.1	245	**8,682,552**	6,960,275	**8,654,771**	6,915,092
Debt securities issued	6.2.1	245	**2,394,127**	2,492,085	**2,378,916**	2,475,434
Total interest expenses			**15,646,099**	14,500,158	**15,891,298**	14,626,672

Notes to the financial statements

6.2.1 Interest expenses – Product-wise

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Due to banks				
Interest on bank overdraft	**74,473**	18,188	**102,062**	40,259
Interest on short-term loans	**1,770,898**	894,808	**1,770,901**	895,039
Interest on term loans	**1,525,581**	2,407,846	**1,786,180**	2,573,892
Interest on securitisation loans	**1,198,468**	1,726,956	**1,198,468**	1,726,956
Subtotal	**4,569,420**	5,047,798	**4,857,611**	5,236,146
Due to customers				
Interest cost on deposits	**8,682,552**	6,960,275	**8,654,771**	6,915,092
Debt securities issued				
Interest on debentures	**2,394,127**	2,490,573	**2,378,916**	2,473,922
Interest on commercial papers	**–**	1,512	**–**	1,512
Subtotal	**2,394,127**	2,492,085	**2,378,916**	2,475,434
Total interest expenses	**15,646,099**	14,500,158	**15,891,298**	14,626,672

7 Net earned premium

ACCOUNTING POLICY

Product classification of insurance and investment contracts

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

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

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

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

All the products sold by the Company are insurance contracts and therefore classified as insurance contracts under SLFRS 4 – "Insurance Contracts". Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

Revenue recognition of gross written premium

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

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

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

Notes to the financial statements

Insurance – Revenue recognition gross written premium

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

Reinsurance premium

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

Unearned premium reserve

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

Unearned reinsurance premium reserve

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

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Gross written premium	–	–	**5,666,450**	4,827,258
Less: Premium ceded to reinsurers	–	–	**525,790**	436,032
Less: Change in reserve unearned premium	–	–	**412,087**	337,956
Total	–	–	**4,728,573**	4,053,270

8 Fee and commission income

ACCOUNTING POLICY

Fee and commission income

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

Fee income earned from services that are provided over a certain period of time

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

Fee income from providing transaction services

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

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Service charges	**620,031**	522,058	**197,171**	132,692
Other fees and commission	**888,921**	856,303	**807,126**	687,035
Total	**1,508,952**	1,378,361	**1,004,297**	819,727

Notes to the financial statements

9 Net gains/(losses) on financial assets – FVTPL/Held for trading

ACCOUNTING POLICY

This comprise all gains and losses from changes in fair value including realised and unrealised fair value changes for financial assets "held for trading".

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Net gain/(loss) on financial assets – FVTPL/held for trading				
Net mark-to-market (losses)/gains	**(24,915)**	(799)	**(57,981)**	23,522
Net capital gains/(losses)	**(2,972)**	19,786	**13,630**	36,388
Total	**(27,887)**	18,987	**(44,351)**	59,910

10 Other operating income

ACCOUNTING POLICY

Other operating income includes income earned on other sources, which are not directly related to the normal operations of the Group is recognised on accrual basis.

Dividend income

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

Net trading income from sale of vehicles

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

Operating lease income

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

Bad debts recovered

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

Gain or losses on disposal of property, plant and equipment

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

Hiring income

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

Other income

Other income is recognised on an accrual basis.

Notes to the financial statements

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Gain on sale of property, plant and equipment	**19,645**	20,162	**26,625**	20,162
Hiring income	**–**	–	**26,888**	31,446
Operating leases income	**–**	–	**23,074**	15,577
Rent income from investment property	**–**	–	**92,884**	61,897
Net trading income from sale of vehicles	**2,704**	2,858	**3,575**	2,858
Dividend income from – FVOCI/Available-for-sale	**10,508**	13,530	**10,508**	13,530
– Subsidiaries	**375,766**	423,227	**–**	–
– Financial assets – FVTPL/Held for trading	**2,671**	7,746	**6,061**	13,080
Gain/(Loss) on sale of investment properties	**6,980**	–	**6,980**	–
Other income	**–**	33,531	**236,751**	470,915
Total	**418,274**	501,054	**433,346**	629,465

11 Impairment charges for loans and receivables and other losses

ACCOUNTING POLICY

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the Sri Lanka Accounting Standard LKAS 39 – "Financial Instruments: Recognition and Measurement" and SLFRS 9 "Financial Instruments" for the year 2018 and 2019 respectively. The methodology adopted by the Company and the Group is explained in Note 25.8 to these Financial Statements.

Loss on disposal of collaterals including write-offs

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

For the year ended 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Impairment on loans and receivables:						
Individual impairment	11.3/11.4	250	**194,262**	67,006	**194,262**	56,163
Collective impairment	11.3/11.4	250	**799,059**	1,338,957	**905,371**	1,386,301
Other receivable			**–**	–	**15,385**	3,590
Loss on disposal of collaterals including write-offs			**728,458**	186,293	**728,458**	186,293
Recovery of written off debts/disposal loss			**(135,273)**	(162,285)	**(135,273)**	(162,285)
Total	11.1/11.2	249	**1,586,506**	1,429,971	**1,708,203**	1,470,062

Notes to the financial statements

11.1 Impairment charge/(reversal) for loans and other losses (detailed breakdown) – Company

For the year ended 31 March	2019			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Charge Rs. '000	(Reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	402,752	1,207,248	(822,963)	787,037
Hire purchase/Murabah receivable	38,955	26,602	(75,634)	(10,077)
Term loans and receivables	151,478	1,747,012	(1,088,944)	809,546
Total	593,185	2,980,862	(1,987,541)	1,586,506

For the year ended 31 March	2018			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Charge Rs. '000	(Reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	69,412	620,341	(448,332)	241,421
Hire purchase/Murabah receivable	(25,781)	29,689	(72,605)	(68,697)
Term loans and receivables	(19,623)	1,621,995	(345,125)	1,257,247
Total	24,008	2,272,025	(866,062)	1,429,971

11.2 Impairment charge/(reversal) for loans and other losses (detailed breakdown) – Group

For the year ended 31 March	2019			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Charge Rs. '000	(Reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	402,752	1,207,248	(822,962)	787,038
Hire purchase/Murabah receivable	38,955	26,602	(11,982)	53,575
Term loans and receivables	151,478	1,853,324	(1,152,597)	852,205
Other receivable	–	15,385	–	15,385
Total	593,185	3,102,559	(1,987,541)	1,708,203

For the year ended 31 March	2018			
	Disposal loss/Write-offs (net of recovery) Rs. '000	Charge Rs. '000	(Reversal) Rs. '000	Net amount Rs. '000
Lease/Ijarah receivable	69,412	620,341	(448,332)	241,421
Hire purchase/Murabah receivable	(25,781)	29,689	(56,603)	(52,695)
Term loans and receivables	(19,623)	1,658,496	(361,127)	1,277,746
Other receivable	–	3,590	–	3,590
Total	24,008	2,312,116	(866,062)	1,470,062

Notes to the financial statements

11.3 Impairment charge to the income statement – Company

For the year ended 31 March	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost – Loans and advances				
Individual impairment	–	–	194,262	194,262
Collective impairment	49,497	172,842	576,720	799,059
Total	49,497	172,842	770,982	993,321

For the year ended 31 March	2018			
	Specific Rs. '000	Collective (Individually not significant exposures) Rs. '000	Collective (Incurred but not yet identified) Rs. '000	Total Rs. '000
Lease/Ijarah receivable	(64,749)	236,809	(51)	172,009
Hire purchase/Murabah receivable	(7)	(42,909)	–	(42,916)
Term loans and receivables	131,762	1,151,126	(6,018)	1,276,870
Total	67,006	1,345,026	(6,069)	1,405,963

11.4 Impairment charge to the income statement – Group

For the year ended 31 March	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Financial assets at amortised cost – Loans and advances				
Individual impairment	–	–	194,262	194,262
Collective impairment	71,080	200,328	633,963	905,371
Total	71,080	200,328	828,225	1,099,633

For the year ended 31 March	2018			
	Specific Rs. '000	Collective (Individually not significant exposures) Rs. '000	Collective (Incurred but not yet identified) Rs. '000	Total Rs. '000
Lease/Ijarah receivable	(64,749)	236,809	(51)	172,009
Hire purchase/Murabah receivable	(7)	(26,907)	–	(26,914)
Term loans and receivables	131,762	1,171,625	(6,018)	1,297,369
Total	67,006	1,381,527	(6,069)	1,442,464

Notes to the financial statements

12 Personnel expenses

ACCOUNTING POLICY

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

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

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

For the year ended 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Remuneration			**3,143,641**	2,707,112	**3,814,774**	3,082,119
Employee benefit – Defined contribution plans – EPF			**163,148**	146,744	**200,849**	170,772
Employee benefit – Defined contribution plans – ETF			**40,784**	36,687	**49,660**	45,563
Employee benefit – Retirement benefit obligation – Gratuity	43.1	325	**90,594**	83,710	**101,335**	93,186
Total			**3,438,167**	2,974,253	**4,166,618**	3,391,640

13 Depreciation and amortisation

Depreciation

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

The estimated useful lives are as follows:

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

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

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 32 on pages 303 to 308.

Notes to the financial statements

Amortisation of intangible assets

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

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

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

All classes of intangible assets together with the reconciliation of carrying amounts and accumulated amortisation at the beginning and at the end of the year are given in Note 33 on pages 308 and 309.

			Company		Group	
	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Deprecation of property, plant and equipment	32	303	**166,006**	178,905	**286,193**	278,342
Amortisation of intangible assets	33	308	**10,535**	10,535	**13,101**	12,827
Amortisation of leasehold property	34	310	**3,066**	3,066	**3,066**	3,066
Total			**179,607**	192,506	**302,360**	294,235

14 Benefits, claims and underwriting expenditure

ACCOUNTING POLICY

Recognition of gross claims

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

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

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

Recognition of reinsurance claims

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

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Notes to the financial statements

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Net benefits and claims	–	–	**2,851,334**	2,360,649
Underwritings and net acquisition costs	–	–	**477,371**	415,483
Total	–	–	**3,328,705**	2,776,132

15 Other operating expenses

ACCOUNTING POLICY

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

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 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

Directors' emoluments

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

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Directors' emoluments	**9,315**	8,392	**16,564**	17,100
Auditors' remunerations	**7,458**	6,988	**12,573**	10,693
Non-audit fees to auditors	**5,730**	4,354	**6,711**	6,666
Professional fees	**28,697**	13,169	**47,480**	19,798
Advertising expenses	**48,450**	46,482	**66,993**	106,328
Legal fees	**19,531**	13,585	**19,845**	13,585
Deposits insurance premium	**106,232**	81,009	**106,232**	81,009
Crop insurance levy	**46,094**	40,092	**46,094**	40,092
Office administration and establishment expenses	**2,572,912**	2,222,284	**2,728,928**	2,248,215
Total	**2,844,419**	2,436,355	**3,048,420**	2,543,486

16 Tax on financial services

ACCOUNTING POLICY

VAT on financial services

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non-cash benefits including terminal benefits. VAT rate applied for the current financial year is 15% (2018 – 15%).

Notes to the financial statements

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 1 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services.

Debt repayment levy (DRL) on financial services

As per the Finance Act No. 35 of 2018, with effect from 1 October 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services as explained in Note 14 above. The amount of DRL charged in determining the profit or loss for the period is given below:

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
VAT on financial services	**1,462,311**	1,150,185	**1,489,818**	1,173,786
NBT on financial services	**187,929**	149,937	**191,122**	153,130
Debt repayment levy	**436,970**	–	**436,970**	–
Total	**2,087,210**	1,300,122	**2,117,910**	1,326,916

17 Income tax expense

ACCOUNTING POLICY

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

Current tax

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

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, and the Inland Revenue Act No. 24 of 2017, effective from 1 April 2018 at the rates specified below.

Deferred taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 42 to the Financial Statements.

Company			Tax rate	
	Note	Page No.	**2019 (%)**	2018 (%)
People's Leasing & Finance PLC			**28**	28
People's Leasing Fleet Management Limited			**28**	28
People's Micro-commerce Ltd.			**28**	28
People's Insurance PLC	17.1	255	**14 – 28**	14
People's Leasing Property Development Limited	17.2	255	**10 – 28**	10 – 28
People's Leasing Havelock Properties Limited	17.3	255	**Exempt**	Exempt
Lankan Alliance Finance Limited	17.4	255	**42.50**	42.50

Notes to the financial statements

17.1 People's Insurance PLC

According to the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, any company which is liable to pay income tax at the rate of 28%, lists its shares on the Colombo Stock Exchange (CSE) by way of a minimum initial public offering (IPO) through which not less than 20% of its shares is issued to the general public on or before 1 April 2017, the income tax rate will be reduced by 50% for the year of assessment in which the such shares are listed and for another two years of assessment, provided that such company after listing continues to maintain a minimum public float of 20%.

Accordingly, 25% of the shares of the Company was offered and issued to the general public by way of an IPO in December 2015 and shares of the Company were listed on the CSE in January 2016. As at 31 December 2016, the public float of the Company's shares was 24.94% while the Company was liable for income tax at 28% (before the tax reduction). Hence, the Company was considered eligible for the 50% tax reduction as per the said Act, during the reporting period and income tax was calculated at 14% for nine months ended 31 December 2018 and balance three months 28%. (2018 – 14%).

17.2 People's Leasing Property Development Limited

Pursuant to the agreement dated 3 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 two years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period. Non-BOI income is liable for normal rate of 28%.

17.3 People's Leasing Havelock Properties Limited

Pursuant to the agreement dated 16 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 the 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.

17.4 Lankan Alliance Finance Limited

According to Bangladesh income tax ordinance, 1984 and amendments made thereto, tax rate applicable for Lankan Alliance Finance Limited is 42.5%.

			Company		Group	
For the year ended 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Statement of profit or loss						
Current income tax charge	17.5	256	**3,351,426**	1,101,046	**3,511,778**	1,276,638
Deferred tax (reversal)/Charge for the year	42	322	**(1,182,290)**	359,296	**(935,741)**	367,981
Income tax expense recognised in Statement of Profit or Loss			**2,169,136**	1,460,342	**2,576,037**	1,644,619
Statement of comprehensive income						
Deferred tax charge/(reversal) for the year	42	322	**(5,670)**	6,599	**14,028**	6,623
Income tax charge/(reversal) recognised in Statement of Comprehensive Income			**(5,670)**	6,599	**14,028**	6,623
Effective tax rate (excluding deferred tax) (%)			**50.89**	19.08	**46.28**	19.16
Effective tax rate (%)			**32.94**	25.31	**33.95**	24.69

Notes to the financial statements

17.5 Reconciliation of accounting profit and taxable income

For the year ended 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Profit as per Statement of Profit or Loss			**6,585,257**	5,769,672	**7,587,305**	6,662,332
Add: Disallowable expenses			**3,698,709**	3,471,886	**4,001,348**	3,694,203
Add: Lease capital recoverable			**20,165,037**	22,481,511	**20,165,037**	22,481,511
Less: Allowable expenses			**17,770,847**	26,898,108	**18,386,164**	27,165,966
Less: Exempted/Allowable income			**385,267**	520,784	**451,848**	734,142
Statutory income			**12,292,889**	4,304,177	**12,915,678**	4,937,938
Less: Tax losses utilised during the year	17.6	256	**–**	–	**30,556**	13,492
Assessable income			**12,292,889**	4,304,177	**12,885,122**	4,924,446
Taxable income			**12,292,889**	4,304,177	**12,885,122**	4,924,446
At the effective income tax rate	17.7	256	**3,442,009**	1,205,168	**3,601,824**	1,380,894
(Over)/under provision – previous years			**(90,583)**	(104,122)	**(90,046)**	(104,256)
Current tax on profits for the year			**3,351,426**	1,101,046	**3,511,778**	1,276,638
Deferred tax charged/(reversal) for the year	42	322	**(1,182,290)**	359,296	**(935,741)**	367,981
Tax expense for the year			**2,169,136**	1,460,342	**2,576,037**	1,644,619

17.6 Tax losses brought forward and utilised during the year

For the year ended 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Tax losses brought forward	**–**	–	**136,145**	117,137
Addition during the year	**–**	–	**–**	32,500
Tax losses utilised during the year	**–**	–	**(30,556)**	(13,492)
Tax losses not utilised and carried forward	**–**	–	**105,589**	136,145

17.7 Income tax expense at the statutory income

For the year ended 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
People's Leasing & Finance PLC	**3,442,009**	1,205,168	**3,442,009**	1,205,168
People's Leasing Fleet Management Limited	**–**	–	**9,642**	19,288
People's Micro-commerce Ltd.	**–**	–	**22,691**	25,460
People's Insurance PLC	**–**	–	**103,245**	96,652
People's Leasing Property Development Limited	**–**	–	**4,112**	33,469
People's Leasing Havelock Properties Limited	**–**	–	**–**	–
Lankan Alliance Finance Limited	**–**	–	**20,125**	857
Total income tax at the effective rate	**3,442,009**	1,205,168	**3,601,824**	1,380,894

Notes to the financial statements

17.8 Summary of the taxes paid during the year

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Direct taxes				
Income tax	**805,705**	1,113,050	**907,945**	1,174,927
Value added tax on financial services	**1,383,392**	1,042,004	**1,412,620**	1,065,961
Nation building tax on financial services	**184,632**	138,552	**218,014**	141,803
Crop insurance levy	**45,344**	37,557	**53,938**	45,591
Economic service charge	**196,063**	277,769	**235,961**	282,395
Debt repayment levy	**326,916**	–	**326,916**	–
Total direct taxes	**2,942,052**	2,608,932	**3,155,394**	2,710,677
Indirect taxes (collected and paid)				
Value added tax	**348,864**	476,573	**1,100,517**	1,098,896
Nation building tax	**31,373**	25,609	**167,120**	140,864
Stamp duty	**260,520**	262,742	**267,539**	269,383
Withholding tax on dividend and interest	**665,306**	207,025	**714,362**	250,963
PAYE tax	**128,338**	107,204	**139,929**	114,097
Total indirect taxes	**1,434,401**	1,079,153	**2,389,467**	1,874,203
Total taxes paid during the financial year	**4,376,453**	3,688,085	**5,544,861**	4,584,880

18 Basic/Diluted earnings per share (EPS)

ACCOUNTING POLICY

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

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

For the year ended 31 March	Company		Group	
	2019	2018	**2019**	2018
Profit attributable to equity holders of the Company (Rs.)	**4,416,121,280**	4,309,329,577	**4,813,577,186**	4,816,917,885
Weighted average number of ordinary shares	**1,579,862,482**	1,579,862,482	**1,579,862,482**	1,579,862,482
Basic/Diluted earnings per ordinary share (Rs.)	**2.80**	2.73	**3.05**	3.05

Notes to the financial statements

19 Dividend per ordinary share

For the year ended 31 March	Company 2019	Company 2018
Ordinary shares		
Out of dividend received (Rs.)	**392,767,335**	416,591,385
Out of normal profits (Rs.)	**1,582,060,768**	1,558,236,718
Total cash dividend paid (Rs.)	**1,974,828,103**	1,974,828,103
Cash dividend paid (Rs.) – Interim	**1,184,896,862**	1,184,896,862
– Final	**789,931,241**	789,931,241
Total 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 2017/18 in July 2018. An interim dividend of Rs. 0.75 per share was paid in December 2018 to the ordinary shareholders of the Company for the year 2018/19 (interim dividend 2017/18 – Rs. 0.75) A final dividend of Rs. 0.50 per share has been proposed by the Board of Directors for the year 2018/19 to be approved at the Annual General Meeting. However, no provision is made for this proposed dividend in these Financial Statements in accordance with LKAS 10 – "Events after reporting period".

20 Analysis of financial instruments by measurement basis

ACCOUNTING POLICY

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

20.1 Company

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	268	–	3,294,055	–	3,294,055
Balances with banks and financial institutions	23	269	–	3,404,533	–	3,404,533
Financial assets – Fair value through profit or loss	24	269	23,190	–	–	23,190
Loans and receivables	25	273	–	151,707,902	–	151,707,902
Financial assets – Fair value through other comprehensive income	27	294	–	–	125,651	125,651
Debt instrument at amortised cost	28	296	–	8,002,625	–	8,002,625
Other financial assets	35	310	–	143,817	–	143,817
Total financial assets			23,190	166,552,932	125,651	166,701,773

Notes to the financial statements

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	27,273,933	27,273,933
Due to customers	37	314	–	88,368,656	88,368,656
Debt securities issued	38	315	–	21,275,031	21,275,031
Other financial liabilities	39	318	–	2,480,377	2,480,377
Total financial liabilities			–	139,397,997	139,397,997

20.2 Company

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets							
Cash and cash equivalents	22	268	–	–	4,412,683	–	4,412,683
Balances with banks and financial institutions	23	269	–	–	4,370,473	–	4,370,473
Financial assets – Held for trading	24	269	174,736	–	–	–	174,736
Loans and receivables	25	273	–	–	140,165,437	–	140,165,437
Financial assets – Available for sale	27	294	–	–	–	219,132	219,132
Debt instrument at amortised cost/ Held to maturity	28	296	–	4,889,641	–	–	4,889,641
Other financial assets	35	310	–	–	145,650	–	145,650
Total financial assets			174,736	4,889,641	149,094,243	219,132	154,377,752

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	39,921,789	39,921,789
Due to customers	37	314	–	69,763,219	69,763,219
Debt securities issued	38	315	–	15,783,502	15,783,502
Other financial liabilities	39	318	–	4,645,818	4,645,818
Total financial liabilities			–	130,114,328	130,114,328

Notes to the financial statements

20.3 Group

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	22	268	–	4,310,595	–	4,310,595
Balances with banks and financial institutions	23	269	–	7,375,423	–	7,375,423
Financial assets – Fair value through profit or loss	24	269	72,386	–	–	72,386
Loans and receivables	25	273	–	156,955,837	–	156,955,837
Insurance and reinsurance receivables	26	292	885,395	–	–	885,395
Financial assets – Fair value through other Comprehensive income	27	294	–	–	125,651	125,651
Debt instrument at amortised cost	28	296	–	9,091,945	–	9,091,945
Total financial assets			957,781	177,733,800	125,651	178,817,232

As at 31 March 2019	Note	Page No.	Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	30,475,326	30,475,326
Due to customers	37	314	–	88,923,196	88,923,196
Debt securities issued	38	315	–	21,134,040	21,134,040
Other financial liabilities	39	318	–	2,464,936	2,464,936
Insurance liabilities and reinsurance payable	40	318	–	4,880,873	4,880,873
Total financial liabilities			–	147,878,371	147,878,371

20.4 Group

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	HTM Rs. '000	L & R Rs. '000	AFS Rs. '000	Total Rs. '000
Assets							
Cash and cash equivalents	22	268	–	–	4,765,518	–	4,765,518
Balances with banks and financial institutions	23	269	–	–	8,758,715	–	8,758,715
Financial assets – Held for trading	24	269	315,485	–	–	–	315,485
Loans and receivables	25	273	–	–	141,915,077	–	141,915,077
Insurance and reinsurance receivables	26	292	–	–	406,687	–	406,687
Financial assets – Available for sale	27	294	–	–	–	219,132	219,132
Debt instrument at amortised cost/ Held to maturity	28	296	–	6,013,963	–	–	6,013,963
Total financial assets			315,485	6,013,963	155,845,997	219,132	162,394,577

As at 31 March 2018	Note	Page No.	FVTPL Rs. '000	Other amortised cost Rs. '000	Total Rs. '000
Liabilities					
Due to banks	36	311	–	41,834,394	41,834,394
Due to customers	37	314	–	69,377,794	69,377,794
Debt securities issued	38	315	–	15,783,502	15,783,502
Other financial liabilities	39	318	–	4,473,552	4,473,552
Insurance liabilities and reinsurance payable	40	318	–	4,054,586	4,054,586
Total financial liabilities			–	135,523,828	135,523,828

FVTPL: Fair value through profit or loss HTM: Held to maturity L & R: Loans and receivables AFS: Available for sale

21 Fair value of assets and liabilities

ACCOUNTING POLICY

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

21.1 Financial assets at fair value through other comprehensive income/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.

21.2 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.

21.3 Financial assets and liabilities carried at amortised cost

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

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21.4 Property, plant and equipment disclosed at fair value

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

21.5 Valuation model

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

Valuation framework

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

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

21.6 Determination of fair value and fair value hierarchy

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

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

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

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

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

			Company				
As at 31 March 2019	Note	Page No.	Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets							
Financial assets – Fair value other comprehensive income/Available for sale							
Equity securities	27	294	31.3.2019	125,651	–	–	125,651
Subtotal				125,651	–	–	125,651
Financial assets – Fair value through profit or loss/Held for trading							
Quoted equity securities	24	269	31.3.2019	23,190	–	–	23,190
Subtotal				23,190	–	–	23,190
Total				148,841	–	–	148,841
Non-financial assets disclosed at fair value							
Freehold land and buildings (Included under property, plant and equipment)	32.4	307		–	–	795,585	795,585
Total				–	–	795,585	795,585

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As at 31 March 2018	Note	Page No.	Company				
			Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets							
Financial assets – Available for sale							
Equity securities	27	294	31.3.2018	219,132	–	–	219,132
Subtotal				219,132	–	–	219,132
Financial assets – Held for trading							
Quoted investments	24	269	31.3.2018	174,736	–	–	174,736
Subtotal				174,736	–	–	174,736
Non-financial assets – Investment property							
Lands and buildings	31	301	31.3.2018	–	–	134,400	134,400
Subtotal				–	–	134,400	134,400
Total				393,868	–	134,400	528,268
Non-financial assets disclosed at fair value							
Freehold lands and buildings (Included under property, plant and equipment)	32.4	307		–	–	979,985	979,985
Total				–	–	979,985	979,985

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

As at 31 March 2019	Note	Page No.	Group				
			Date of Valuation	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total Rs. '000**
Financial assets							
Financial assets – Fair value other comprehensive income/Available for sale							
Equity securities	27	294	**31.03.2019**	**125,651**	**–**	**–**	**125,651**
Subtotal				**125,651**	**–**	**–**	**125,651**
Financial assets – Fair value through profit or loss/Held for trading							
Quoted investments	24	269	**31.03.2019**	**72,386**	**–**	**–**	**72,386**
Subtotal				**72,386**	**–**	**–**	**72,386**
Non-financial assets – Investment property							
Land and building	31	301	**31.03.2019**	**–**	**–**	**1,131,596**	**1,131,596**
Subtotal				**–**	**–**	**1,131,596**	**1,131,596**
Total				**198,037**	**–**	**1,131,596**	**1,329,633**
Non-financial assets disclosed at fair value							
Freehold land and buildings (Included under property, plant and equipment)	32.4	307		**–**	**–**	**5,695,585**	**5,695,585**
Total				**–**	**–**	**5,695,585**	**5,695,585**

Notes to the financial statements

As at 31 March 2018	Note	Page No.	Group				
			Date of Valuation	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Financial assets							
Financial assets – Available for sale							
Equity securities	27	294	31.3.2018	219,132	–	–	219,132
Subtotal				219,132	–	–	219,132
Financial assets – Held for trading							
Quoted investments	24	269	31.3.2018	315,485	–	–	315,485
Subtotal				315,485	–	–	315,485
Non-financial assets – Investment property							
Land and building	31	301	31.3.2018	–	–	1,265,996	1,265,996
Subtotal				–	–	1,265,996	1,265,996
Total				534,617	–	1,265,996	1,800,613
Non-financial assets disclosed at fair value							
Freehold land and buildings (Included under property, plant and equipment)	32.4	307		–	–	5,668,485	5,668,485
Total				–	–	5,668,485	5,668,485

There were no material transfers between level 1 and level 2 during the 2018 and 2019. Valuation was carried out for lands and buildings by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard – SLFRS 13 – Fair Value Measurement.

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

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Financial assets				
Financial assets – FVTPL/Held for trading				
Quoted investments	**(27,887)**	18,987	**(44,351)**	59,910
Total	**(27,887)**	18,987	**(44,351)**	59,910

Notes to the financial statements

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		
	Note	Page No.	Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000	Investment property Rs. '000	Freehold land and buildings Rs. '000	Total Rs. '000
Balance as at 1 April 2017			100,800	845,585	946,385	–	4,034,885	4,034,885
Additions			–	–	–	–	1,407,285	1,407,285
Disposals/transfers			–	–	–	924,922	(924,922)	–
Total gains/(losses) recognised in profit or loss:								
Fair value recognised during the year			33,600	–	33,600	311,422	–	311,422
Depreciation of buildings			–	(706)	(706)	–	(45,943)	(45,943)
Fair value disclosed during the year			–	706	706	29,652	(68,816)	(39,164)
Balance as at 31 March 2018	32.4	307	134,400	845,585	979,985	1,265,996	4,402,489	5,668,485
Balance as at 1 April 2018			134,400	845,585	979,985	1,265,996	4,402,489	5,668,485
Additions			–	–		–	–	–
Disposals/transfers			(134,400)	(52,000)	(186,400)	(134,400)	(52,000)	(186,400)
Total gains/(losses) recognised in profit or loss:								
Fair value recognised during the year			–	–	–	–	–	–
Depreciation of buildings			–	(430)	(430)	–	(60,368)	(60,368)
Fair value disclosed during the year			–	2,430	2,430	–	273,868	273,868
Balance as at 31 March 2019	32.4	307	–	795,585	795,585	1,131,596	4,563,989	5,695,585

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2019 and 31 March 2018 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						
As at 31 March 2019						
Property, plant and equipment						
Freehold lands	**31.12.2016**	**920,731**	**MCM**	**Estimated price per perch**	**Rs. 50,000 – 4,300,000**	*
Freehold buildings	**31.12.2016**	**59,254**	**MCM**	**Estimated price per sq. ft.**	**Rs. 500 – 4,000**	*
			Income basis	**Estimated rental value per sq. ft.**	**Rs. 20 – 60**	*
As at 31 March 2018						
Investment property						
Freehold lands	31.03.2018	134,400	MCM	Estimated price per perch	Rs. 600,000	*
Property, plant and equipment						
Freehold lands	31.12.2016	920,731	MCM	Estimated price per perch	Rs. 50,000 – 4,300,000	*
Freehold buildings	31.12.2016	59,254	MCM	Estimated price per sq. ft.	Rs. 500 – 4,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 20 – 60	*

Notes to the financial statements

Type of instrument	Date of valuation	Fair value Rs. '000	Valuation technique	Significant unobservable inputs	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Group						
As at 31 March 2019						
Investment property						
Freehold lands	31.12.2018	1,131,596	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
			MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
Property, plant and equipment						
Freehold lands	31.12.2018	3,705,731	MCM	Estimated price per perch	Rs. 50,000 – 13,000,000	*
Freehold buildings	31.12.2018	2,174,254	MCM	Estimated price per sq. ft.	Rs. 500 – 11,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 15 – 250	*
As at 31 March 2018						
Investment Property						
Freehold lands	31.3.2018	1,132,109	MCM	Estimated price per perch	Rs. 600,000 – 13,000,000	*
			MCM	Estimated price per sq. ft.	Rs. 200 – 300	*
			Income basis	Estimated rental value per sq. ft.	Rs. 14,500	*
As at 31 March 2018						
Property, plant and equipment						
Freehold land	31.12.2016	3,134,899	MCM	Estimated price per perch	Rs. 50,000 – 10,000,000	*
Freehold buildings	31.12.2016	2,533,586	MCM	Estimated price per sq. ft.	Rs. 500 – 11,000	*
			Income basis	Estimated rental value per sq. ft.	Rs. 15 – 250	*

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

21.7 Fair value of assets and liabilities not carried at fair value

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

Company	2019					2018				
As at 31 March	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total fair value Rs. '000**	**Carrying amount Rs. '000**	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000
Financial assets										
Cash and cash equivalents	–	3,294,055	–	3,294,055	3,294,055	–	4,412,683	–	4,412,683	4,412,683
Balances with banks and financial institutions	–	3,399,296	–	3,399,296	3,404,533	–	4,374,837	–	4,374,837	4,370,473
Loans and receivables	–	145,848,234	–	145,848,234	151,707,902	–	136,508,924		136,508,924	140,165,437
Debt instrument at amortised cost/ held to maturity	–	8,007,001	–	8,007,001	8,002,625	–	4,886,099	–	4,886,099	4,889,641
Other financial assets	–	143,817	–	143,817	143,817	–	145,650	–	145,650	145,650
Total	–	160,692,403	–	160,692,403	166,552,932	–	150,328,193	–	150,328,193	153,983,884

Notes to the financial statements

Company	2019					2018				
As at 31 March	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total fair value Rs. '000**	**Carrying amount Rs. '000**	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000
Financial liabilities										
Due to banks	–	27,260,329	–	27,260,329	27,273,933	–	36,739,187	–	36,739,187	39,921,789
Due to customers	–	87,918,010	–	87,918,010	88,368,656	–	69,777,391	–	69,777,391	69,763,219
Debt securities issued	–	20,824,768	–	20,824,768	21,275,031	–	15,529,882	–	15,529,882	15,783,502
Other financial liabilities	–	2,480,377	–	2,480,377	2,480,377	–	4,645,818	–	4,645,818	4,649,249
Total	–	138,483,484	–	138,483,484	139,397,997	–	126,692,278	–	126,692,278	130,117,759

Group	2019					2018				
As at 31 March	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total fair value Rs. '000**	**Carrying amount Rs. '000**	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Carrying amount Rs. '000
Financial assets										
Cash and cash equivalents	–	4,310,595	–	4,310,595	4,310,595	–	4,765,518	–	4,765,518	4,765,518
Balances with banks and financial institutions	–	6,824,241	–	6,824,241	7,375,423	–	8,763,079	–	8,763,079	8,758,715
Loans and receivables	–	149,755,909	–	149,755,909	156,955,837	–	138,612,002	–	138,612,002	141,915,077
Insurance and reinsurance receivables	–	885,395	–	885,395	885,395	–	406,687	–	406,687	406,687
Debt instrument at amortised cost/Held to maturity	–	9,096,321	–	8,007,001	9,091,945	–	6,010,421	–	6,010,421	6,013,963
Total	–	170,872,461	–	169,783,141	178,619,195	–	158,557,707	–	158,557,707	161,859,960
Financial liabilities										
Due to banks	–	30,118,093	–	30,118,093	30,475,326	–	38,651,792	–	38,651,792	41,834,394
Due to customers	–	87,486,543	–	87,486,543	88,923,196	–	69,641,190	–	69,641,190	69,377,794
Debt securities issued	–	20,683,777	–	20,683,777	21,134,040	–	15,419,211	–	15,419,211	15,783,502
Other financial liabilities	–	2,464,936	–	2,464,936	2,464,936	–	4,473,552	–	4,473,552	4,475,471
Insurance liabilities and reinsurance payable	–	81,065	–	81,065	81,065	–	72,117	–	72,117	72,117
Total	–	140,834,414	–	140,834,414	143,078,563	–	128,257,862	–	128,257,862	131,543,278

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 judgement involved in calculating the fair values.

Notes to the financial statements

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

Balances with banks and financial institutions

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

Loans and receivables

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

Due to customers

The estimated fair value of deposits with no maturity period (savings deposits) is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits (fixed deposits) without quoted market prices is based on discounting cash flows using the prevailing market rates 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.

22 Cash and cash equivalents

ACCOUNTING POLICY

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

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

Securities purchased under reverse repurchase agreements

Securities purchased under agreements to re-sell at a specified future date are 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 "interest income" and is accrued over the life of the agreement using the EIR.

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Cash in hand			**861,562**	667,263	**890,748**	692,079
Balance with banks	22.1	269	**2,065,523**	3,578,608	**2,760,312**	3,852,983
Savings deposits with banks			**60,563**	58,719	**60,639**	58,841
Savings deposits in foreign currency			**4,859**	4,211	**4,859**	4,211
Securities under reverse repurchase agreements			**301,548**	103,882	**594,037**	157,404
Total			**3,294,055**	4,412,683	**4,310,595**	4,765,518

Notes to the financial statements

22.1 Balance with banks

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Local banks	**2,065,523**	3,578,608	**2,760,312**	3,842,121
Foreign banks	**–**	–	**–**	10,862
Total	**2,065,523**	3,578,608	**2,760,312**	3,852,983

23 Balances with banks and financial institutions

ACCOUNTING POLICY

Balances with banks and financial institutions include fixed deposits and deposits in foreign currency. Balances with banks and financial institutions are carried at amortised cost in the Statement of Financial Position.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Fixed deposits				
Local currency	**3,404,533**	4,370,473	**7,365,148**	8,753,342
Foreign currency	**–**	–	**10,275**	5,373
Total	**3,404,533**	4,370,473	**7,375,423**	8,758,715
Fair value	**3,399,296**	4,374,837	**6,824,241**	8,763,079

24 Financial assets – Fair value through profit or loss/held for trading

ACCOUNTING POLICY

After 1 April 2018

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

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

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

Before 1 April 2018

Financial assets are classified as FVTPL held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in "net trading income".

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

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

Notes to the financial statements

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Quoted equity securities	24.1	270	**23,190**	174,736	**72,386**	315,485
Total			**23,190**	174,736	**72,386**	315,485

24.1 Quoted equity securities

As at 31 March	Company 2019 Number of Shares	Company 2019 Total cost Rs. '000	Company 2019 Market value Rs. '000	Company 2018 Number of shares	Company 2018 Total cost Rs. '000	Company 2018 Market value Rs. '000
Bank, Finance and Insurance						
Nations Trust Bank PLC	–	–	–	403,084	26,684	32,529
Commercial Bank of Ceylon PLC – Voting	–	–	–	220,887	22,468	29,996
Commercial Bank of Ceylon PLC – Non-voting	**111,984**	**9,653**	**9,407**	109,887	9,464	11,428
Seylan Bank PLC – Voting	**80,381**	**6,236**	**5,048**	78,462	6,101	6,811
Seylan Bank PLC – Non-voting	**103,909**	**3,554**	**3,730**	118,324	4,002	6,520
Subtotal		**19,443**	**18,185**		68,719	87,284
Beverage food and tobacco						
Distilleries Company of Sri Lanka PLC	–	–	–	29,629	220	220
Subtotal		–	–		220	220
Diversified holdings						
Aitken Spence PLC	–	–	–	82,800	16,287	4,190
John Keells Holdings PLC	–	–	–	363,010	64,713	57,935
Melstacorp PLC	–	–	–	100,000	3,033	5,820
Hayleys PLC	–	–	–	3,800	1,249	763
Vallibel One PLC	**350,000**	**8,769**	**5,005**	350,000	8,769	7,910
Subtotal		**8,769**	**5,005**		94,051	76,618
Manufacturing						
Tokyo Cement Company (Lanka) PLC – Non-voting	–	–	–	132,000	4,906	6,072
Subtotal		–	–		4,906	6,072
Hotels and travels						
John Keells Hotels PLC	–	–	–	100,000	2,001	930
Subtotal		–	–		2,001	930
Power and energy						
Mackwoods energy PLC	–	–	–	100,000	1,400	210
LVL Energy Funds Limited	–	–	–	343,600	3,436	3,402
Subtotal		–	–		4,836	3,612
Total		**28,212**	**23,190**		174,733	174,736
Mark to market gains/(losses)		**(5,022)**			3	
Market value of equity securities		**23,190**			174,736	

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As at 31 March	Group					
	2019			2018		
	Number of shares	**Total cost Rs. '000**	**Market value Rs. '000**	Number of shares	Total cost Rs. '000	Market value Rs. '000
Bank, finance and insurance						
Nations Trust Bank PLC	–	–	–	403,084	26,684	32,529
Commercial Bank of Ceylon PLC – Voting	–	–	–	455,373	47,100	61,840
Commercial Bank of Ceylon PLC – Non-voting	**194,604**	**16,619**	**16,347**	191,128	16,283	19,877
National Development Bank PLC	–	–	–	65,378	9,304	8,702
Seylan Bank PLC – Voting	**80,381**	**6,236**	**5,048**	78,462	6,101	6,811
Seylan Bank PLC – Non-voting	**103,909**	**3,554**	**3,730**	118,324	4,002	6,520
Subtotal	–	**26,409**	**25,125**	–	109,474	136,279
Beverage food and tobacco						
Distilleries Company of Sri Lanka PLC	**14,814**	**110**	**215**	44,443	405	569
Subtotal	–	**110**	**215**	–	405	569
Construction and engineering						
Access Engineering PLC	–	–	–	137,620	3,532	2,821
Subtotal	–	–	–	–	3,532	2,821
Diversified holdings						
Aitken Spence PLC	–	–	–	82,800	16,287	4,190
John Keells Holdings PLC	**237,500**	**37,363**	**37,050**	701,082	117,898	111,893
Melstacorp PLC	**50,000**	**1,693**	**1,800**	150,000	4,726	8,730
Hayleys PLC	–	–	–	3,800	1,249	763
Vallibel One PLC	**350,000**	**8,769**	**5,005**	350,000	8,769	7,910
Sunshine Holdings PLC	**50,921**	**2,825**	**2,393**	50,500	2,800	2,833
Subtotal	–	**50,650**	**46,248**	–	151,729	136,319
Chemicals and pharmaceuticals						
CIC Holdings PLC – Non-voting	–	–	–	87,000	6,740	3,524
Subtotal	–	–	–	–	6,740	3,524
Manufacturing						
Tokyo Cement Company (Lanka) PLC – Non-voting	–	–	–	132,000	4,906	6,072
Tokyo Cement Company (Lanka) PLC – Voting	–	–	–	50,000	3,605	2,700
Textured Jersey Lanka PLC	–	–	–	174,983	7,201	5,582
Kelani Cables PLC	**11,833**	**1,492**	**798**	20,000	2,522	1,860
Royal Ceramics Lanka PLC	–	–	–	30,000	3,750	3,162
Subtotal	–	**1,492**	**798**	–	21,984	19,376
Hotels and travels						
John Keells Hotels PLC	–	–	–	100,000	2,001	930
Subtotal	–	–	–	–	2,001	930
Motors						
United Motors Lanka PLC	–	–	–	50,000	5,000	3,800
Subtotal	–	–	–	–	5,000	3,800

Notes to the financial statements

As at 31 March	2019			2018		
	Number of shares	**Total cost Rs. '000**	**Market value Rs. '000**	Number of shares	Total cost Rs. '000	Market value Rs. '000
Power and energy						
Mackwoods Energy PLC	–	–	–	100,000	1,400	210
LVL Energy Funds Limited	–	–	–	991,700	9,917	9,818
Subtotal	–	–	–	–	11,317	10,028
Land and property						
Overseas Realty (Ceylon) PLC	–	–	–	101,594	2,257	1,839
Subtotal	–	–	–	–	2,257	1,839
Total	–	78,661	72,386	–	314,439	315,485
Mark to market gains/(losses)	–	(6,275)	–	–	1,046	–
Market value of equity securities	–	72,386	–	–	315,485	–

24.2 Industry/sector composition of equity securities – Company and Group

Company

Industry/Sector

As at 31 March	2019			2018		
	Total cost Rs. '000	**Market value Rs. '000**	**%**	Total cost Rs. '000	Market value Rs. '000	%
Bank, finance and insurance	**19,443**	**18,185**	**78.42**	68,719	87,284	49.95
Beverage food and tobacco	–	–	–	220	220	0.13
Diversified holdings	**8,769**	**5,005**	**21.58**	94,051	76,618	43.85
Manufacturing	–	–	–	4,906	6,072	3.47
Hotels and travels	–	–	–	2,001	930	0.53
Power and energy	–	–	–	4,836	3,612	2.07
Subtotal	**28,212**	**23,190**	**100.00**	174,733	174,736	100.00
Mark to market gains/(losses)	**(5,022)**			3		
Market value of equity securities	**23,190**			174,736		

Notes to the financial statements

Group

As at 31 March	2019			2018		
	Total cost Rs. '000	**Market value Rs. '000**	**%**	Total cost Rs. '000	Market value Rs. '000	%
Bank, finance and insurance	**26,409**	**25,125**	**34.71**	109,474	136,279	43.20
Beverage food and tobacco	**110**	**215**	**0.30**	405	569	0.18
Construction and engineering	**–**	**–**	**–**	3,532	2,821	0.89
Diversified holdings	**50,650**	**46,248**	**63.89**	151,729	136,319	43.21
Chemicals and pharmaceuticals	**–**	**–**	**–**	6,740	3,524	1.12
Manufacturing	**1,492**	**798**	**1.10**	21,984	19,376	6.14
Hotels and travels	**–**	**–**	**–**	2,001	930	0.29
Motors	**–**	**–**	**–**	5,000	3,800	1.20
Power and energy	**–**	**–**	**–**	11,317	10,028	3.18
Land and property	**–**	**–**	**–**	2,257	1,839	0.58
Subtotal	**78,661**	**72,386**	**100.00**	314,439	315,485	100.00
Mark to market gains/(losses)	**(6,275)**			1,046		
Market value of equity securities	**72,386**			315,485		

Sensitivity analysis of financial assets – FVTPL/Held for trading is given in Note 59.4.3 on page 366.

25 Loans and receivables

ACCOUNTING POLICY

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

- Those that the Company and the Group intend 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

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

Lease

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group/Company as a lessee

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

Notes to the financial statements

Company/Group as a lessor

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

Receivables on lease, hire purchase and islamic finance

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

"Day 1" difference for staff loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as "day 1" difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs. Refer Note 35.2 on page 311.

Renegotiated loans and receivables

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

Written off of loans and receivables

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

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Loans and receivables	25.1.2	275	**156,652,241**	143,220,997	**162,232,865**	145,148,406
Less: Individual impairment charges	25.8	289	**476,668**	299,005	**476,668**	299,005
Less: Collective impairment charges	25.8	289	**4,467,671**	2,756,555	**4,800,360**	2,934,324
Net loans and receivables			**151,707,902**	140,165,437	**156,955,837**	141,915,077

Notes to the financial statements

25.1 Analysis

25.1.1 Analysis by stage wise

As at 31 March	Company			
	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	114,902,936	26,640,116	15,109,189	156,652,241
Less: Individual impairment charges	–	–	476,668	476,668
Less: Collective impairment charges	694,115	683,712	3,089,844	4,467,671
Net loans and receivables	114,208,821	25,956,404	11,542,677	151,707,902

As at 31 March	Group			
	2019			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Loans and receivables	118,132,252	28,664,656	15,435,957	162,232,865
Less: Individual impairment charges	–	–	476,668	476,668
Less: Collective impairment charges	739,818	730,193	3,330,349	4,800,360
Net loans and receivables	117,392,434	27,934,463	11,628,940	156,955,837

25.1.2 Analysis by product

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
By product						
Lease/Ijarah receivables	25.5.1/25.6.1	279/282	87,421,571	85,641,613	87,421,571	85,641,613
Hire purchase/Murabaha receivables	25.5.2/25.6.2	280/283	658,758	1,855,777	2,872,618	3,544,922
Term loans and receivables	25.5.3/25.6.3	281/284	67,237,439	54,564,223	69,849,575	54,430,339
Related party receivables	25.2	276	1,334,473	1,159,384	–	–
Debentures	25.3	277	–	–	2,089,101	1,531,532
Gross total			156,652,241	143,220,997	162,232,865	145,148,406
Fair value			145,848,234	136,508,924	149,755,909	138,612,002

Notes to the financial statements

25.1.3 Analysis by currency

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Sri Lankan Rupee	**156,652,241**	143,220,997	**159,697,153**	145,148,406
Bangladesh Taka	**–**	–	**2,535,712**	–
Gross total	**156,652,241**	143,220,997	**162,232,865**	145,148,406

25.1.4 Analysis by industry

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Agriculture, forestry and fishing	**23,499,008**	13,427,361	**23,949,702**	13,795,345
Arts, entertainment and recreation	**580,392**	105,087	**580,392**	105,087
Construction and infrastructure development	**12,008,983**	9,764,353	**11,204,000**	9,793,555
Consumption	**9,085,088**	10,814,879	**9,090,948**	10,814,879
Education	**1,671,124**	940,019	**1,671,124**	940,019
Financial services	**4,360,893**	4,082,839	**6,192,526**	4,082,839
Health care, social services and support services	**33,836,250**	36,492,409	**33,836,250**	36,492,409
Information technology and communication	**1,193,537**	724,522	**1,193,537**	724,522
Manufacturing	**8,172,219**	5,025,955	**10,665,019**	5,312,929
Professional, scientific and technical activities	**3,926,506**	1,007,239	**4,896,861**	1,724,107
Tourism	**3,727,500**	2,206,673	**3,735,748**	2,211,677
Transportation and storage	**31,528,810**	25,548,094	**31,553,217**	25,562,730
Wholesale and retail trade	**18,754,628**	12,646,499	**19,183,358**	13,010,028
Others	**4,307,303**	20,435,068	**4,480,183**	20,578,280
Gross total	**156,652,241**	143,220,997	**162,232,865**	145,148,406

Geographical distribution of loans and receivables is given in Note 59.2.2 on page 348.

25.2 Related party receivables

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
People's Leasing Property Development Limited	**553,289**	568,182	**–**	–
People's Leasing Fleet Management Limited	**7,244**	6,181	**–**	–
People's Leasing Havelock Properties Limited	**710,399**	529,203	**–**	–
People's Micro-commerce Ltd.	**11,039**	6,488	**–**	–
People's Insurance PLC	**25,347**	22,175	**–**	–
Lankan Alliance Finance Limited	**27,155**	27,155	**–**	–
Total	**1,334,473**	1,159,384	**–**	–

Notes to the financial statements

25.3 Debentures

			Group			
			2019		2018	
	Rate (%)	Maturity date	Number of debentures	Carrying value Rs. '000	Number of debentures Rs. '000	Carrying value Rs. '000
Sampath Bank PLC	8.25	14 December 2019	**1,250**	**127,471**	298	30,742
	9.90	18 November 2019	**500**	**51,787**	298	30,741
	12.50	20 March 2023	**1,000**	**100,401**	1,250	139,310
	13.90	24 February 2024	**1,000**	**101,111**	500	51,779
National Development Bank PLC	9.40	24 June 2020	**283**	**24,122**	283	22,335
	13.95	30 March 2024	**2,000**	**200,000**	76	7,809
DFCC Bank PLC	9.40	10 June 2020	**332**	**35,758**	332	35,754
	12.75	9 November 2023	**1,000**	**104,961**	1,000	100,391
	13.00	29 March 2025	**845**	**95,477**	1,000	105,058
	13.50	28 March 2024	**1,000**	**100,107**	–	–
Seylan Bank PLC	12.85	29 March 2023	**750**	**79,856**	1,000	102,156
MTD Walkers PLC	11.75	30 September 2019	**255**	**26,954**	500	52,446
Commercial Credit and Finance PLC	10.40	10 December 2020	**1,000**	**103,160**	1,000	103,160
Sanasa Development Bank PLC	10.30	31 December 2020	**500**	**51,266**	500	51,266
Commercial Bank PLC	10.75	8 March 2021	**2,000**	**201,324**	2,000	201,324
	12.00	27 October 2021	**422**	**44,331**	422	44,331
	12.00	22 July 2023	**882**	**90,106**	–	–
Hatton National Bank PLC	11.25	28 March 2021	**2,000**	**222,529**	2,000	222,674
	13.00	1 November 2023	**193**	**20,332**	193	20,332
Nations Trust Bank PLC	12.65	8 November 2021	**2,000**	**209,921**	193	209,924
Hayleys PLC	12.50	31 July 2023	**1,000**	**101,978**	2,000	–
Subtotal				**2,092,952**	–	1,531,532
Less: Allowance for expected credit losses				**(3,851)**		–
Total				**2,089,101**		1,531,532

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

Notes to the financial statements

25.4 Movement in gross loan and receivables during the year (Under SLFRS 9)

Movement in gross loan and receivables 2018/19

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	110,019,522	23,482,126	9,608,168	143,109,816
New assets originated or purchased	65,685,458	10,985,274	4,308,201	80,978,933
Assets derecognised or repaid (excluding write-offs)	(47,840,377)	(13,738,418)	(5,623,070)	(67,201,865)
Transfers to Stage 1	5,455,678	(4,855,785)	(599,893)	–
Transfers to Stage 2	(13,313,887)	14,013,387	(699,500)	–
Transfers to Stage 3	(5,103,458)	(3,246,467)	8,349,925	–
Amounts written-off	–	–	(234,643)	(234,643)
Gross carrying amount as at 31 March 2019	**114,902,936**	**26,640,117**	**15,109,188**	**156,652,241**

Movement in gross loan and receivables 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross carrying amount as at 1 April 2018	111,408,727	23,776,549	9,848,209	145,033,485
New assets originated or purchased	68,379,992	12,782,885	4,336,959	85,499,836
Assets derecognised or repaid (excluding write-offs)	(48,430,522)	(13,931,656)	(5,702,630)	(68,064,808)
Transfers to Stage 1	5,531,116	(4,928,543)	(602,573)	–
Transfers to Stage 2	(13,573,641)	14,277,396	(703,755)	–
Transfers to Stage 3	(5,183,423)	(3,311,973)	8,495,396	–
Amounts written-off	–	–	(235,648)	(235,648)
Gross carrying amount as at 31 March 2019	**118,132,249**	**28,664,658**	**15,435,958**	**162,232,865**

Notes to the financial statements

25.5 Contractual maturity analysis – Company

25.5.1 Lease/Ijarah receivable

As at 31 March	Company							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	48,270,858	66,192,475	13,460	114,476,793	44,578,860	66,395,475	13,289	110,987,624
Less: Unearned income	13,679,885	13,367,602	1,085	27,048,572	12,147,855	13,188,944	179	25,336,978
Net rentals receivable	34,590,973	52,824,873	12,375	87,428,221	32,431,005	53,206,531	13,110	85,650,646
Less: Rentals received in advance				6,650				9,033
Lease/Ijarah receivable before impairment provision				87,421,571				85,641,613
Less: Allowance for impairment losses								
Individual Impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				18,262				–
Total individual impairment				18,262				18,064
Collective Impairment								
Stage 1				321,797				–
Stage 2				423,058				–
Stage 3				955,927				–
Total collective impairment				1,700,782				890,587
Total net receivable	34,590,973	52,824,873	12,375	85,702,527	32,431,005	53,206,531	13,110	84,732,962

Notes to the financial statements

25.5.2 Hire purchase/Murabaha receivable

As at 31 March	Company							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	**563,360**	**155,331**	**–**	**718,691**	1,441,834	610,897	–	2,052,731
Less: Unearned income	**49,702**	**9,668**	**–**	**59,370**	146,764	49,432	–	196,196
Net rentals receivable	**513,658**	**145,663**	**–**	**659,321**	1,295,070	561,465	–	1,856,535
Less: Rentals received in advance				**564**				758
Hire purchase/Murabah receivable before impairment provision				**658,757**				1,855,777
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				**–**				–
Stage 2				**–**				–
Stage 3				**–**				–
Total individual impairment				**–**				–
Collective impairment								
Stage 1				**465**				–
Stage 2				**1,707**				–
Stage 3				**74,307**				–
Total collective impairment				**76,479**				118,152
Total net receivable	**513,658**	**145,663**	**–**	**582,278**	1,295,070	561,465	–	1,737,625

Notes to the financial statements

25.5.3 Term loan and receivables

As at 31 March	Company							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Motor loans	**8,690,223**	**17,023,423**	**182,818**	**25,896,464**	4,784,211	11,374,007	113	16,158,331
Short and medium loans	**6,543,609**	**8,817,709**	**18,859**	**15,380,177**	6,650,863	8,363,437	4,169	15,018,469
Clean basis loan stock	**816,318**	**187,574**	**–**	**1,003,892**	2,311,910	118,966	–	2,430,876
Self ecash loan	**1,842,811**	**703,154**	**–**	**2,545,965**	1,114,203	508,468		1,622,671
Fast track loan	**9,480,471**	**4,074,708**	**181,583**	**13,736,762**	8,266,546	3,622,317	–	11,888,863
Trading murabaha	**1,030,619**	**244,884**	**–**	**1,275,503**	1,278,572	397,935		1,676,507
Musharakah	**298,416**	**751,343**	**1,033**	**1,050,792**	26,433	125,906	–	152,339
Factoring receivable	**2,755,551**	**–**	**–**	**2,755,551**	1,635,866	–	–	1,635,866
Margin trading	**2,066,214**	**–**	**–**	**2,066,214**	2,642,181	–	–	2,642,181
Staff loans	**24,786**	**624,026**	**37,993**	**686,805**	67,140	395,990	22,286	485,416
Sundry loans	**841,892**	**–**	**–**	**841,892**	856,918	–	–	856,918
Less: Prepaid rentals	**2,577**	**–**	**–**	**2,577**	4,214	–	–	4,214
Loan receivable before impairment provision	**34,388,333**	**32,426,821**	**422,286**	**67,237,440**	29,630,629	24,907,026	26,568	54,564,223
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				**–**				–
Stage 2				**–**				–
Stage 3				**458,406**				–
Total individual impairment				**458,406**				280,941
Collective impairment								
Stage 1				**371,853**				–
Stage 2				**258,945**				–
Stage 3				**2,059,612**				–
Total collective impairment				**2,690,410**				1,747,816
Total net receivable	**34,388,333**	**32,426,821**	**422,286**	**64,088,624**	29,630,629	24,907,026	26,568	52,535,466

Notes to the financial statements

25.6 Contractual maturity analysis – Group

25.6.1 Lease/Ijarah receivable

As at 31 March	Group							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	52,895,752	61,568,240	12,801	114,476,793	48,578,429	62,397,347	11,848	110,987,624
Less: Unearned income	14,639,416	12,408,082	1,074	27,048,572	12,951,348	12,385,474	156	25,336,978
Net rentals receivable	38,256,336	49,160,158	11,727	87,428,221	35,627,081	50,011,873	11,692	85,650,646
Less: Rentals received in advance				6,650				9,033
Lease/Ijarah receivable before impairment provision				87,421,571				85,641,613
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				–				–
Stage 2				–				–
Stage 3				18,262				–
Total individual impairment				18,262				18,064
Collective impairment								
Stage 1				321,797				–
Stage 2				423,058				–
Stage 3				955,927				–
Total collective impairment				1,700,782				890,587
Total net receivable	38,256,336	49,160,158	11,727	85,702,527	35,627,081	50,011,873	11,692	84,732,962

Notes to the financial statements

25.6.2 Hire purchase/Murabah receivable

As at 31 March	Group							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Gross rentals receivable	**3,627,512**	**155,331**	**–**	**3,782,843**	3,777,780	610,897	–	4,388,677
Less: Unearned income	**899,993**	**9,668**	**–**	**909,661**	793,565	49,432	–	842,997
Net rentals receivable	**2,727,519**	**145,663**	**–**	**2,873,182**	2,984,215	561,465	–	3,545,680
Less: Rentals received in advance				**564**				758
Hire purchase/Murabah receivable before impairment provision				**2,872,618**				3,544,922
Less: Allowance for impairment losses								
Individual impairment								
Stage 1				**–**				–
Stage 2				**–**				–
Stage 3				**–**				–
Total individual impairment				**–**				–
Collective impairment								
Stage 1				**34,114**				–
Stage 2				**31,194**				–
Stage 3				**138,675**				–
Total collective impairment				**203,983**				161,769
Total net receivable	**2,727,519**	**145,663**	**–**	**2,668,635**	2,984,215	561,465	–	3,383,153

Notes to the financial statements

25.6.3 Term-loan and receivables

As at 31 March	Group							
	2019				2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Motor loans	8,690,223	17,023,423	182,818	25,896,464	4,784,211	11,374,007	113	16,158,331
Short and medium loans	9,092,311	8,817,709	18,859	17,928,879	6,479,522	8,363,437	4,169	14,847,128
Clean basis loan stock	816,318	187,574	–	1,003,892	2,311,910	118,966	–	2,430,876
Self ecash loan	1,842,811	703,154	–	2,545,965	1,114,203	508,468	–	1,622,671
Fast track loan	9,480,471	4,074,708	181,583	13,736,762	8,266,546	3,622,317	–	11,888,863
Trading murabah	1,030,619	244,884	–	1,275,503	1,278,572	397,935	–	1,676,507
Musharakah	298,416	751,343	1,033	1,050,792	26,433	125,906	–	152,339
Factoring receivable	2,755,551	–	–	2,755,551	1,635,866	–	–	1,635,866
Margin trading	2,066,214	–	–	2,066,214	2,642,181	–	–	2,642,181
Staff loans	88,219	624,026	37,993	750,238	104,597	395,990	22,286	522,873
Sundry loans	841,892	–	–	841,892	856,918	–	–	856,918
Less: Prepaid rentals	2,577	–	–	2,577	4,214	–	–	4,214
Loan receivable before impairment provision	37,000,468	32,426,821	422,286	69,849,575	29,496,745	24,907,026	26,568	54,430,339
Less: Prepaid rentals								
Stage 1				–				–
Stage 2				–				–
Stage 3				458,406				–
Total individual impairment				458,406				280,941
Collective impairment								
Stage 1				383,906				–
Stage 2				275,939				–
Stage 3				2,235,750				–
Total collective impairment				2,895,595				1,881,968
Total net receivable	37,000,468	32,426,821	422,286	66,495,574	29,496,745	24,907,026	26,568	52,267,430

25.7 Impairment allowance for loans and receivable to customers

ACCOUNTING POLICY

After 1 April 2018

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

Individual impairment

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

Basis of calculating individual impairment is not changed with the adoption of SLFRS 9. Refer page 288 for detail note on individually assessed loans and receivables.

Notes to the financial statements

Collective impairment

A collective impairment provision is established for –

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

As per SLFRS 9, the Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include –

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

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

Stage 1

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

Stage 2

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

Stage 3

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

Significant increase in credit risk

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

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

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

Definition of default and credit impaired assets

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

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

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

Notes to the financial statements

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

   Two types of PDs are used for calculating ECLs:

   - 12 months PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12 months ECLs.
   - Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for "Stage 2" and "Stage 3" exposures

2. Loss given default ("LGD") – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
3. Exposure at default ("EAD") – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
4. Discount rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition.
5. Economic factor adjustment (EFA) – When incorporate forward looking information, an entity should consider forecasted macroeconomic factors to assessing the expected credit loss.

Forward-looking information

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

Quantitative drivers of credit risk	Qualitative drivers of credit risk
Interest rate (AWPLR)	Status of industry business
GDP growth	Regulatory impact
Rate of inflation	Government policies
Unemployment rate	
Exchange rate	

Revolving facilities

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

Before 1 April 2018

As per LKAS 39, the collective provision for groups of homogeneous loans is established using statistical methods (such as, net flow rate methodology, risk migration analysis) or, a formula approach based on historical loss rate experience, using the statistical analysis of historical data on delinquency to estimate the amount of loss. Management applies judgement to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the reporting date. The loss rates are regularly reviewed against actual loss experience.

In assessing the need for collective impairment, Management considers factors such as credit quality (for example, loan to collateral ratio, level of restructured performing loans), portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions (including policy rates, inflation, growth in gross domestic product, sovereign rating etc.).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

Incurred but not yet identified impairment

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

The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

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

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

- Recent lending portfolio growth and product mix
- Unemployment rates, gross domestic production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in laws and regulations

Loans and receivables

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

Notes to the financial statements

Individually assessed loans and receivables

For all loans and receivables that are considered individually significant, the Company and 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 and receivables where objective evidence of impairment exists, impairment losses are determined considering the following factors:

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

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed loans and receivables

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

Impairment charges for loans and receivable

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

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

Notes to the financial statements

25.8 Movement in Individual and collective impairment charges during the year

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

	Company								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As at 1 April 2017	720,089	154,278	16,553	695,927	5,395	6,790	15,925	34,640	1,649,597
Charge/(Reversal) for the year	167,301	(42,861)	4,708	1,160,953	18,392	(55)	62,730	34,795	1,405,963
As at 31 March 2018	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560
Individual impairment	18,064	–	–	257,436	13,012	–	–	10,493	299,005
Collective impairment	869,326	111,417	21,261	1,599,444	10,775	6,735	78,655	58,942	2,756,555
	887,390	111,417	21,261	1,856,880	23,787	6,735	78,655	69,435	3,055,560
As at 1 April 2018	**887,390**	**111,417**	**21,261**	**1,856,880**	**23,787**	**6,735**	**78,655**	**69,435**	**3,055,560**
Recognition of SLFRS 9 ECL	**357,817**	**(1,223)**	**68,290**	**354,583**	**4,198**	**8,582**	**30,513**	**72,699**	**895,459**
As at 1 April 2018 – Restated	**1,245,207**	**110,194**	**89,551**	**2,211,463**	**27,985**	**15,317**	**109,168**	**142,134**	**3,951,019**
Charge/(Reversal) for the year	**381,372**	**(37,581)**	**2,914**	**603,803**	**(13,779)**	**(11,451)**	**20,440**	**47,602**	**993,320**
At 31 March 2019	**1,626,579**	**72,613**	**92,465**	**2,815,266**	**14,206**	**3,866**	**129,608**	**189,736**	**4,944,339**
Individual impairment									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–	–	–
Stage 3	18,262	–	–	458,032	374	–	–	–	476,668
Total Individual impairment	18,262	–	–	458,032	374	–	–	–	476,668
Collective impairment									
Stage 1	309,694	226	12,103	175,176	102	239	6,839	189,736	694,115
Stage 2	399,124	1,109	23,934	254,802	25	598	4,118	–	683,710
Stage 3	899,499	71,278	56,428	1,927,256	13,705	3,029	118,651	–	3,089,846
Total Collective impairment	1,608,317	72,613	92,465	2,357,234	13,832	3,866	129,608	189,736	4,467,671
Total	**1,626,579**	**72,613**	**92,465**	**2,815,266**	**14,206**	**3,866**	**129,608**	**189,736**	**4,944,339**

Notes to the financial statements

	Group								
	Lease Rs. '000	Hire purchase Rs. '000	Ijarah Rs. '000	Term loans Rs. '000	Refinance loans Rs. '000	Murabah Rs. '000	Trading murabah Rs. '000	Factoring Rs. '000	Total Rs. '000
As at 1 April 2017	720,089	181,893	16,553	809,580	5,395	6,790	15,925	34,640	1,790,865
Charge/(Reversal) for the year	167,301	(26,859)	4,708	1,181,452	18,392	(55)	62,730	34,795	1,442,464
As at 31 March 2018	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329
Individual impairment	18,064	–	–	257,436	13,012	–	–	10,493	299,005
Collective impairment	869,326	155,034	21,261	1,733,596	10,775	6,735	78,655	58,942	2,934,324
	887,390	155,034	21,261	1,991,032	23,787	6,735	78,655	69,435	3,233,329
As at 1 April 2018	**887,390**	**155,034**	**21,261**	**1,991,032**	**23,787**	**6,735**	**78,655**	**69,435**	**3,233,329**
Recognition of SLFRS 9 ECL	**357,817**	**19,012**	**68,290**	**382,955**	**4,198**	**8,582**	**30,513**	**72,699**	**944,066**
As at 1 April 2018 – Restated	**1,245,207**	**174,046**	**89,551**	**2,373,987**	**27,985**	**15,317**	**109,168**	**142,134**	**4,177,395**
Charge/(Reversal) for the year	**381,372**	**26,071**	**2,914**	**646,464**	**(13,779)**	**(11,451)**	**20,440**	**47,602**	**1,099,633**
At 31 March 2019	**1,626,579**	**200,117**	**92,465**	**3,020,451**	**14,206**	**3,866**	**129,608**	**189,736**	**5,277,028**
Individual impairment									
Stage 1	–	–	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–	–	–
Stage 3	18,262	–	–	458,032	374	–	–	–	476,668
Total Individual impairment	18,262	–	–	458,032	374	–	–	–	476,668
Collective impairment									
Stage 1	309,694	33,875	12,103	187,229	102	239	6,839	189,736	739,817
Stage 2	399,124	30,596	23,934	271,796	25	598	4,118	–	730,191
Stage 3	899,499	135,646	56,428	2,103,394	13,705	3,029	118,651	–	3,330,352
Total Collective impairment	1,608,317	200,117	92,465	2,562,419	13,832	3,866	129,608	189,736	4,800,360
Total	**1,626,579**	**200,117**	**92,465**	**3,020,451**	**14,206**	**3,866**	**129,608**	**189,736**	**5,277,028**

Notes to the financial statements

25.9 Movement in provision for impairment during the year (Under SLFRS 9)

Movement in impairment 2018/19

	Company			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	701,532	504,372	2,745,115	3,951,019
New assets originated or purchased	310,260	339,228	523,652	1,173,140
Assets derecognised or repaid (excluding write-offs)	(197,681)	(255,547)	(995,542)	(1,448,770)
Transfers to Stage 1	181,385	(92,245)	(89,140)	–
Transfers to Stage 2	(87,319)	182,440	(95,121)	–
Transfers to Stage 3	(51,192)	(102,055)	153,247	–
Impact on year end ECL of exposures transferred between stages during the year	(166,445)	102,047	1,516,426	1,452,028
Changes to models and inputs used for ECL calculations	3,575	5,470	33,910	42,955
Amounts written-off	–	–	(226,033)	(226,033)
Balance as at 31 March 2019	**694,115**	**683,710**	**3,566,514**	**4,944,339**

Movement in impairment 2018/19

	Group			
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
ECL allowance as at 1 April 2018 under SLFRS 9	716,351	523,368	2,937,676	4,177,395
New assets originated or purchased	422,584	286,608	514,679	1,223,871
Assets derecognised or repaid (excluding write-offs)	(195,508)	(247,795)	(1,024,462)	(1,467,765)
Transfers to Stage 1	186,909	(97,029)	(89,880)	–
Transfers to Stage 2	(91,306)	187,659	(96,353)	–
Transfers to Stage 3	(54,187)	(107,441)	161,628	–
Impact on year end ECL of exposures transferred between stages during the year	(149,220)	119,072	1,579,576	1,549,428
Changes to models and inputs used for ECL calculations	(8,009)	(2,122)	30,264	20,133
Amounts written-off	–	–	(226,033)	(226,033)
Balance as at 31 March 2019	**739,817**	**730,191**	**3,807,020**	**5,277,028**

25.10 Movement in provision for individual and collective impairment during the year (Under LKAS 39)

25.10.1 Movement in provision for individual impairment 2017/18

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	–	231,999	–	242,842
Charge/(write-back) to the Statement of Profit or Loss	–	67,006	–	56,163
Balance as at 31 March	–	299,005	–	299,005

Notes to the financial statements

25.10.2 Movement in provision for collective impairment 2017/18

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	–	1,417,598	–	1,548,023
Charge/(write-back) to the Statement of Profit or Loss	–	1,338,957	–	1,386,301
Balance as at 31 March	–	2,756,555	–	2,934,324

Sensitivity analysis of impairment provision is given in Note 59.2.7 on page 354.

26 Insurance and reinsurance receivables

ACCOUNTING POLICY

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

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

After 1 April 2018

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

Before 1 April 2018

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Gains or losses on buying reinsurance are recognised in the Statement of Profit or Loss immediately at the date of purchase and are not amortised.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises. 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.

Assessment of impairment of reinsurance receivables

After 1 April 2018

The Group recognises loss allowances on reinsurance receivables measured at amortised cost. The Group measures loss allowance at an amount equal to lifetime, except financial investments that are determined to have low credit risk at the reporting date.

Before 1 April 2018

Based on the Board of Directors assessment, no impairment loss was recorded for the year ended 31 March 2018.

Insurance receivables

After 1 April 2018

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

Before 1 April 2018

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

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

Assessment of impairment of insurance receivables

After 1 April 2018

The Group assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories provided below:

Before 1 April 2018

The Board of Directors has assessed potential impairment loss of insurance receivables as at 31 March 2018. Based on the assessment, it was concluded that there is no requirement for an additional impairment loss provision other than amounts provided.

Insurance – Product classification

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

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

Reinsurance

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

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

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

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

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

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

Notes to the financial statements

Reinsurance receivables

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

Insurance receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of 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.

Deferred expenses

Deferred acquisition costs (DAC)

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

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

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

Reinsurance commissions

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Reinsurance receivables	**–**	–	**481,559**	163,211
Insurance receivables	**–**	–	**403,836**	243,476
Total	**–**	–	**885,395**	406,687

27 Financial assets – fair value through other comprehensive income/Available for sale

ACCOUNTING POLICY

Before 1 April 2018

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

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

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

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

Notes to the financial statements

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

After 1 April 2018

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of equity under SLFRS 9 – "Financial Instruments" and are not FVTPL. Such classification is determined on an instrument-by-instrument basis.

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

These instruments comprise quoted and unquoted shares that had been previously classified as available for sale under LKAS 39.

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

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Equity securities	27.1	295	**125,651**	219,132	**125,651**	219,132
Total			**125,651**	219,132	**125,651**	219,132

27.1 Equity securities – Company and Group

As at 31 March			2019			2018		
	Note	Page No.	**Number of shares**	**Cost of investment Rs. '000**	**Market value Rs. '000**	**Number** of shares	Cost of investment Rs. '000	Market value Rs. '000
Quoted investments								
Sanasa Development Bank PLC			**2,094,012**	**203,382**	**125,641**	2,036,446	197,253	219,122
				203,382	**125,641**		197,253	219,122
Unquoted investments								
Credit Information Bureau of Sri Lanka	27.2	296	**100**	**10**	**10**	100	10	10
City Finance Corporation Limited	27.4	296	**50,000,000**	**50,000**	**–**	50,000,000	50,000	–
Total				**253,392**	**125,651**		247,263	219,132

Notes to the financial statements

27.2 Reconciliation of fair value measurement for unquoted equity securities under level 3 hierarchy

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**10**	10	**10**	10
Remeasurement recognised in OCI	**–**	–	**–**	–
Balance as at 31 March	**10**	10	**10**	10

27.3 Movements in available-for-sale reserve

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**46,869**	31,009	**45,585**	20,078
Transfer to fair value reserve	**(46,869)**	–	**(45,585)**	–
Gain/(loss) on remeasuring	**–**	15,860	**–**	25,507
Balance as at 31 March	**–**	46,869	**–**	45,585

27.4 City Finance Corporation Limited

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Investment in City Finance Corporation Limited	**50,000**	50,000	**50,000**	50,000
Less: Impairment provision	**50,000**	50,000	**50,000**	50,000
Balance as at 31 March	**–**	–	**–**	–

Sensitivity analysis of financial assets – FVOCI/Available for sale is given in Note 59.4.3 on page 366.

28 Debt instrument at amortised cost/held to maturity

ACCOUNTING POLICY

Before 1 April 2018

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

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

Notes to the financial statements

Impairment of held-to-maturity financial assets

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

After 1 April 2018

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

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

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Treasury bills	**7,976,782**	4,864,258	**9,066,102**	5,988,580
Treasury bonds	**25,843**	25,383	**25,843**	25,383
Total	**8,002,625**	4,889,641	**9,091,945**	6,013,963
Fair value	**8,007,001**	4,886,099	**9,096,321**	6,010,421

29 Investments in subsidiaries

ACCOUNTING POLICY

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

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

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

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

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

A list of subsidiaries with there principal activities are given in the Note 1.2.

Notes to the financial statements

As at 31 March	2019			2018		
	Holding %	**Cost Rs. '000**	**Directors'/ market valuation Rs. '000**	Holding %	Cost Rs. '000	Directors'/ market valuation Rs. '000
Company						
People's Leasing Fleet Management Limited	**100.00**	**175,000**	**300,728**	100.00	175,000	294,296
People's Leasing Property Development Limited	**100.00**	**550,000**	**991,679**	100.00	550,000	1,073,975
People's Leasing Havelock Properties Limited	**100.00**	**600,000**	**492,817**	100.00	600,000	571,580
People's Micro-commerce Ltd.	**100.00**	**150,000**	**212,983**	100.00	150,000	227,316
People's Insurance PLC	**75.00**	**600,000**	**2,955,000**	75.00	600,000	2,261,894
Lankan Alliance Finance Limited	**51.00**	**1,138,788**	**1,213,996**	51.00	1,138,788	1,040,807
Total		**3,213,788**	**6,167,203**		3,213,788	5,469,868

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

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

For the year ended 31 March	2019			2018		
	People's Insurance PLC	**Lankan Alliance Finance Limited**	**Total**	People's Insurance PLC	Lankan Alliance Finance Limited	Total
Non-controlling interest (NCI) percentage (%)	**25**	**49**		25	49	
	Rs. '000	**Rs. '000**	**Rs. '000**	Rs. '000	Rs. '000	Rs. '000
Net operating income	**5,609,003**	**278,774**	**5,887,777**	4,920,502	36,751	4,957,253
Less: Operating expenses	**4,803,207**	**190,662**	**4,993,869**	4,056,794	17,991	4,074,785
Profit before income tax	**805,796**	**88,112**	**893,908**	863,708	18,760	882,468
Less: Income tax expense	**148,287**	**20,125**	**168,412**	95,625	857	96,482
Profit after income tax	**657,509**	**67,987**	**725,496**	768,083	17,903	785,986
Profit allocated to non-controlling interest (NCI)	**164,376**	**33,314**	**197,690**	192,021	8,772	200,793

Notes to the financial statements

As at 31 March	2019			2018		
	People's Insurance PLC Rs. '000	**Lankan Alliance Finance Limited Rs. '000**	**Total Rs. '000**	People's Insurance PLC Rs. '000	Lankan Alliance Finance Limited Rs. '000	Total Rs. '000
Cash and cash equivalents	**946,851**	**23,759**	**970,610**	313,648	10,948	324,596
Balances with banks and financial institutions	**3,269,112**	**1,084,919**	**4,354,031**	2,660,287	2,023,265	4,683,552
Loans and receivables	**2,282,413**	**2,572,618**	**4,855,031**	1,658,288	–	1,658,288
Insurance and reinsurance receivables	**1,491,238**	**–**	**1,491,238**	1,015,106	–	1,015,106
Financial assets – Fair value other comprehensive income/Available for sale	**1,089,320**	**–**	**1,089,320**	1,124,322	–	1,124,322
Property, plant and equipment and intangible assets	**83,660**	**28,335**	**111,995**	89,545	21,786	111,331
Other assets	**462,525**	**106,558**	**569,083**	816,608	52,946	869,554
Total assets	**9,625,119**	**3,816,189**	**13,441,308**	7,677,804	2,108,945	9,786,749
Due to banks	**611,013**	**343,629**	**954,642**	106,944	–	106,944
Due to customers	**–**	**1,014,310**	**1,014,310**	–	–	–
Other financial liabilities	**617,231**	**77,866**	**695,097**	341,690	70,974	412,664
Other liabilities	**156,933**	**–**	**156,933**	97,628	–	97,628
Insurance liabilities and reinsurance payable	**4,944,373**	**–**	**4,944,373**	4,115,681	–	4,115,681
Total liabilities	**6,329,550**	**1,435,805**	**7,765,355**	4,661,943	70,974	4,732,917
Net assets value	**3,295,569**	**2,380,385**	**5,675,954**	3,015,861	2,037,971	5,053,832
Carrying amount of non-controlling interest (NCI)	**823,892**	**1,166,389**	**1,990,281**	753,965	998,606	1,752,571
Cash flows from operating activities	**309,713**	**(1,417,299)**	**(1,107,586)**	1,102,330	2,245	1,104,575
Cash flows from investing activities	**(426,258)**	**(20,243)**	**(446,501)**	765,376	(16,531)	748,845
Cash flows from financing activities	**(21,023)**	**1,012,138**	**991,115**	(350,000)	(490)	(350,490)
Net increase in cash and cash equivalents	**(137,568)**	**(425,404)**	**(562,972)**	1,517,706	(14,776)	1,502,930

30 Investments in associate

ACCOUNTING POLICY

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

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

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% or more 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 – "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.

Notes to the financial statements

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 – "Financial Instruments: Recognition and Measurement".

30.1 Details of associate

As at 31 March	Holding		Company		Group	
	2019 %	2018 %	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Quoted equity securities						
People's Merchant Finance PLC (25,014,002 ordinary shares)	37.06	37.06	**237,633**	586,427	**237,633**	423,439
Total			**237,633**	586,427	**237,633**	423,439

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Reconciliation of summarised financial information				
Cost of investment	**586,427**	586,427	**586,427**	586,427
Share of loss applicable to the Group				
Share of (loss) up to 1 April	**–**	–	**(162,988)**	(110,046)
Total share recognised during the year				
(Loss) for the year recognised in Statement of Profit or Loss, net of tax	**–**	–	**(33,234)**	(52,942)
Impairment for the year recognised in Statement of Profit or Loss	**(348,794)**	–	**(152,572)**	–
Total	**237,633**	586,427	**237,633**	423,439

People's Merchant Finance PLC

Pursuant to a direction issued by the Monetory Board of the Central Bank of Sri Lanka to amalgamate People's Merchant Finance PLC with People's Leasing & Finance PLC ("the Company"), the Company made an announcement thereon to the Colombo Stock Exchange on 29 July 2016.

Further to disclosure dated 10 May 2018, Board of Directors of People's Merchant Finance PLC has resolved to proceed with a capital infusion by way of a private placement and right issue as disclosed on 10 January 2019. Accordingly, the proposed amalgamation of People's Merchant Finance PLC and People's Leasing & Finance PLC as disclosed in prior announcements will not take place.

Forming an integral part of its restructuring exercise, People's Merchant Finance PLC (PMF) has successfully secured a new investor for recapitalisation purposes. Whilst the new capital infusion is expected to take place in the near term, it will inevitably reduce the Company's influencing stake from 37.06% to less than 20.00% on conclusion. The said transaction is currently pending other formalities.

Impairment loss on People's Merchant Finance PLC

During 2018/19, the Company recognised an impairment loss of Rs. 348,793,939 pertaining to its investment in People's Merchant Finance PLC on the basis of its carrying value exceeding the estimated recoverable amount. The recoverable amount being the higher of its fair value less cost of disposal and value in use. In this context, it must be pointed out that the fair value of the said investment was derived based on the purchase consideration per share as agreed to with the prospective investor.

Notes to the financial statements

30.2 Summarised financial information of associate

Summarised financial information to carrying amount of the interest in associate recognised in the Consolidated Financial Statements is as follows:

For the year ended 31 March	People's Merchant Finance PLC – 37.06%	
	2019 Rs. '000	2018 Rs. '000
Ownership interest		
Net operating income	**191,294**	94,056
Less: Operating expenses	**280,976**	236,920
Loss before tax	**(89,682)**	(142,864)
Less: Income tax expense	**–**	–
Loss after tax	**(89,682)**	(142,864)
Share of results of equity accounted investee recognised in statement of profit or loss	**(33,234)**	(52,942)

As at 31 March	People's Merchant Finance PLC – 37.06%	
	2019 Rs. '000	2018 Rs. '000
Ownership interest		
Total assets	**2,901,471**	2,938,139
Total liabilities	**2,750,028**	2,717,234
Net assets	**151,443**	220,905
Group's share of net assets	**56,120**	81,861

31 Investment property

ACCOUNTING POLICY

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

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

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

Derecognition

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

Subsequent transfers to/from investment property

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

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

Notes to the financial statements

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

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

Fair value of investment property

Investment property of the Company and the Group 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 Company and the Group determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

Determining fair value

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

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

Investment property leased within the Group

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

Owner-occupied properties and investment property

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

	Company		Group	
As at 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**134,400**	100,800	**1,265,996**	–
Gain from fair value adjustment	**–**	33,600	**–**	311,422
Adjustment due to change in intention	**–**	–	**–**	29,652
Sale of investment property	**(134,400)**		**(134,400)**	–
Transfer during the year	**–**	–	**–**	924,922
Balance as at 31 March	**–**	134,400	**1,131,596**	1,265,996

Land and building at Nos. 7 and 9, Havelock Road, Colombo 7 is rented to People's Bank, People's Insurance PLC and People's Leasing and Finance PLC by the People's Leasing Havelock Properties Limited during the year. In the Group Financial Statements, such property have separated and part rented to People's Bank has been classified as investment property to the Group. Basis for the separation is based on the number of Sq.ft. rented.

The Company carries investment property at market value. Market valuation of the above investment property was carried out as at 31 December 2018 by Mr K T D Tissera, FRICS (Eng), who is Independent Valuer not connected with the Company.

Rent income recoginised in respect to the above investment property is disclosed in Note 10.

Notes to the financial statements

32 Property, plant and equipment

ACCOUNTING POLICY

Basis of recognition

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

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

Basis of measurement

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

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

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

Subsequent costs

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

Repairs and 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 the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Capital work-in-progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost.

Derecognition

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

Depreciation

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

Notes to the financial statements

The estimated useful lives are as follows:

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

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

Useful lives of property, plant and equipment

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

32.1 Property, plant and equipment – Company

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2018	619,181	56,872	209,752	629,512	611,767	420,360	2,547,444
Additions	–	–	1,321	81,996	47,971	16,379	147,667
Disposals	(52,000)	–	(1,564)	(2,052)	(4,341)	(1,268)	(61,225)
Balance as at 31 March 2019	567,181	56,872	209,509	709,456	655,397	435,471	2,633,886
Less: Accumulated depreciation							
Balance as at 1 April 2018	3,232	56,754	62,548	470,057	441,729	346,241	1,380,561
Charge for the year	430	20	12,897	58,417	65,154	29,088	166,006
Disposals	(1,260)	–	(938)	(3,307)	(4,303)	(1,159)	(10,967)
Balance as at 31 March 2019	2,402	56,774	74,507	525,167	502,580	374,170	1,535,600
Net book value as at 31 March 2019	564,779	98	135,002	184,289	152,817	61,301	1,098,286

Notes to the financial statements

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2017	683,660	56,872	227,385	544,967	550,174	397,780	2,460,838
Additions	–	–	172	84,647	62,629	22,902	170,350
Disposals	(64,479)	–	(17,805)	(102)	(1,036)	(322)	(83,744)
Balance as at 31 March 2018	619,181	56,872	209,752	629,512	611,767	420,360	2,547,444
Less: Accumulated depreciation			–				
Balance as at 1 April 2017	2,526	56,717	51,935	418,500	365,122	311,294	1,206,094
Charge for the year	706	37	13,783	51,627	77,644	35,108	178,905
Disposals	–	–	(3,170)	(70)	(1,037)	(161)	(4,438)
Balance as at 31 March 2018	3,232	56,754	62,548	470,057	441,729	346,241	1,380,561
Net book value as at 31 March 2018	615,949	118	147,204	159,455	170,038	74,119	1,166,883

32.2 Property, plant and equipment – Group

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Total Rs. '000
Cost							
Balance as at 1 April 2018	3,259,486	58,583	587,694	700,364	881,733	497,551	5,985,411
Additions	–	–	71,849	106,661	57,345	21,516	257,371
Disposals	(52,000)	–	(48,776)	(2,052)	(5,598)	(1,268)	(109,694)
Transfers	6,513	–	–	6,185	6,105	(12,290)	6,513
Exchange rate variance	–	–	–	1,019	798	1,900	3,717
Balance as at 31 March 2019	3,213,999	58,583	610,767	812,177	940,383	507,409	6,143,318
Less: Accumulated depreciation							
Balance as at 1 April 2018	198,283	57,231	157,911	517,911	574,236	367,124	1,872,696
Charge for the year	60,368	20	41,105	70,030	74,375	40,295	286,193
Disposals	(1,260)	–	(22,423)	(3,307)	(5,560)	(1,140)	(33,690)
Transfers	–	–	–	1,133	1,512	(2,645)	–
Exchange rate variance	–	–	–	198	244	376	818
Balance as at 31 March 2019	257,391	57,251	176,593	585,965	644,807	404,010	2,126,017
Net book value as at 31 March 2019	2,956,608	1,332	434,174	226,212	295,576	103,399	4,017,301

Notes to the financial statements

	Freehold land and buildings Rs. '000	Improvement of leasehold properties Rs. '000	Motor vehicles Rs. '000	Computer hardware Rs. '000	Office equipment Rs. '000	Furniture and fittings Rs. '000	Work-in-progress Rs. '000	Total Rs. '000
Cost								
Balance as at 1 April 2017	2,841,602	58,583	588,436	612,507	805,106	417,001	1,327,085	6,650,320
Additions	–	–	81,275	94,295	77,847	64,450	94,396	412,263
Additions due to acquisition of subsidiary	–	–	–	–	–	19,979	–	19,979
Disposals	(64,479)	–	(82,017)	(6,438)	(1,220)	(7,437)	(14,196)	(175,787)
Transfers/adjustments	482,363	–	–	–	–	–	(1,407,285)	(924,922)
Exchange rate variance	–	–	–	–	–	3,558	–	3,558
Balance as at 31 March 2018	3,259,486	58,583	587,694	700,364	881,733	497,551	–	5,985,411
Less: Accumulated depreciation								
Balance as at 1 April 2017	152,340	57,194	145,133	462,374	490,067	327,654	–	1,634,762
Charge for the year	45,943	37	42,497	61,901	85,390	42,574	–	278,342
Additions due to acquisition of subsidiary	–	–	–	–	–	3,526	–	3,526
Disposals	–	–	(29,719)	(6,364)	(1,221)	(7,013)	–	(44,317)
Exchange rate variance	–	–	–	–	–	383	–	383
Balance as at 31 March 2018	198,283	57,231	157,911	517,911	574,236	367,124	–	1,872,696
Net book value as at 31 March 2018	3,061,203	1,352	429,783	182,453	307,497	130,427	–	4,112,715

32.3 Fully-depreciated property, plant and equipment

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Improvement of leasehold properties	**53,282**	54,624	**53,282**	54,624
Motor vehicles	**37,444**	28,241	**38,520**	51,818
Computer hardware	**400,378**	357,737	**434,734**	381,263
Office equipment	**285,671**	267,334	**312,322**	287,137
Furniture and fittings	**308,748**	298,765	**320,293**	305,877
Total	**1,085,523**	1,006,701	**1,159,151**	1,080,719

Notes to the financial statements

32.4 Group freehold land and buildings

Location	Address	Date of valuation	Method of valuation	Land extent (perches)	Building area (Sq.Ft)	**2019 Cost Rs. '000**	**2019 Revaluation Rs. '000**	2018 Revaluation Rs. '000
People's Leasing & Finance PLC								
Vehicle yards								
Makola	No. 496, Makola North, Makola	31.12.2016	MCM	90	11,600	**7,632**	**45,000**	45,000
Mabima	No. 225/D, Nayagala Road, Heiyantuduwa, Mabima	31.12.2016	MCM	330.75	820	**21,722**	**68,000**	68,000
Meegahamulla	Kandepalla, Beligamuwa, Galewala	31.12.2016	MCM	260	1,836	**27,558**	**13,754**	13,754
Monaragala	No. 10, Pothuvil Road, Monaragala	31.12.2016	MCM	125.9	1,376	**41,056**	**45,000**	45,000
Administrative purpose								
Bandarawela	No. 35/2D, Welimada Road, Bandarawela	31.12.2016	MCM	8.3	5,194	**31,257**	**40,000**	40,000
Jaffna	No. 10, Mahathma Gandhi Road, Jaffna	31.12.2016	MCM	44.72	–	**45,764**	**155,063**	155,063
Boralesgamuwa*	No. 81, Old Kesbewa Road, Diulpitiya, Boralesgamuwa	31.12.2016	MCM	42	13,366	**52,000**	**-**	50,000
Hokandara*	No. 414, Wellangiriya, Singhapura, Hokandara	31.03.2017	MCM	224	–	**71,148**	**-**	134,400
Matara	No. 367, Anagarika Dharmapala Mawatha, Matara	31.12.2016	MCM	40	–	**93,599**	**100,000**	100,000
Kandy	No. 296, Senanayaka Road, Kandy	31.12.2016	MCM	47.1	–	**142,711**	**154,575**	154,575
Anuradhapura	No. 50, Maithripala Senanayake Road, Anuradhapura	31.12.2016	MCM	40.51		**155,882**	**174,193**	174,193
Subtotal						**690,329**	**795,585**	979,985
People's Leasing Property Development Limited								
Borella	No. 1,161, Maradana Road, Colombo 08	31.12.2018	MCM	104.9	127,621	**1,532,414**	**2,300,000**	2,088,500
Subtotal						**1,532,414**	**2,300,000**	2,088,500
People's Leasing Havelock Properties Limited								
Colombo 05	No. 07, Havelock Road, Colombo 05	31.12.2018	MCM	111.45	84,024	**1,984,619**	**2,600,000**	2,600,000
Subtotal						**1,984,619**	**2,600,000**	2,600,000
Total						**4,207,362**	**5,695,585**	5,668,485

MCM: Market Comparable Method
* This land were sold during the financial year.

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

Temporarily idle property, plant and equipment

There were no property, plant and equipment of the Company/Group idle as at 31 March 2019 and 31 March 2018.

Property, plant and equipment retired from active use

There were no property, plant and equipment of the Company/Group retired from active use as at 31 March 2019 and 31 March 2018.

Title restriction on property, plant and equipment

There were no restriction on the title of property, plant and equipment of the Company/Group as at 31 March 2019 and 31 March 2018.

Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment of the Company/Group pledged as securities for liabilities other than disclosed in Note 57 (asset pledged) to the Financial Statements.

Notes to the financial statements

Compensation from third parties for items of property, plant and equipment

There were no compensation received during the year from third parties for items of property, plant and equipment of the Company/Group that were impaired, lost or given up (2018: Nil).

Unobservable inputs used in measuring fair value

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

33 Goodwill and intangible assets

ACCOUNTING POLICY

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

Basis of recognition

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

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

Subsequent expenditure

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

Useful economic lives, amortisation and impairment

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

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

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

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

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

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

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

Notes to the financial statements

Derecognition

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

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost						
Balance as at 1 April 2018	176,170	308,545	484,715	194,533	417,099	611,632
Additions	8,624	–	8,624	12,195	–	12,195
Exchange rate variance	–	–	–	37	–	37
Balance as at 31 March 2019	**184,794**	**308,545**	**493,339**	**206,765**	**417,099**	**623,864**
Less: Accumulated amortisation						
Balance as at 1 April 2018	138,320	–	138,320	158,749	–	158,749
Amortisation	10,534	–	10,534	13,101	–	13,101
Impairment	–	19,580	19,580	–	19,580	19,580
Exchange rate variance	–	–	–	94	–	94
Balance as at 31 March 2019	**148,854**	**19,580**	**168,434**	**171,944**	**19,580**	**191,524**
Net book value as at 31 March 2019	**35,940**	**288,965**	**324,905**	**34,821**	**397,519**	**432,340**

	Company			Group		
	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000	Computer software Rs. '000	Goodwill Rs. '000	Total Rs. '000
Cost						
Balance as at 1 April 2017	139,423	308,545	447,968	157,788	308,545	466,333
Additions	36,747	–	36,747	36,745	108,554	145,299
Balance as at 31 March 2018	176,170	308,545	484,715	194,533	417,099	611,632
Less: Accumulated amortisation						
Balance as at 1 April 2017	127,785	–	127,785	145,922	–	145,922
Amortisation	10,535	–	10,535	12,827	–	12,827
Balance as at 31 March 2018	138,320	–	138,320	158,749	–	158,749
Net book value as at 31 March 2018	37,850	308,545	346,395	35,784	417,099	452,883

Intangible assets include fully-amortised software amounting to Rs. 127,667,967 as at 31 March 2019 (Rs. 100,625,192 – 31 March 2018), which are still in use as at the reporting date.

Impairment tests for goodwill

The Group undertakes an annual test for impairment, based on value in use computation using cash flow projections based on financial budgets approved by the Senior Management. The discount rate of 18.86% 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 cost of equity of the Company. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

There were no restrictions existed on the title of the intangible assets of the Group/Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2018/19.

Notes to the financial statements

34 Leasehold property

ACCOUNTING POLICY

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Cost				
Balance as at 1 April	**91,985**	91,985	**91,985**	91,985
Additions	**–**	–	**–**	–
Balance as at 31 March	**91,985**	91,985	**91,985**	91,985
(Less): Accumulated amortisation				
Balance as at 1 April	**4,854**	1,788	**4,854**	1,788
Amortisation	**3,066**	3,066	**3,066**	3,066
Balance as at 31 March	**7,920**	4,854	**7,920**	4,854
Net book value at 31 March	**84,065**	87,131	**84,065**	87,131

Leasehold property consists of the property situated at Park Road, Nuwara Eliya acquired in the year 2016. The leasehold land is for 30-year and is being amortised over a period of 30 years commencing from 1 September 2016.

35 Other assets

ACCOUNTING POLICY

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

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

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

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Other financial assets			**143,817**	145,650	**–**	–
Non-financial assets	35.1	311	**880,827**	687,969	**1,164,884**	1,301,155
Total			**1,024,644**	833,619	**1,164,884**	1,301,155

Notes to the financial statements

35.1 Non-financial assets

As at 31 March	Note	Page No.	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Advance payments			**242,023**	236,506	**213,488**	382,303
Inventories			**26,881**	17,894	**37,125**	25,631
Prepaid expense			**110,847**	90,272	**123,577**	100,862
Unamortised cost on staff loans (Day 1 difference)	35.2	311	**128,906**	81,441	**129,509**	83,165
Differed expenses			**–**	–	**221,842**	197,802
Other receivables			**372,170**	261,856	**439,343**	511,392
Total			**880,827**	687,969	**1,164,884**	1,301,155

35.2 Unamortised cost on staff loans (Day 1 difference)

As at 31 March	Company 2019 Rs. '000	Company 2018 Rs. '000	Group 2019 Rs. '000	Group 2018 Rs. '000
Balance as at 1 April	**81,441**	56,721	**83,165**	59,751
Charge for the year	**47,465**	24,720	**46,344**	23,414
Balance as at 31 March	**128,906**	81,441	**129,509**	83,165

36 Due to banks

ACCOUNTING POLICY

Due to banks include bank overdrafts and long-term and short-term loans obtained from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

As at 31 March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Overdraft	**353,074**	1,265,295	**1,274,127**	1,604,473
Short-term loans	**11,344,182**	10,254,514	**11,687,811**	10,254,514
Long-term loans	**6,401,039**	17,903,759	**8,337,750**	19,477,186
Asset-backed securities	**9,175,638**	10,498,221	**9,175,638**	10,498,221
Total	**27,273,933**	39,921,789	**30,475,326**	41,834,394
Fair value	**27,260,329**	36,739,187	**30,118,093**	38,651,792

Notes to the financial statements

36.1 Movement of due to Banks

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**39,921,789**	51,557,355	**41,834,394**	52,798,110
Amount borrowed during the year	**59,966,000**	56,180,000	**59,966,000**	56,550,481
Repayments during the year	**(77,536,350)**	(74,128,659)	**(77,456,806)**	(74,354,816)
Interest expenses during the year	**4,569,420**	5,047,798	**4,857,611**	5,236,146
Subtotal	**26,920,859**	38,656,494	**29,201,199**	40,229,921
Overdrafts	**353,074**	1,265,295	**1,274,127**	1,604,473
Balance as at 31 March	**27,273,933**	39,921,789	**30,475,326**	41,834,394

36.2 Long-term loan details

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest rate %	Security status
Commercial Bank PLC	14.07.2015	2,000,000	4 years	7.25-10.5	Secured
Commercial Bank PLC	08.09.2016	1,000,000	4 years	14.00	Secured
Sampath Bank PLC	31.12.2014	2,000,000	5 years	7.00-8.5	Secured
Axis Bank	27.03.2017	150,000	4 years	AWPLR+1.25	Secured
Axis Bank	27.03.2017	250,000	4 years	AWPLR+1.25	Secured
People's Bank	26.05.2015	4,250,000	4 years	8.50	Secured
People's Bank	27.11.2015	2,000,000	4 years	10.00	Secured
People's Bank	15.03.2016	2,000,000	4 years	AWPLR+1.75	Secured
People's Bank	02.06.2016	2,500,000	4 years	6monthSLIBOR+1.75	Secured
Bank of Ceylon	07.07.2016	3,000,000	4 years	11.50	Secured
RAK Bank/Standard Chartered Bank	27.04.2017	5,355,000	3 years	13.50	Secured
MCB Bank	26.09.2017	500,000	4 years	AWPLR+1.5	Secured

Asset-backed securities

Name of the borrower	Granted date	Facility amount Rs. '000	Period	Interest rate* %	Security status
Bank of Ceylon	30.09.2016	2,146,200	4 years	15.98	Secured
Deutsche Bank PLC	03.07.2015	3,000,000	4 years	10.68	Secured
Deutsche Bank PLC	28.10.2016	1,769,900	4 years	13.30	Secured
Deutsche Bank PLC	25.02.2016	4,250,700	4 years	11.53	Secured
Hatton National Bank PLC	29.06.2018	2,000,000	5 years	12.27	Secured
Hatton National Bank PLC	13.03.2019	2,000,000	5 years	13.08	Secured
People's Bank	18.08.2016	3,000,000	4 years	13.90	Secured
People's Bank	09.02.2018	1,000,000	2 years	11.71	Secured
People's Bank	10.09.2018	2,000,000	2 years	13.35	Secured

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

Details of the securities disclosed in Note 57 – "Asset pledged" to the Financial Statements.

Notes to the financial statements

36.3.1 Contractual maturity analysis of dues to Bank – Company

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Overdrafts	**353,074**	**–**	**–**	**353,074**
Short-term loans	**11,344,182**	**–**	**–**	**11,344,182**
Long-term loans	**5,137,102**	**1,263,937**	**–**	**6,401,039**
Asset backed securities	**4,246,088**	**4,929,550**	**–**	**9,175,638**
Total	**21,080,446**	**6,193,487**	**–**	**27,273,933**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	1,265,295	–	–	1,265,295
Short-term loans	10,254,514	–	–	10,254,514
Long-term loans	11,573,236	6,330,523	–	17,903,759
Asset backed securities	7,530,288	2,967,933	–	10,498,221
Total	30,623,333	9,298,456	–	39,921,789

36.3.2 Contractual maturity analysis of dues to Bank – Group

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Overdrafts	**1,274,127**	**–**	**–**	**1,274,127**
Short-term loans	**11,687,811**	**–**	**–**	**11,687,811**
Long-term loans	**4,211,827**	**4,125,923**	**–**	**8,337,750**
Asset backed securities	**4,246,088**	**4,929,550**	**–**	**9,175,638**
Total	**21,419,853**	**9,055,473**	**–**	**30,475,326**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Overdrafts	1,604,473	–	–	1,604,473
Short-term loans	10,254,514	–	–	10,254,514
Long-term loans	11,993,359	7,483,827	–	19,477,186
Asset backed securities	7,530,288	2,967,933	–	10,498,221
Total	31,382,634	10,451,760	–	41,834,394

Notes to the financial statements

37 Due to customers

ACCOUNTING POLICY

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses" in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Fixed deposits	**83,033,465**	65,428,595	**83,608,860**	65,072,264
Savings deposits	**5,335,191**	4,334,624	**5,314,336**	4,305,530
Total	**88,368,656**	69,763,219	**88,923,196**	69,377,794
Fair value	**87,918,010**	69,777,391	**87,486,543**	69,641,190

37.1 Contractual maturity analysis of dues to customers – Company

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Fixed deposits	**62,819,140**	**20,214,325**	**–**	**83,033,465**
Savings deposits	**5,166,435**	**49,237**	**119,519**	**5,335,191**
Total	**67,985,575**	**20,263,562**	**119,519**	**88,368,656**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	53,055,000	12,373,595	–	65,428,595
Savings deposits	4,245,137	24,378	65,109	4,334,624
Total	57,300,137	12,397,973	65,109	69,763,219

37.2 Contractual maturity analysis of dues to customers – Group

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Fixed deposits	**63,394,535**	**20,214,325**	**–**	**83,608,860**
Savings deposits	**5,145,580**	**49,237**	**119,519**	**5,314,336**
Total	**68,540,115**	**20,263,562**	**119,519**	**88,923,196**

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Fixed deposits	52,698,669	12,373,595	–	65,072,264
Savings deposits	4,216,043	24,378	65,109	4,305,530
Total	56,914,712	12,397,973	65,109	69,377,794

38 Debt securities issued

ACCOUNTING POLICY

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

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Promissory notes			**14,928**	13,032	**14,928**	13,032
Listed debentures	38.2	316	**21,260,103**	15,770,470	**21,119,112**	15,770,470
Total			**21,275,031**	15,783,502	**21,134,040**	15,783,502
Fair value			**20,824,768**	15,529,882	**20,683,777**	15,419,211

38.1 Movement of debt securities issued

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**15,783,502**	22,083,971	**15,783,502**	21,979,956
Amount borrowed during the year	**6,000,000**	–	**5,874,220**	–
Redemption of debt securities issued	**(1,164,060)**	(6,067,727)	**(1,164,060)**	(5,967,727)
Interest expenses on debt securities issued	**2,394,127**	2,492,085	**2,378,916**	2,475,434
Interest paid on debt securities issued	**(1,738,538)**	(2,724,827)	**(1,738,538)**	(2,704,161)
Balance as at 31 March	**21,275,031**	15,783,502	**21,134,040**	15,783,502

Notes to the financial statements

38.2 Listed debentures

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. 100.00 each. In 2015 the Company issued Rs. 6,000 million worth of senior, unsecured, redeemable, AA(-) rated four-year (2015 – 2019) and five-year (2015 – 2020) debentures of Rs. 100.00 each. In 2016 the Company issued Rs. 8,000 million worth of Senior, unsecured, redeemable, AA(-) rated three year (2016 – 2019), four-year (2016 – 2020) and five-year (2016 – 2021) debentures of Rs. 100.00 each.

						Company		Group	
As at 31 March	Face value Rs. '000	Interest rate %	Repayment term	Issued date	Maturity date	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Senior, unsecured, redeemable, AA(-) rated									
Type B	1,199,930	9.63	Annually	15-Sep-2014	14-Sep-2018	–	1,228,001	–	1,228,001
Type A	2,175,780	9.60	Semi annually	13-Nov-2015	12-Nov-2019	**2,249,381**	2,250,084	**2,249,381**	2,250,084
Type B	3,824,220	9.95	Annually	13-Nov-2015	12-Nov-2020	**3,958,778**	3,952,854	**3,958,778**	3,952,854
Type A	542,040	11.90	Semi annually	16-Nov-2016	16-Nov-2019	**564,286**	564,149	**564,286**	564,149
Type B	659,350	12.25	Semi annually	16-Nov-2016	16-Nov-2020	**686,985**	686,688	**686,985**	686,688
Type C	6,798,610	12.60	Semi annually	16-Nov-2016	16-Nov-2021	**7,093,615**	7,088,694	**7,093,615**	7,088,694
Type A	704,600	12.40	Annually	18-Apr-2018	18-Apr-2022	**783,895**	–	**783,895**	–
Type B	5,295,400	12.80	Annually	18-Apr-2018	18-Apr-2023	**5,923,163**	–	**5,782,172**	–
Total	21,199,930					**21,260,103**	15,770,470	**21,119,112**	15,770,470

38.2.1 Utilisation of funds raised via capital market

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

Notes to the financial statements

Contractual maturity analysis of debt security – Company

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Promissory notes	14,928	–	–	14,928
Listed debentures	4,031,808	17,228,295	–	21,260,103
Total	4,046,736	17,228,295	–	21,275,031

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	13,032	–	–	13,032
Listed debentures	1,828,595	13,941,875	–	15,770,470
Total	1,841,627	13,941,875	–	15,783,502

Contractual maturity analysis of debt security – Group

As at 31 March	2019			
	Within 1 year Rs. '000	**1-5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Promissory notes	14,928	–	–	14,928
Listed debentures	4,031,808	17,087,304	–	21,119,112
Total	4,046,736	17,087,304	–	21,134,040

As at 31 March	2018			
	Within 1 year Rs. '000	1-5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Promissory notes	13,032	–	–	13,032
Listed debentures	1,828,595	13,941,875	–	15,770,470
Total	1,841,627	13,941,875	–	15,783,502

Notes to the financial statements

39 Other financial liabilities

ACCOUNTING POLICY

Other financial liabilities include amounts payable to suppliers, insurance payable, dividend payable and other payables.

Dividends payable

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

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 – "Events after the reporting period".

Withholding tax on dividends, distributed by the Company and subsidiaries

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on dividends distributed by the subsidiaries and associates dividends received by the Group from its subsidiaries and associates, have attracted a 14% deduction at source in year 2019 (10% – 2018).

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Amount payable to suppliers	**1,650,408**	2,302,981	**1,804,026**	2,515,858
Insurance payable	**605,843**	653,743	**–**	36,540
Dividend payable	**21,788**	17,275	**21,788**	17,275
Other payables	**202,338**	1,671,819	**639,122**	1,903,879
Total	**2,480,377**	4,645,818	**2,464,936**	4,473,552

40 Insurance liabilities and reinsurance payable

ACCOUNTING POLICY

Provision for net unearned premium

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

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

Provision for gross outstanding claims

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

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

Notes to the financial statements

Provision for gross incurred but not reported claims

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

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

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

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

Additional qualitative judgement 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 judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

Insurance contract liabilities

Non-life insurance contract liabilities

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

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

Derecognition of insurance payable

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

Unexpired risk reserve

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

Notes to the financial statements

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

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

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Insurance liabilities	40.1	320	–	–	**4,799,808**	3,982,469
Reinsurance payables			–	–	**81,065**	72,117
Total			–	–	**4,880,873**	4,054,586

40.1 Insurance liabilities

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Outstanding claims provision	–	–	**1,353,366**	1,491,902
Provision for unearned premiums (net)	–	–	**3,446,442**	2,490,567
Total	–	–	**4,799,808**	3,982,469

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41 Current tax liabilities

ACCOUNTING POLICY

The Group and the Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgement 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 the 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 tax, deferred tax amounts in the period in which the determination is made.

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Income tax payables/(receivables)	41.1	321	**2,238,257**	(89,849)	**2,323,647**	62,673
Total			**2,238,257**	(89,849)	**2,323,647**	62,673

41.1 Current tax liabilities/(receivables)

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**(89,849)**	289,978	**62,673**	337,291
Provision for the year	**3,442,009**	1,205,168	**3,601,824**	1,380,894
Under/(over) provision in respect of previous year	**(90,583)**	(104,122)	**(90,046)**	(104,256)
Payment of income tax	**(805,705)**	(1,113,050)	**(907,945)**	(1,174,927)
Tax credits				
Notional tax credit	**–**	(55,495)	**–**	(57,342)
WHT/Other credit	**(21,552)**	(34,559)	**(106,898)**	(36,637)
Economic service charge	**(196,063)**	(277,769)	**(235,961)**	(282,350)
Balance as at 31 March	**2,238,257**	(89,849)	**2,323,647**	62,673

Notional tax credit for withholding tax on Government securities

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company engaged in secondary market transactions involving Government securities, Treasury Bills and Treasury Bonds on which income tax had been deducted at 10% per annum at the time of issue of such securities, is entitled to a notional tax credit of one-ninth of net interest income earned from such secondary market transactions. As per the Inland Revenue Act No. 24 of 2017, the Company will not be entitled to accrue notional tax credit with effect from 1 April 2018.

Economic service charge (ESC)

As per the provisions of the economic service charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.5% on "exempt turnover" and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years.

Withholding tax (WHT) on fixed deposits and savings accounts

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company made fixed deposit and savings accounts interest income on which WHT had been deducted at 10% per annum at the time of payment or credited to the account. This tax deduction can be claimed as tax credit to the income tax payments. As per Section 84 of the Inland Revenue Act No. 24 of 2017, WHT on interest or discount paid to a person rate was reduced to 5% with effect from 1 April 2018.

Notes to the financial statements

42 Deferred tax liabilities/(Assets)

ACCOUNTING POLICY

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

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

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

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

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

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

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

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

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Recognised under assets			**–**	–	**(47,584)**	(28,155)
Recognised under liabilities			**837,179**	2,275,868	**1,141,973**	2,338,807
	42.1	323	**837,179**	2,275,868	**1,094,389**	2,310,652

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

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Notes to the financial statements

42.1 Movement in deferred tax

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	2,275,868	1,923,171	2,310,652	1,949,294
Deferred tax on transitional adjustment	(250,729)	–	(266,494)	–
Charge/(reversal) for the year	(1,182,290)	359,296	(935,741)	367,981
Deferred tax charge relating to components of Statement of Comprehensive Income	(5,670)	(6,599)	(14,028)	(6,623)
Balance as at 31 March	837,179	2,275,868	1,094,389	2,310,652

As at 31 March 2019	Company					Group				
	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	137,884	–	(22,160)	(5,670)	–	140,042	–	(6,583)	14,028	–
Carry forward tax losses	–	–	–	–	–	13,385	–	13,238	–	–
Impairment allowances for loans and receivables	868,209	5,945	(430,436)	–	–	903,724	5,945	(444,376)	–	–
Deferred tax on transitional adjustment	250,729	–	–	–	250,729	266,494	–	–	–	266,494
Accelerated depreciation allowance for tax purpose (Lease)	–	2,083,511	(635,299)	–	–	–	2,083,511	(635,299)	–	–
Accelerated depreciation allowance for tax purpose (PPE)	–	4,545	(76,684)	–	–	–	119,997	(53,591)	–	–
Fair value gains/losses – freehold buildings	–	–	–	–	–	–	–	(17,711)	–	–
Fair value gains/losses – investment property	–	–	(17,711)	–	–	42,155	250,736	208,581	–	–
Total	1,256,822	2,094,001	(1,182,290)	(5,670)	250,729	1,365,800	2,460,189	(935,741)	14,028	266,494
Deferred tax effect on profit or loss and other comprehensive income for the year			(1,182,290)	(5,670)				(935,741)	14,028	
Recognised under equity					250,729					266,494
Recognised under assets		–					(47,584)			
Recognised under liabilities		837,179					1,141,973			
Net deferred tax liability as at 31 March		837,179					1,094,389			

Notes to the financial statements

As at 31 March 2018	Company					Group				
	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000	Deferred tax assets Rs. '000	Deferred tax liabilities Rs. '000	Statement of Profit or Loss Rs. '000	Statement of Comprehensive Income Rs. '000	Statement of Changes in Equity Rs. '000
Retirement benefit obligation	110,053	–	(17,960)	6,599	–	119,430	–	(17,375)	6,623	–
Carry forward tax losses	–	–	–	–	–	26,623	–	–	–	–
Impairment allowances for loans and receivables	590,080	158,251	(454,747)	–	–	611,655	158,251	(453,549)	–	–
Accelerated depreciation allowance for tax purpose (Lease)	–	2,718,810	835,671	–	–	–	2,718,810	835,671	–	–
Accelerated depreciation allowance for tax purpose (PPE)	–	81,229	(21,379)	–	–	–	173,588	(14,477)	–	–
Fair value gains/losses – freehold buildings	–	17,711	17,711	–	–	–	17,711	17,711	–	–
Total	700,133	2,976,001	359,296	6,599	–	757,708	3,068,360	367,981	6,623	–
Deferred tax effect on profit or loss and other comprehensive income for the year		–	359,296	6,599				367,981	6,623	
Recognised under assets		–					(28,155)			
Recognised under liabilities		2,275,868					2,338,807			
Net deferred tax liability as at 31 March		2,275,868					2,310,652			

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

43 Other liabilities

ACCOUNTING POLICY

Other liabilities include VAT on financial services payable, retirement benefit obligation, value added tax (VAT) payable, debt repayment levy payable, other tax payables and other payables. These liabilities are recorded at amounts expected to be payable at the reporting date.

Employee benefits

Retirement benefit obligation – Gratuity

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

Recognition of actuarial gains and losses

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

Funding arrangements

The gratuity liability is not externally funded.

Notes to the financial statements

Defined contribution plans – employees' provident fund and defined contribution plans – employees' trust fund

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

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

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

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

Retirement benefit obligation

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

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Vat on financial services payable			**259,787**	192,287	**262,007**	193,128
Debt repayment levy payable			**110,055**	–	**110,055**	–
Value added tax (VAT) payable			**11,922**	24,524	**40,977**	55,129
WHT payable			**32,349**	19,376	**52,857**	27,626
NBT payable			**20,008**	24,123	**31,912**	34,687
Crop insurance levy payable			**10,970**	10,220	**10,970**	10,220
Retirement benefit obligation	43.1	325	**492,444**	393,048	**536,753**	423,788
Amount payable to customers			**161,210**	255,774	**162,060**	257,180
Stamp duty payable			**50,135**	69,397	**52,011**	70,975
Other payable			**315,609**	281,827	**347,084**	303,718
Total			**1,464,489**	1,270,576	**1,606,686**	1,376,451

43.1 Retirement benefit obligation

			Company		Group	
As at 31 March	Note	Page No.	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April			**393,048**	305,339	**423,788**	327,278
Amount recognised in Statement of Profit or Loss	43.1.2	326	**90,594**	83,710	**101,335**	93,186
Actuarial (gain)/loss recognised in OCI	43.1.3	326	**17,909**	23,554	**20,872**	24,936
Benefits paid during the year			**(9,107)**	(19,555)	**(9,242)**	(21,612)
Balance as at 31 March			**492,444**	393,048	**536,753**	423,788

Notes to the financial statements

43.1.2 Amount recognised in statement of profit or loss

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Current service cost	**50,109**	44,627	**65,570**	54,481
Net interest on the net defined benefit liability	**40,485**	39,083	**35,765**	38,705
Total amount recognised in Statement of Profit or Loss	**90,594**	83,710	**101,335**	93,186

43.1.3 Actuarial loss recognised in Statement of Comprehensive Income

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Losses/(Gains) due to changes in assumptions	**14,034**	35,188	**15,268**	36,570
Experience losses/(gains) arising during the year	**3,875**	(11,634)	**5,604**	(11,634)
Total actuarial losses recognised in Statement of Comprehensive Income	**17,909**	23,554	**20,872**	24,936

An actuarial valuation of the retirement benefit obligations was carried out as at 31 March 2019 by Messrs Smiles Global (Private) Limited, 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 – "Employee Benefits".

As at 31 March	Company/Group	
	2019	2018
Actuarial assumptions		
Discount rate	**11.00%**	10.30%
Future salary increment rate	**10.00%**	9.00%
Mortality	**A1967/70 ultimate mortality**	A1967/70 ultimate mortality
Disability	**Standard RI rates**	Standard RI rates
Retirement age	**55 years**	55 years

Expected average working life of the active participants is 8.67 years for the year ended 31 March 2019. (10.38 – 2018).

43.1.4 Sensitivity of assumptions employed in actuarial valuation

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

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

Notes to the financial statements

	%	2019		2018	
		Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	**Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000**	Statement of Comprehensive Income increase/(reduction) in results for the year Rs. '000	Effect on employee benefit obligation increase/(reduction) in the liability Rs. '000
Increase/(decrease) in discount rate	1	**27,381**	**(27,381)**	24,854	(24,854)
	-1	**(30,587)**	**30,587**	(28,053)	28,053
Increase/(decrease) in salary increment	1	**(31,675)**	**31,675**	(28,694)	28,694
	-1	**28,831**	**(28,831)**	25,844	(25,844)

43.1.5 Analysis of retirement benefit obligation by maturity profile

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Within the next 12 months	**31,932**	15,541	**35,840**	18,073
Between 1-5 years	**50,535**	39,417	**60,683**	49,467
Beyond 5 years	**409,977**	338,090	**440,230**	356,248
Total	**492,444**	393,048	**536,753**	423,788

44 Stated capital

As at 31 March	Company/Group			
	2019		2018	
	Number	Rs. '000	Number	Rs. '000
Balance as at 1 April	**1,579,862,482**	**13,236,073**	1,579,862,482	13,236,073
Balance as at 31 March	**1,579,862,482**	**13,236,073**	1,579,862,482	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.

Capital management

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

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

Notes to the financial statements

Regulatory capital

As at 31 March	2019		2018	
	Actual	**Required**	Actual	Required
Tier 1 capital/core capital (Rs. '000)	**26,517,785**	**1,500,000**	26,515,110	1,000,000
Tier 1 capital ratio/core capital ratio (%)	**14.36**	**6.00**	18.38	5.00
Total capital ratio/total risk weighted capital ratio (%)	**15.20**	**10.00**	16.46	10.00

Central Bank of Sri Lanka introduced Finance Business Act Directions No. 3 of 2018 with effect from 1 July 2018 and accordingly regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general and other reserves less goodwill, other intangible assets, other comprehensive income losses, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies. Prior to the introduction of the said direction regulatory capital governed by Finance Companies (risk weighted capital adequacy ratio) Direction No. 02 of 2016, consists of core capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general and other reserves less goodwill.

45 Statutory reserve fund

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**1,837,413**	1,621,946	**1,837,413**	1,621,946
Transfer during the year	**220,806**	215,467	**233,254**	215,467
Balance as at 31 March	**2,058,219**	1,837,413	**2,070,667**	1,837,413

"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.

46 Retained earnings

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**11,502,165**	9,400,084	**13,167,172**	10,560,834
Recognition of SLFRS 9 expected credit loss those measured at amortised cost	**(1,006,640)**	–	**(1,066,686)**	–
Deferred tax on transitional adjustment	**250,729**	–	**266,494**	–
Capital gain tax	**–**	–	**(167,949)**	–
Profit for the year	**4,416,121**	4,309,330	**4,813,578**	4,816,920
Comprehensive income	**(4,937)**	(16,955)	**(6,104)**	(20,288)
Transfers to reserves	**(220,806)**	(215,467)	**(233,254)**	(215,467)
Transfers from reserves	**400,000**	–	**400,000**	–
Dividend paid	**(1,974,827)**	(1,974,827)	**(1,974,827)**	(1,974,827)
Balance as at 31 March	**13,361,805**	11,502,165	**15,198,424**	13,167,172

Notes to the financial statements

47 – Other reserves

Equity reserves

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

- "Available-for-sale" reserve, which comprises changes in fair value of available-for-sale financial assets (Refer Note 47.3).
- The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income (Refer Note 47.4).
- "General reserve" represents the amounts set aside by the Directors for general application. The purpose of setting up the General reserve is to meet the potential future unknown liabilities.
- "Tax equalisation reserve" comprises an amount set aside by the Directors to meet any tax liabilities that may arise in the future.
- "Revaluation reserve" relates to revaluation adjustment of investment property transferred from property, plant and equipment.
- Foreign currency translation reserve

  As at the reporting date, the assets and liabilities of the Lankan Alliance Finance Limited a subsidiary of the Company was translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Statement of Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statement is taken to foreign currency translation reserve through Statement of Other Comprehensive Income (Refer Note 47.5).

47.1 Current year 2019

			Company			Group		
	Note	Page No.	Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	**Closing balance as at 31 March 2019 Rs. '000**	Opening balance as at 1 April 2018 Rs. '000	Movement/ transfers Rs. '000	**Closing balance as at 31 March 2019 Rs. '000**
General reserve			300,000	(300,000)	–	300,000	(300,000)	–
Tax equalisation reserve			100,000	(100,000)	–	100,000	(100,000)	–
Available-for-sale reserve	47.3	330	46,869	(46,869)	–	45,585	(45,585)	–
Fair value reserve	47.4	330		(52,742)	**(52,742)**		(54,705)	**(54,705)**
Revaluation reserve			7,302	(7,302)	–	–	–	–
Foreign currency translation reserve	47.5	330	–	–	–	2,828	259,151	**261,979**
Total			454,171	(506,913)	**(52,742)**	448,413	(241,139)	**207,274**

47.2 Previous year 2018

			Company			Group		
	Note	Page No.	Opening balance as at 1 April 2017 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2018 Rs. '000	Opening balance as at 1 April 2017 Rs. '000	Movement/ transfers Rs. '000	Closing balance as at 31 March 2018 Rs. '000
General reserve			300,000	–	300,000	300,000	–	300,000
Tax equalisation reserve			100,000	–	100,000	100,000	–	100,000
Available-for-sale reserve	47.3	330	31,009	15,860	46,869	20,078	25,507	45,585
Cash flow hedge reserve			879	(879)	–	879	(879)	–
Revaluation reserve			7,302	–	7,302	–	–	–
Foreign currency translation reserve	47.5	330	–	–	–	–	2,828	2,828
Total			439,190	14,981	454,171	420,957	27,456	448,413

Notes to the financial statements

47.3 Available-for-sale reserve

The available-for-sale reserve is comprised of the cumulative net change in fair value of financial investments available for sale until such investments are derecognised or impaired.

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**46,869**	31,009	**45,585**	20,078
Impact of adopting SLFRS 9	**(46,869)**	–	**(45,585)**	–
Balance as at 1 April – Adjusted	**–**	31,009	**–**	20,078
Net fair value gains/(losses) on remeasuring financial investments available for sale	**–**	15,860	**–**	25,507
Balance as at 31 March	**–**	46,869	**–**	45,585

47.4 Fair value reserve

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**–**	–	**–**	–
Impact of adopting SLFRS 9	**46,869**	–	**45,585**	–
Balance as at 1 April – Adjusted	**46,869**	–	**45,585**	–
Net fair value gains/(losses) on remeasuring financial investments	**(99,611)**	–	**(100,290)**	–
Balance as at 31 March	**(52,742)**	–	**(54,705)**	–

47.5 Foreign currency translation reserve

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Balance as at 1 April	**–**	–	**2,828**	–
Net gains/(losses) arising from translating the Financial Statements	**–**	–	**259,151**	2,828
Balance as at 31 March	**–**	–	**261,979**	2,828

48 Non-controlling interest

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

Notes to the financial statements

As at 31 March	Group	
	2019 Rs. '000	2018 Rs. '000
Balance as at 1 April	**2,165,070**	1,084,969
Acquisition of a subsidiary with non-controlling interest	**–**	989,833
Profit for the year	**197,690**	200,793
Other comprehensive income	**(740)**	1,975
Dividend paid for the year	**(92,500)**	(112,500)
Balance as at 31 March	**2,269,520**	2,165,070

49 Non-cash items included in profit before tax

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Depreciation of property, plant and equipment	13	251	**166,006**	178,905	**286,193**	278,342
Depreciation of leasehold assets	13	251	**3,066**	3,066	**3,066**	3,066
Amortisation of intangible assets	13	251	**10,535**	10,535	**13,101**	12,827
Impairment of goodwill	33	308	**19,580**	–	**19,580**	–
Impairment losses of loans and receivables	11	248	**1,721,779**	1,592,256	**1,828,091**	1,632,347
Impairment losses of investments in associate	30	299	**348,794**	–	**152,572**	–
Charge for retirement benefit obligation	12	251	**90,594**	83,710	**101,335**	93,186
Gain/(Loss) on sale of property, plant and equipment	10	247	**(19,645)**	(20,162)	**(26,625)**	(20,162)
Net trading income from sale of vehicles			**(2,704)**	(2,858)	**(3,575)**	(2,858)
Net gain/(loss) on financial assets – Held for trading	9	247	**27,887**	(18,987)	**44,351**	(59,910)
Fair value gain on investment property			**–**	(33,600)	**–**	(311,422)
Gain/(Loss) on sale of investment properties	10	247	**(6,980)**	–	**(6,980)**	–
Grossed-up notional tax and with holding tax credit			**–**	(90,058)	**–**	(90,136)
Total			**2,358,912**	1,702,807	**2,411,109**	1,535,280

50 Change in operating assets

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Net (increase)/decrease in other balances with bank and financial institutions	**965,940**	(2,280,484)	**1,383,292**	(2,948,699)
Net (increase)/decrease in financial assets – FVTPL/Held for trading	**123,659**	45,466	**198,748**	273,726
Net (increase)/decrease in loans and receivables	**(14,268,180)**	(7,700,133)	**(17,931,962)**	(8,071,193)
Net (increase)/decrease in derivative financial instrument	**–**	(9,242)	**–**	(9,242)
Net (increase)/decrease in insurance and reinsurance receivables	**–**	–	**(478,708)**	(139,164)
Net (increase)/decrease in financial assets – FVOCI/Available for sale	**(6,130)**	72,431	**(6,809)**	900,944
Net (increase)/decrease in debt instrument at amortised cost	**(3,112,984)**	(1,831,541)	**(3,077,982)**	(2,955,787)
Net (increase)/decrease in other assets	**(49,000)**	14,972	**120,886**	(358,830)
Total	**(16,346,695)**	(11,688,531)	**(19,792,535)**	(13,308,245)

Notes to the financial statements

51 Change in operating liabilities

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Net increase/(decrease) in due to customers	**18,605,437**	25,040,667	**19,545,402**	24,912,226
Net increase/(decrease) in other financial liabilities	**(2,160,928)**	1,922,896	**(2,004,103)**	1,850,922
Net increase/(decrease) in insurance and reinsurance payables	**–**	–	**826,287**	517,476
Net increase/(decrease) in other liabilities	**1,142,196**	(1,017,511)	**1,306,814**	(1,082,794)
Total	**17,586,705**	25,946,052	**19,674,400**	26,197,830

52 Contingent liabilities and commitments

Commitments and contingencies

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

Legal claims

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company and Group have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company and Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date the Company and Group had several unresolved legal claims. The significant unresolved legal claims against the Company and 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/Group's share of any contingencies and capital commitments of a subsidiary and an associate for which the Company is also liable severally or otherwise is included with appropriate disclosures.

Provisions for liabilities and contingencies

The Company/Group receives legal claims against it in the normal course of business. Management has made judgements 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 judgements in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the Financial Statements are described as follows:

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Contingent liabilities	52.1	333	**514,014**	757,492	**514,150**	757,492
Commitments	52.2	333	**7,261,850**	6,713,383	**7,274,558**	6,865,872
Total			**7,775,864**	7,470,875	**7,788,708**	7,623,364

Notes to the financial statements

52.1 Contingent liabilities

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

As at 31 March	Note	Page No.	Company		Group	
			2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Accidents of leased out vehicles			**115,051**	149,387	**115,187**	149,387
Guarantees – Related parties			**300,000**	550,000	**300,000**	550,000
Guarantees – Others			**31,025**	32,977	**31,025**	32,977
Assessment received from inland revenue department	52.1.1	333	**67,938**	-	**67,938**	-
Pending bill retirements			**–**	25,128	**–**	25,128
Total			**514,014**	757,492	**514,150**	757,492

52.1.1 Assessment received from Inland Revenue Department

The assessment received by the Company from the Inland Revenue Department for Year of Assessment 2010/11 is Rs. 67,937,854/- (VATFS/BFSU/2014/579 and 580)

This assessment is being contested by the Company reasonable grounds. The tax consultants appearing for and on behalf of the Company

52.2 Commitments

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

As at 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Capital commitments				
Approved and contracted for	**–**	–	**12,708**	118,198
Approved but not contracted for	**1,125,000**	978,300	**1,125,000**	1,012,591
Subtotal	**1,125,000**	978,300	**1,137,708**	1,130,789
Unutilised facilities				
Margin trading	**1,631,356**	2,313,773	**1,631,356**	2,313,773
Fast track	**3,760,438**	3,083,975	**3,760,438**	3,083,975
Factoring	**745,056**	337,335	**745,056**	337,335
Subtotal	**6,136,850**	5,735,083	**6,136,850**	5,735,083
Total	**7,261,850**	6,713,383	**7,274,558**	6,865,872

Litigation against the Company

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

As of the date of the Statement of Financial Position, thirty two (32) clients have filed cases against the Company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

Notes to the financial statements

53 Net assets value per ordinary share

As at 31 March	Company		Group	
	2019	2018	**2019**	2018
Total equity attributable to equity to equity holders of the Company (Rs. '000)	**28,603,355**	27,029,822	**32,981,958**	30,854,141
Total number of shares	**1,579,862,482**	1,579,862,482	**1,579,862,482**	1,579,862,482
Net assets value per share (Rs.)	**18.10**	17.11	**20.88**	19.53

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

	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Statement of profit or loss						
Fee and commission income	1,182,573	1,378,361	195,788	685,836	819,727	133,891
Other operating income	663,339	501,054	(162,285)	729,853	629,465	(100,388)
Personnel expenses	2,574,976	2,974,253	(399,277)	2,992,363	3,391,640	(399,277)
Impairment charges for loans and receivables and other losses	1,592,256	1,429,971	162,285	1,632,347	1,470,062	162,285
Other operating expenses	2,639,844	2,436,355	203,489	2,746,975	2,543,486	203,489

Rent income from investment property of Rs. 61,896,648, included in fee and commission income reclassified to other operating income in the Group.

Recovery of VAT and NBT on other income of Rs. 195,787,709, included in fee and commission income and cost included in the other operating expenses which were liable for the PAYE calculation of Rs. 399,276,925, reclassified to other operating expenses.
Recovery of written-off debts of Rs. 162,285,490, included in other operating income reclassified to impairment charges for loans and receivables.

Recovery of VAT and NBT on other income included in fee and commission income and cost included in the other operating expenses which were liable for the PAYE calculation reclassified to other operating expenses.

Notes to the financial statements

As at 31 March	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Statement of financial position						
Loans and receivables	140,962,936	140,165,437	797,499	142,712,576	141,915,077	797,499
Other liabilities	2,068,075	1,270,576	797,499	2,173,950	1,376,451	797,499

Overpayment included in other liabilities reclassified to loans and receivables.

As at 31 March	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Due to banks	29,423,568	39,921,789	(10,498,221)	31,336,173	41,834,394	(10,498,221)
Debt securities issued	26,281,723	15,783,502	10,498,221	26,281,723	15,783,502	10,498,221

Asset back securities included in debt securities issued reclassified to due to banks.

As at 31 March	Company			Group		
	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000	As disclosed previously Rs. '000	Current presentation Rs. '000	Adjustment Rs. '000
Cash and cash equivalents	4,414,083	4,412,683	1,400	4,766,920	4,765,518	1,402
Other assets	832,219	833,619	(1,400)	1,299,753	1,301,155	(1,402)

Stamp imprest included in cash and cash equivalents reclassified to other assets.

Notes to the financial statements

55 Current/non-current analysis

	Company					
	2019			2018		
	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	**3,294,055**	**–**	**3,294,055**	4,412,683	–	4,412,683
Balances with banks and financial institutions	**3,404,533**	**–**	**3,404,533**	4,370,473	–	4,370,473
Financial assets – Fair value through profit or loss/held-for-trading	**23,190**	**–**	**23,190**	174,736	–	174,736
Loans and receivables	**65,875,884**	**85,832,018**	**151,707,902**	61,450,737	78,714,700	140,165,437
Financial assets – Fair value through other comprehensive income/available for sale	**125,641**	**10**	**125,651**	219,122	10	219,132
Debt instrument at amortised cost/held-to-maturity	**8,002,625**	**–**	**8,002,625**	4,865,146	24,495	4,889,641
Investments in subsidiaries	**–**	**3,213,788**	**3,213,788**	–	3,213,788	3,213,788
Current tax receivables	**–**	**–**	**–**	89,849	–	89,849
Investments in associate	**–**	**237,633**	**237,633**	–	586,427	586,427
Investment property	**–**	**–**	**–**	–	134,400	134,400
Property, plant and equipment	**–**	**1,098,286**	**1,098,286**	–	1,166,883	1,166,883
Goodwill and intangible assets	**–**	**324,905**	**324,905**	–	346,395	346,395
Leasehold property	**–**	**84,065**	**84,065**	–	87,131	87,131
Other assets	**769,174**	**255,470**	**1,024,644**	662,214	171,405	833,619
Total assets	**81,495,102**	**91,046,175**	**172,541,277**	76,244,960	84,445,634	160,690,594
Liabilities						
Due to banks	**21,080,446**	**6,193,487**	**27,273,933**	30,623,333	9,298,456	39,921,789
Due to customers	**67,985,575**	**20,383,081**	**88,368,656**	57,300,137	12,463,082	69,763,219
Debt securities issued	**4,046,736**	**17,228,295**	**21,275,031**	1,841,627	13,941,875	15,783,502
Other financial liabilities	**2,480,377**	**–**	**2,480,377**	4,645,818	–	4,645,818
Current tax liabilities	**2,238,257**	**–**	**2,238,257**	–	–	–
Deferred tax liabilities	**–**	**837,179**	**837,179**	–	2,275,868	2,275,868
Other liabilities	**1,464,489**	**–**	**1,464,489**	1,270,576	–	1,270,576
Total liabilities	**99,295,880**	**44,642,042**	**143,937,922**	95,681,491	37,979,281	133,660,772
Net assets	**(17,800,778)**	**46,404,133**	**28,603,355**	(19,436,531)	46,466,353	27,029,822

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Notes to the financial statements

	Group					
	2019			2018		
	Within 12 months Rs. '000	**After 12 months Rs. '000**	**Total Rs. '000**	Within 12 months Rs. '000	After 12 months Rs. '000	Total Rs. '000
Assets						
Cash and cash equivalents	**4,310,595**	**–**	**4,310,595**	4,765,518	–	4,765,518
Balances with banks and financial institutions	**7,375,423**	**–**	**7,375,423**	8,758,715	–	8,758,715
Financial assets – Fair value through profit or loss/Held for trading	**72,386**	**–**	**72,386**	315,485	–	315,485
Loans and receivables	**67,042,635**	**89,913,202**	**156,955,837**	62,878,980	79,036,097	141,915,077
Reinsurance and insurance receivables	**885,395**	**–**	**885,395**	406,687	–	406,687
Financial assets – Fair value through other comprehensive income/Available for sale	**125,641**	**10**	**125,651**	219,122	10	219,132
Debt instrument at amortised cost/Held to maturity	**9,091,945**	**–**	**9,091,945**	5,989,468	24,495	6,013,963
Current tax receivables	**–**	**–**	**–**	89,849	–	89,849
Investments in associate	**–**	**237,633**	**237,633**	–	423,439	423,439
Investment properties	**–**	**1,131,596**	**1,131,596**	–	1,265,996	1,265,996
Property, plant and equipment	**–**	**4,017,301**	**4,017,301**	–	4,112,715	4,112,715
Goodwill and intangible assets	**–**	**432,340**	**432,340**	–	452,883	452,883
Leasehold property	**–**	**84,065**	**84,065**	–	87,131	87,131
Deferred tax assets	**–**	**47,584**	**47,584**	–	28,155	28,155
Other assets	**909,414**	**255,470**	**1,164,884**	1,129,750	171,405	1,301,155
Total assets	**89,813,434**	**96,119,201**	**185,932,635**	84,553,574	85,602,326	170,155,900
Liabilities						
Due to banks	**21,419,853**	**9,055,473**	**30,475,326**	31,382,634	10,451,760	41,834,394
Due to customers	**68,540,115**	**20,383,081**	**88,923,196**	56,914,712	12,463,082	69,377,794
Debt securities issued	**4,046,736**	**17,087,304**	**21,134,040**	1,841,627	13,941,875	15,783,502
Other financial liabilities	**2,464,936**	**–**	**2,464,936**	4,473,552	–	4,473,552
Insurance and reinsurance payable	**–**	**4,880,873**	**4,880,873**	–	4,054,586	4,054,586
Current tax liabilities	**2,323,647**	**–**	**2,323,647**	62,673	–	62,673
Deferred tax liabilities	**–**	**1,141,973**	**1,141,973**	–	2,338,807	2,338,807
Other liabilities	**1,606,686**	**–**	**1,606,686**	1,376,451	–	1,376,451
Total liabilities	**100,401,973**	**52,548,704**	**152,950,677**	96,051,649	43,250,110	139,301,759
Net assets	**(10,588,539)**	**43,570,497**	**32,981,958**	(11,498,075)	42,352,216	30,854,141

Notes to the financial statements

56 Financial reporting by segment

ACCOUNTING POLICY

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

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

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

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

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

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

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

Lease and hire purchase

This segment includes leasing and hire purchase products offered to the customers.

Loans

This segment includes loan products offered to the customers.

Islamic

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

Insurance business

Insurance business segment includes general insurance.

Other business

This segment includes all other business activities that Group engaged other than above segments.

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Notes to the financial statements

	Lease and hire purchase		Loans		Islamic		Insurance		Other		Eliminations		Group	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Interest income	17,157,233	15,025,706	12,120,975	9,849,096	1,487,121	1,373,573	670,357	630,803	1,073,124	1,001,311	(274,470)	(298,444)	32,234,340	27,582,045
Net earned premium	–	–	–	–	–	–	4,877,621	4,201,862	–	–	(149,048)	(148,592)	4,728,573	4,053,270
Net fee and commission income	985,849	900,191	696,467	590,059	85,449	82,291	–	–	184,108	215,095	(947,576)	(967,909)	1,004,297	819,727
Net trading income	–	–	–	–	–	–	(19,011)	40,922	(25,340)	18,988	–	–	(44,351)	59,910
Other operating income	232,293	434,993	164,107	285,130	20,134	39,765	80,036	46,914	395,944	318,310	(459,168)	(495,647)	433,346	629,465
Gross income	18,375,375	16,360,890	12,981,549	10,724,285	1,592,704	1,495,629	5,609,003	4,920,501	1,627,836	1,553,704	(1,830,262)	(1,910,592)	38,356,205	33,144,417
Interest expenses	8,590,915	8,101,635	6,069,175	5,310,486	744,626	740,610	–	–	761,051	770,271	(274,469)	(296,330)	15,891,298	14,626,672
Total operating income	9,784,460	8,259,255	6,912,374	5,413,799	848,078	755,019	5,609,003	4,920,501	866,785	783,433	(1,555,793)	(1,614,262)	22,464,907	18,517,745
Credit loss expenses	1,060,462	233,799	579,390	1,138,950	5,364	58,891	–	–	62,987	38,422	–	–	1,708,203	1,470,062
Net operating income	8,723,998	8,025,456	6,332,984	4,274,849	842,714	696,128	5,609,003	4,920,501	803,798	745,011	(1,555,793)	(1,614,262)	20,756,704	17,047,683
Depreciation	124,711	124,589	72,584	73,531	19,103	17,304	24,030	18,190	18,018	16,710	43,914	43,911	302,360	294,235
Segment result	4,874,052	3,985,512	3,443,345	2,612,434	422,463	364,335	805,796	863,708	431,784	378,926	(238,991)	(162,725)	9,738,449	8,042,190
Tax on financial services													2,117,910	1,326,916
Share of (loss) of an associate (net of tax)													(33,234)	(52,942)
Income tax expense													2,576,037	1,644,619
Profit attributable to equity holders													5,011,268	5,017,713
As at 31 March														
Segment assets	89,272,030	90,077,501	65,974,886	53,133,194	13,674,721	12,532,720	9,625,118	7,677,803	12,898,087	12,142,819	(5,512,207)	(5,408,137)	185,932,635	170,155,900
Total assets	89,272,030	90,077,501	65,974,886	53,133,194	13,674,721	12,532,720	9,625,118	7,677,803	12,898,087	12,142,819	(5,512,207)	(5,408,137)	185,932,635	170,155,900
Segment liabilities	73,583,999	73,864,848	54,380,929	43,564,619	11,271,623	10,280,912	6,329,550	4,661,944	10,631,469	9,968,307	(3,246,893)	(3,038,871)	152,950,677	139,301,759
Total liabilities	73,583,999	73,864,848	54,380,929	43,564,619	11,271,623	10,280,912	6,329,550	4,661,944	10,631,469	9,968,307	(3,246,893)	(3,038,871)	152,950,677	139,301,759

Notes to the financial statements

57 Assets pledged

The following assets have been pledged as securities for liabilities:

		Carrying amount pledged				
		Company		Group		
Nature of assets	Nature of liabilities	**31 March 2019 Rs. '000**	31 March 2018 Rs. '000	**31 March 2019 Rs. '000**	31 March 2018 Rs. '000	Included under
Rentals receivables on lease	Securitisation	**11,917,923**	10,771,039	**11,917,923**	10,771,039	Loans and receivables
	Term loan	**9,238,434**	19,314,934	**9,238,434**	19,314,934	Loans and receivables
	Short-term loans	**15,850,462**	6,345,710	**15,850,462**	6,345,710	Loans and receivables
Rentals receivables on hire purchase	Securitisation	**37,648**	277,350	**37,648**	277,350	Loans and receivables
	Term loan	**52,359**	335,802	**52,359**	335,802	Loans and receivables
	Short-term loans	**17,012**	53,962	**17,012**	53,962	Loans and receivables
Rentals receivables on loans	Securitisation	**4,730,027**	10,087,862	**4,730,027**	10,087,862	Loans and receivables
	Short-term loans	**1,036,545**	–	**1,036,545**	–	Loans and receivables
Fixed deposits	Bank guarantee for assessment	**87,504**	79,543	**87,504**	79,543	Contingent liabilities and commitments
Fixed deposits	Overdrafts	**–**	–	**12,000**	12,000	Balances with banks and financial institutions
Freehold lands and buildings	Term loans	**–**	–	**3,812,272**	3,800,740	Property, plant and equipment

58 Related party disclosure

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

58.1 Parent and ultimate controlling party

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

58.2 Transactions with key management personnel (KMP) and their family members

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

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

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

58.2.1 Transactions with key management personnel and their close family members

Remuneration to key management personnel

	Company		Group	
For the year ended 31 March	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(a) Remuneration to Board of Directors				
Short-term employees benefits	**9,315**	8,392	**16,564**	17,100
Total	**9,315**	8,392	**16,564**	17,100

Notes to the financial statements

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(b) Remuneration to Corporate Management				
Short-term employees benefits	**175,624**	166,510	**196,855**	177,568
Post employment benefits	**14,770**	15,328	**14,770**	15,328
Total	**190,394**	181,838	**211,625**	192,896

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.

58.2.2 Share transactions with key management personnel

For the year ended 31 March	Company		Group	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
Number of ordinary shares held	**500,798**	840,798	**563,798**	903,798
Dividend paid (Rs. '000)	**711**	962	**766**	1,090

58.2.3 Transactions, arrangements and agreements involving key management personnel (KMPs), their close family members (CFMs) and other related entities

	Board of Directors		Corporate Management		Total	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	**120**	267	**707**	27	**827**	294
Interest expense	**2,963**	3,446	**27,257**	21,499	**30,220**	24,945
(b) Items in Statement of Financial Position						
Assets						
Loans and receivables	**–**	1,773	**2,272**	132	**2,272**	1,905
Total	**–**	1,773	**2,272**	132	**2,272**	1,905
Liabilities						
Due to customers	**16,613**	52,896	**238,722**	208,587	**255,335**	261,483
Total	**16,613**	52,896	**238,722**	208,587	**255,335**	261,483

Notes to the financial statements

58.3 Net accommodation and net accommodation as a percentage of capital funds

	2019 Rs. '000	2018 Rs. '000	2019 %	2018 %
People's Bank	–	–	–	–
People's Leasing Property Development Limited	**553,289**	568,182	**1.93**	2.10
People's Leasing Fleet Management Limited	**15,473**	15,704	**0.05**	0.06
People's Leasing Havelock Properties Limited	**792,369**	594,265	**2.77**	2.20
People's Micro-commerce Ltd.	**249,288**	430,745	**0.87**	1.59
People's Insurance PLC	**25,347**	22,175	**0.09**	0.08
Lankan Alliance Finance Limited	**36,907**	32,704	**0.13**	0.12
Board of Directors	–	1,773	–	0.01
Corporate Management	**2,272**	132	**0.01**	0.00
Total net accommodation	**1,674,945**	1,665,680	**5.85**	6.16

58.4 Transactions with related entities

Transactions with Government of Sri Lanka and Government-related entities

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

	Company		Group	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	**9,615**	30,736	**9,615**	30,736
Interest expenses	**1,483,228**	1,020,688	**1,483,228**	1,020,688
(b) Items in Statement of Financial Position				
Assets				
Loans and receivables	**31,789**	152,241	**31,789**	152,241
Total	**31,789**	152,241	**31,789**	152,241
Liabilities				
Due to banks	**5,900,647**	8,558,812	**2,782,080**	8,558,812
Total	**5,900,647**	8,558,812	**2,782,080**	8,558,812

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

(c) Individual Significant Transactions

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

Notes to the financial statements

58.4.1 Company

The Company had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Subsidiaries		Associate	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(a) Items in Statement of Profit or Loss						
Interest income	**861,046**	755,332	**56,495**	45,183	**–**	6,154
Interest expense	**1,061,632**	1,059,939	**217,974**	251,147	**–**	–
Fee and commission income	**–**	–	**609,575**	622,541	**–**	–
Other operating income	**–**	–	**490,724**	517,742	**–**	–
Benefits, claims and underwriting expenditure	**–**	–	**129,245**	130,881	**–**	–
Other operating expenses	**40,542**	27,832	**252,644**	280,632	**–**	–
(b) Items in Statement of Financial Position						
Assets						
Cash and cash equivalents	**2,267,088**	3,636,360	**–**	–	**–**	–
Balances with banks and financial institutions	**3,035,576**	3,730,652	**–**	–	**–**	–
Loans and receivables	**–**	–	**1,672,674**	1,663,776	**–**	–
Financial assets – Held to maturity	**7,976,782**	3,204,688	**–**	–	**–**	–
Investments in subsidiaries/associate (net of impairment)	**–**	–	**3,213,788**	3,213,788	**237,633**	586,427
Other assets	**–**	–	**143,817**	145,650	**–**	–
Total	**13,279,446**	10,571,700	**5,030,279**	5,023,214	**237,633**	586,427
Liabilities						
Due to banks	**4,441,332**	10,377,747	**–**	–	**–**	–
Due to customers	**–**	–	**459,770**	385,426	**–**	–
Debt securities issued	**–**	–	**140,991**	–	**–**	–
Other financial liabilities	**–**	–	**660,248**	765,756	**–**	–
Other liabilities	**3,179**	2,760	**4,093**	4,093	**–**	–
Total	**4,444,511**	10,380,507	**1,265,102**	1,155,275	**–**	**–**
(c) Transactions						
Transaction cost on debenture issue and securitisation	**4,820**	6,484	**–**	–	**–**	–
Dividend paid	**1,481,121**	1,481,121	**–**	–	**–**	–
Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC	**–**	–	**3,790,763**	3,480,949	**–**	–
Total	**1,485,941**	1,487,605	**3,790,763**	3,480,949	**–**	–
(d) Off-balance sheet items						
Guarantees	**–**	–	**300,000**	550,000	**–**	–
Total	**–**	–	**300,000**	550,000	**–**	–

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58.4.2 Group

The Group had the undermentioned financial dealings during the financial year with the following related entities:

	Immediate parent		Associate	
	2019 Rs. '000	2018 Rs. '000	**2019 Rs. '000**	2018 Rs. '000
(a) Items in Statement of Profit or Loss				
Interest income	**1,321,593**	771,960	**–**	6,154
Interest expenses	**1,061,632**	1,059,939	**–**	–
Net earned premiums	**219,372**	208,180	**–**	–
Fee and commission income	**93,796**	33,864	**–**	–
Other operating income	**142,779**	99,235	**–**	–
Benefits, claims and underwriting expenditure	**52,812**	55,687	**–**	–
Other operating expenses	**41,442**	28,732	**–**	–
(b) Items in Statement of Financial Position				
Assets				
Cash and cash equivalents	**3,206,927**	3,933,171	**–**	–
Balances with banks and financial institutions	**3,097,947**	4,107,354	**–**	–
Loans and receivables	**–**	–	**–**	–
Insurance and reinsurance receivables	**36**	20,185	**–**	–
Financial assets – Held to maturity	**7,976,782**	3,204,688	**–**	–
Investments in subsidiaries/associate (net of impairment)	**–**	–	**237,633**	586,427
Other assets	**43,826**	60,019	**–**	–
Total	**14,325,518**	11,325,417	**237,633**	586,427
Liabilities				
Due to banks	**5,052,345**	10,484,692	**–**	–
Other liabilities	**7,103**	5,880	**–**	–
Total	**5,059,448**	10,490,572	**–**	–

59 Risk management

59.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability, sustainability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks. Detailed risk analysis is given in risk management section in page 154.

Risk management structure

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

The Board has appointed a subcommittee, integrated risk management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

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

The Risk Management and 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 two Senior Deputy General Manager – Finance, Deputy General Manager – Operations, Head of Deposits, Head of Finance, Head of Risk Management and 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.

59.2 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 loans and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Detail note on impairment method has been disclosed in Note 25 on page 273.

59.2.1 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 evaluation system. The amounts presented are gross of impairment allowances.

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Definition of past due

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

As at 31 March 2019	Company						
	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000		
Cash and cash equivalents (excluding cash in hand)	2,432,493	–	–	–	–	–	2,432,493
Balances with banks and financial institutions	3,404,533	–	–	–	–	–	3,404,533
Financial assets – Fair value through profit or loss	23,190	–	–	–	–	–	23,190
Loans and receivables	91,969,035	51,680,382	7,181,345	2,480,131	2,432,294	909,054	156,652,241
Financial assets – Fair value through other comprehensive income	125,651	–	–	–	–	–	125,651
Debt instrument at amortised cost	8,002,625	–	–	–	–	–	8,002,625
Other financial assets	143,817	–	–	–	–	–	143,817
Total	106,101,344	51,680,382	7,181,345	2,480,131	2,432,294	909,054	170,784,550

As at 31 March 2018	Company						
	Neither past due nor impaired Rs. '000	Past due but not impaired				Individually impaired Rs. '000	Total Rs. '000
		Less than 3 months Rs. '000	3 to 6 months Rs. '000	6 to 12 months Rs. '000	More than 12 months Rs. '000		
Cash and cash equivalents (excluding cash in hand)	3,745,420	–	–	–	–	–	3,745,420
Balances with banks and financial institutions	4,370,473	–	–	–	–	–	4,370,473
Financial assets – Held for trading	174,736	–	–	–	–	–	174,736
Loans and receivables	83,919,031	52,277,999	3,323,291	1,263,995	1,688,590	748,091	143,220,997
Financial assets – Available for sale	219,132	–	–	–	–	–	219,132
Financial assets – Held to maturity	4,889,641	–	–	–	–	–	4,889,641
Other financial assets	145,650	–	–	–	–	–	145,650
Total	97,464,083	52,277,999	3,323,291	1,263,995	1,688,590	748,091	156,766,049

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As at 31 March 2019	Group						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	3,419,847	–	–	–	–	–	3,419,847
Balances with banks and financial institutions	7,375,423	–	–	–	–	–	7,375,423
Financial assets – Fair value through profit or loss	72,386	–	–	–	–	–	72,386
Loans and receivables	95,195,829	53,759,046	7,429,329	2,506,116	2,433,493	909,054	162,232,867
Insurance and reinsurance receivables	885,395	–	–	–	–	–	885,395
Financial assets – Fair value through other comprehensive income	125,651	–	–	–	–	–	125,651
Debt instrument at amortised cost	9,091,945	–	–	–	–	–	9,091,945
Total	116,166,476	53,759,046	7,429,329	2,506,116	2,433,493	909,054	183,203,514

As at 31 March 2018	Group						
	Neither past due nor impaired	Past due but not impaired				Individually impaired	Total
		Less than 3 months	3 to 6 months	6 to 12 months	More than 12 months		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents (excluding cash in hand)	4,073,439	–	–	–	–	–	4,073,439
Balances with banks and financial institutions	8,758,715	–	–	–	–	–	8,758,715
Financial assets – Held for trading	315,485	–	–	–	–	–	315,485
Loans and receivables	86,256,969	51,624,196	3,361,637	1,290,784	1,866,729	748,091	145,148,406
Insurance and reinsurance receivable	406,687	–	–	–	–	–	406,687
Financial assets – Available for sale	219,132	–	–	–	–	–	219,132
Financial assets – Held to maturity	6,013,963	–	–	–	–	–	6,013,963
Total	106,044,390	51,624,196	3,361,637	1,290,784	1,866,729	748,091	164,935,827

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59.2.2 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the Statement of Financial Position:

Industry analysis

As at 31 March 2019	Company										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	3,294,055	–	–	–	–	–	–	–	–	–	3,294,055
Balances with Banks and financial institutions	3,404,533	–	–	–	–	–	–	–	–	–	3,404,533
Financial assets – Fair value through profit or loss	18,185	–	–	–	–	–	–	–	–	5,005	23,190
Loans and receivables	4,537,434	22,967,478	5,389,956	3,142,997	26,898,641	10,252,386	20,151,673	49,473,826	701,409	13,136,441	156,652,241
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	4,944,339
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	151,707,902
Financial assets – Fair value through other comprehensive income	125,641	–	–	–	–	–	–	10	–	–	125,651
Debt instrument at amortised cost	8,002,625	–	–	–	–	–	–	–	–	–	8,002,625
Other financial assets	143,817	–	–	–	–	–	–	–	–	–	143,817

As at 31 March 2018	Company										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	4,412,683	–	–	–	–	–	–	–	–	–	4,412,683
Balances with Banks and financial institutions	4,370,473	–	–	–	–	–	–	–	–	–	4,370,473
Financial assets – Held for trading	90,906	–	12,655	930	–	–	–	62,125	–	8,120	174,736
Loans and receivables	3,966,383	11,655,609	2,325,111	1,159,060	16,575,434	7,010,157	11,760,419	56,640,052	331,763	31,797,009	143,220,997
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	3,055,560
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	140,165,437
Financial assets – Available for sale	219,122	–	–	–	–	–	–	10	–	–	219,132
Financial assets – Held to maturity	4,889,641	–	–	–	–	–	–	–	–	–	4,889,641
Other financial assets	145,650	–	–	–	–	–	–	–	–	–	145,650

* Financial services include banks, finance institutions and insurance companies.

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As at 31 March 2019	Group										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	4,310,595	–	–	–	–	–	–	–	–	–	4,310,595
Balances with Banks and financial institutions	7,375,423	–	–	–	–	–	–	–	–	–	7,375,423
Financial assets – Fair value through profit or loss	25,340	–	2,598	–	–	–	–	37,050	–	7,398	72,386
Loans and receivables	5,111,329	23,418,172	7,186,594	3,151,245	26,923,048	10,711,001	20,580,403	50,444,181	1,397,571	13,309,321	162,232,865
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	5,277,028
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	156,955,837
Reinsurance and insurance receivable	–	–	–	–	–	–	–	–	–	885,395	885,395
Financial assets – Fair value through other comprehensive income	125,641	–	–	–	–	–	–	10	–	–	125,651
Debt instrument at amortised cost	9,091,945	–	–	–	–	–	–	–	–	–	9,091,945

As at 31 March 2018	Group										
	Financial services* Rs. '000	Agriculture Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	Services Rs. '000	Industry Rs. '000	Others Rs. '000	Total Rs. '000
Cash and cash equivalents	4,765,518	–	–	–	–	–	–	–	–	–	4,765,518
Balances with Banks and financial institutions	8,758,715	–	–	–	–	–	–	–	–	–	8,758,715
Financial assets – Held for trading	155,349	–	26,531	930	–	–	3,800	116,083	–	12,792	315,485
Loans and receivables	4,719,223	11,957,892	2,322,297	1,157,703	16,499,416	7,000,894	12,057,699	57,045,134	605,464	31,782,684	145,148,406
Less – Impairment charges	–	–	–	–	–	–	–	–	–	–	3,233,329
Net loans and receivables	–	–	–	–	–	–	–	–	–	–	141,915,077
Reinsurance and insurance receivable	–	–	–	–	–	–	–	–	–	406,687	406,687
Financial assets – Available for sale	219,122	–	–	–	–	–	–	10	–	–	219,132
Financial assets – Held to maturity	6,013,963	–	–	–	–	–	–	–	–	–	6,013,963

* Financial services include banks, finance institutions and insurance companies.

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Geographical distribution of loans and receivables

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

As at 31 March 2019	Company				
	Lease/ Ijarah receivable Rs. '000	Hire-Purchase/ Murabah receivable Rs. '000	Term Loan and receivables Rs. '000	Related party receivables Rs. '000	Total Rs. '000
Central	10,531,143	81,252	4,727,536	–	15,339,931
Eastern	5,165,679	73,237	1,737,083	–	6,975,999
North Central	4,954,592	34,479	1,871,533	–	6,860,604
Northern	2,729,265	6,166	1,216,073	–	3,951,504
North Western	7,713,255	61,366	3,617,350	–	11,391,971
Sabaragamuwa	5,405,912	15,816	2,389,395	–	7,811,123
Southern	12,615,344	56,475	10,282,167	–	22,953,986
Uva	5,736,146	19,085	2,777,120	–	8,532,351
Western	32,570,235	310,882	38,619,182	1,334,473	72,834,772
Total	87,421,571	658,758	67,237,439	1,334,473	156,652,241

As at 31 March 2018	Company				
	Lease/ Ijarah receivable Rs. '000	Hire-purchase/ murabah receivable Rs. '000	Term loan and receivables Rs. '000	Related party receivables Rs. '000	Total Rs. '000
Central	10,002,223	261,890	4,059,290	–	14,323,403
Eastern	4,692,797	207,139	1,558,931	–	6,458,867
North Central	4,595,915	79,538	1,419,711	–	6,095,164
Northern	2,379,083	27,113	953,105	–	3,359,301
North Western	7,369,741	170,729	2,341,652	–	9,882,122
Sabaragamuwa	5,090,393	55,244	1,996,230	–	7,141,867
Southern	12,383,165	169,883	8,218,691	–	20,771,739
Uva	5,750,257	72,286	2,124,408	–	7,946,951
Western	33,378,039	811,955	31,892,205	1,159,384	67,241,583
Total	85,641,613	1,855,777	54,564,223	1,159,384	143,220,997

As at 31 March 2019	Group				
	Lease/ Ijarah receivable Rs. '000	Hire-purchase/ murabah receivable Rs. '000	Term loan and receivables Rs. '000	Debentures Rs. '000	Total Rs. '000
Central	10,531,143	400,620	4,727,536	–	15,659,299
Eastern	5,165,679	357,062	1,737,083	–	7,259,824
North Central	4,954,592	300,106	1,871,533	–	7,126,231
Northern	2,729,265	6,166	1,216,073	–	3,951,504
North Western	7,713,255	165,767	3,617,350	–	11,496,372
Sabaragamuwa	5,405,912	266,934	2,389,395	–	8,062,241
Southern	12,615,344	371,285	10,282,167	–	23,268,796
Uva	5,736,146	574,249	2,777,120	–	9,087,515
Western	32,570,235	430,429	38,695,606	2,089,101	73,785,371
Bangladesh	–	–	2,535,712	–	2,535,712
Total	87,421,571	2,872,618	69,849,575	2,089,101	162,232,865

As at 31 March 2018	Group				
	Lease/ Ijarah receivable Rs. '000	Hire-purchase/ murabah receivable Rs. '000	Term loan and receivables Rs. '000	Debentures Rs. '000	Total Rs. '000
Central	10,002,223	500,265	4,059,290	–	14,561,778
Eastern	4,692,797	395,679	1,558,931	–	6,647,407
North Central	4,595,915	151,934	1,419,711	–	6,167,560
Northern	2,379,083	51,791	953,105	–	3,383,979
North Western	7,369,741	326,128	2,341,652	–	10,037,521
Sabaragamuwa	5,090,393	105,528	1,996,230	–	7,192,151
Southern	12,383,165	324,512	8,218,691	–	20,926,368
Uva	5,750,257	138,081	2,124,408	–	8,012,746
Western	33,378,039	1,551,004	31,758,321	1,531,532	68,218,896
Bangladesh	–	–	–	–	–
Total	85,641,613	3,544,922	54,430,339	1,531,532	145,148,406

59.2.3 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.

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 and transfer of ownership over the vehicles
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles

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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 creditworthiness, 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:

	31 March 2019		31 March 2018	
	Maximum exposure to credit risk Rs. '000	**Net exposure Rs. '000**	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Company				
Cash and cash equivalents (excluding cash in hand)	**2,432,493**	**2,432,493**	3,745,420	3,745,420
Balances with banks and financial institutions	**3,404,533**	**3,404,533**	4,370,473	4,370,473
Financial assets – Fair value through profit or loss/Held for trading	**23,190**	**23,190**	174,736	174,736
Loans and receivables	**151,707,902**	**507,129**	140,165,437	357,761
Financial assets – Fair value through other comprehensive income/ Available for sale	**125,651**	**125,651**	219,132	219,132
Debt instrument at amortised cost/Held to maturity	**8,002,625**	**8,002,625**	4,889,641	4,889,641
Other financial assets	**143,817**	**143,817**	145,650	145,650
Total	**165,840,211**	**14,639,438**	153,710,489	13,902,813

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

	31 March 2019		31 March 2018	
	Maximum exposure to credit risk Rs. '000	**Net exposure Rs. '000**	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Group				
Cash and cash equivalents (excluding cash in hand)	**3,419,847**	**3,419,847**	4,073,439	4,073,439
Balances with banks and financial institutions	**7,375,423**	**7,375,423**	8,758,715	8,758,715
Financial assets – Fair value through profit or loss/Held for trading	**72,386**	**72,386**	315,485	315,485
Loans and receivables	**156,955,837**	**507,129**	141,915,077	357,761
Reinsurance and insurance receivable	**885,395**	**885,395**	406,687	406,687
Financial assets – Fair value through other comprehensive income/ Available for sale	**125,651**	**125,651**	219,132	219,132
Debt instrument at amortised cost/Held to maturity	**9,091,945**	**9,091,945**	6,013,963	6,013,963
Total	**177,926,484**	**21,477,776**	161,702,498	20,145,182

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59.2.4 Collateral and other credit enhancements

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

Type of collateral or credit enhancement	Fair value of collateral and credit enhancements held under the base case scenario					
31 March 2019	**Maximum exposure to credit risk Rs. '000**	**Movable securities Rs. '000**	**Immovable securities Rs. '000**	**Total collateral Rs. '000**	**Net exposure Rs. '000**	**Associated ECL Rs. '000**
Company						
Loans and receivables	15,109,189	11,147,560	10,066,386	21,213,946	(6,104,757)	3,566,512
Group						
Loans and receivables	15,435,957	13,010,735	10,066,386	23,077,121	(7,641,164)	3,807,017

59.2.5 Offsetting financial assets and 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.

59.2.6 Financial assets and liabilities not subject to offsetting

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

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

As at 31 March	Company and Group					
	2019			2018		
	Gross amount Rs. '000	**Amount subject to netting but do not qualify for offsetting Rs. '000**	**Net amount Rs. '000**	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000
Financial assets						
Loans and receivables	7,180,183	2,843,487	4,336,696	5,186,045	2,014,343	3,171,702

Notes to the financial statements

59.2.7 Sensitivity of impairment provision on loans and receivables

As at 31 March 2019	Company				
	Sensitivity on ECL sensitivity effect on Statement of Financial Position [increase/(decrease) in impairment provision]				Sensitivity effect on income
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Rs. '000
PD 1% increase across all age buckets	4,104	5,581	–	9,685	9,685
PD 1% decrease across all age buckets	(4,104)	(5,581)	–	(9,685)	(9,685)
LGD 5% increase	20,606	30,329	149,977	200,912	200,912
LGD 5% decrease	(20,606)	(30,329)	(149,977)	(200,912)	(200,912)
Probability weighted economic scenarios					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,146)	(2,549)	–	(4,695)	(4,695)
– Base case 10% decrease, worst case 5% increase and best case 5% increase	2,394	2,634	–	5,028	5,028

As at 31 March 2019	Group				
	Sensitivity on ECL sensitivity effect on Statement of Financial Position [increase/(decrease) in impairment provision]				Sensitivity effect on income
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	Rs. '000
PD 1% increase across all age buckets	9,353	7,209	–	16,562	16,562
PD 1% decrease across all age buckets	(9,353)	(7,209)	–	(16,562)	(16,562)
LGD 5% increase	15,855	26,251	142,805	184,911	184,911
LGD 5% decrease	(15,855)	(26,251)	(142,805)	(184,911)	(184,911)
Probability weighted economic scenarios					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(2,178)	(2,545)	–	(4,723)	(4,723)
– Base case 10% decrease, worst case 5% increase and best case 5% increase	2,491	2,654	–	5,145	5,145

Notes to the financial statements

59.3 Liquidity risk and funding management

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

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 holding 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:

a. 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day; and
b. 15% of outstanding value of the savings deposits and accrued interest payable at the close of the business on such day; and
c. 10% of the total outstanding borrowing and any payables.

Further, the Company maintaining assets in the form of Sri Lankan Government Treasury Bills and 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 were as follows:

	Company		Group	
As at 31 March	**2019**	2018	**2019**	2018
Liquidity ratios				
Advances to deposits ratios (Times)	**1.72**	2.02	**1.77**	2.06
Liquidity assets to deposits (%)	**15**	17	**20**	21

59.3.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2019.

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.

Notes to the financial statements

59.3.2 Contractual maturities of undiscounted cash flows of financial assets and liabilities

As at 31 March 2019	Company						
	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	Total Rs. '000
Financial assets							
Cash and cash equivalents	2,992,445	301,610	–	–	–	–	3,294,055
Balances with banks and financial institutions	–	1,698,971	1,836,466	–	–	–	3,535,437
Financial assets – Fair value through profit or loss/ Held for trading	–	23,190	–	–	–	–	23,190
Loans and receivables	7,990,862	26,640,427	57,210,326	85,466,009	22,308,173	293,024	199,908,821
Financial assets – Fair value through other comprehensive income/Available for sale	–	125,641	–	–	–	10	125,651
Debt instrument at amortised cost/Held to maturity	–	2,768,180	5,630,481	–	–	–	8,398,661
Other financial assets	–	143,817	–	–	–	–	143,817
Total undiscounted financial assets	10,983,307	31,701,836	64,677,273	85,466,009	22,308,173	293,034	215,429,632
Financial liabilities							
Due to banks	353,074	14,159,491	6,828,631	3,562,915	5,746,634	–	30,650,745
Due to customers	5,192,685	21,803,392	45,296,507	17,453,379	7,335,769	119,519	97,201,251
Debt securities issued	14,928	1,365,592	3,603,396	14,988,116	7,442,993	–	27,415,025
Other financial liabilities	–	2,480,377	–	–	–	–	2,480,377
Total undiscounted financial liabilities	5,560,687	39,808,852	55,728,534	36,004,410	20,525,396	119,519	157,747,398
Net undiscounted financial assets/(liabilities)	5,422,620	(8,107,016)	8,948,739	49,461,599	1,782,777	173,515	57,682,234

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As at 31 March 2018	Company						
	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	Total Rs. '000
Financial assets							
Cash and cash equivalents	4,308,801	103,882	–	–	–	–	4,412,683
Balances with banks and financial institutions	–	1,654,438	2,897,531	–	–	–	4,551,969
Financial assets – Held for trading	–	174,736	–	–	–	–	174,736
Loans and receivables	6,281,820	24,649,973	51,846,491	78,294,617	19,485,997	50,966	180,609,864
Financial assets – Available for sale	–	219,122	–	–	–	10	219,132
Financial assets – Held to maturity	–	3,313,331	1,663,460	25,000	–	–	5,001,791
Other financial assets	–	145,650	–	–	–	–	145,650
Total undiscounted financial assets	10,590,621	30,261,132	56,407,482	78,319,617	19,485,997	50,976	195,115,825
Financial liabilities							
Due to banks	1,265,295	15,944,817	14,844,479	10,577,833	74,216	–	42,706,640
Due to customers	4,256,747	20,433,978	36,363,366	9,879,947	6,566,297	65,109	77,565,444
Debt securities issued	13,032	4,771,879	2,274,970	10,006,325	7,655,235	–	24,721,441
Other financial liabilities	–	4,645,818	–	–	–	–	4,645,818
Derivative financial instruments	–	1,855,451	–	–	–	–	1,855,451
Total undiscounted financial liabilities	5,535,074	47,651,943	53,482,815	30,464,105	14,295,748	65,109	151,494,794
Net undiscounted financial assets/(liabilities)	5,055,547	(17,390,811)	2,924,667	47,855,512	5,190,249	(14,133)	43,621,031

Notes to the financial statements

As at 31 March 2019	Group						
	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	Total Rs. '000
Financial assets							
Cash and cash equivalents	4,008,985	301,610	–	–	–	–	4,310,595
Balances with banks and financial institutions	–	2,385,902	4,365,793	–	–	–	6,751,695
Financial assets – Fair value through profit or loss/ Held for trading	–	72,386	–	–	–	–	72,386
Loans and receivables	8,284,582	26,979,662	58,160,401	87,956,663	23,606,274	388,453	205,376,035
Reinsurance and insurance receivable	251,348	851,895	–	–	–	–	1,103,243
Financial assets – Fair value through other comprehensive income/Available for sale	–	125,641	–	–	–	10	125,651
Debt instrument at amortised cost/Held to maturity	–	3,481,995	5,819,836	–	–	–	9,301,831
Total undiscounted financial assets	12,544,915	34,199,091	68,346,030	87,956,663	23,606,274	388,463	227,041,436
Financial liabilities							
Due to banks	964,087	14,672,154	7,421,881	4,743,776	5,945,416	30,610	33,777,924
Due to customers	5,192,685	21,642,645	44,986,745	17,453,379	7,335,769	119,519	96,730,742
Debt securities issued	14,928	1,349,592	3,603,396	14,956,116	7,285,993	–	27,210,025
Other financial liabilities	–	2,464,936	–	–	–	–	2,464,936
Insurance and reinsurance payable	–	4,880,873	–	–	–	–	4,880,873
Total undiscounted financial liabilities	6,171,700	45,010,200	56,012,022	37,153,271	20,567,178	150,129	165,064,500
Net undiscounted financial assets/(liabilities)	6,373,215	(10,811,109)	12,334,008	50,803,392	3,039,096	238,334	61,976,936

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As at 31 March 2018	Group						
	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	Total Rs. '000
Financial assets							
Cash and cash equivalents	4,661,636	103,882	–	–	–	–	4,765,518
Balances with banks and financial institutions	–	1,910,757	5,126,525	–	–	–	7,037,282
Financial assets – Held for trading	–	315,485	–	–	–	–	315,485
Loans and receivables	6,529,648	24,939,245	53,032,792	80,363,024	20,102,201	298,309	185,265,219
Reinsurance and insurance receivable	251,348	851,895	–	–	–	–	1,103,243
Financial assets – Available for sale	–	1,343,444	–	–	–	10	1,343,454
Financial assets – Held to maturity	–	3,313,331	1,663,460	25,000	–	–	5,001,791
Total undiscounted financial assets	11,442,632	32,778,039	59,822,777	80,388,024	20,102,201	298,319	204,831,992
Financial liabilities							
Due to banks	1,384,394	16,126,870	15,623,416	11,577,308	476,747	113,610	45,302,345
Due to customers	4,256,747	20,365,178	36,059,413	9,879,947	6,566,297	65,109	77,192,691
Debt securities issued	13,032	4,767,703	2,262,225	9,885,520	7,655,235	–	24,583,715
Other financial liabilities	–	4,473,552	–	–	–	–	4,473,552
Derivative financial instruments	–	1,855,451	–	–	–	–	1,855,451
Reinsurance and insurance payable	–	4,054,586	–	–	–	–	4,054,586
Total undiscounted financial liabilities	5,654,173	51,643,340	53,945,054	31,342,775	14,698,279	178,719	157,462,340
Net undiscounted financial assets/(liabilities)	5,788,459	(18,865,301)	5,877,723	49,045,249	5,403,922	119,600	47,369,652

Notes to the financial statements

59.3.3 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.

As at 31 March 2019	Company					
	On demand Rs. '000	**Less than 3 months Rs. '000**	**3 to 12 months Rs. '000**	**1 to 5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Guarantees	–	3,650	327,375	–	–	331,025
Assessment received from Inland Revenue Department	–	–	–	67,938	–	67,938
Accidents of leased out vehicle	–	98,757	16,294	–	–	115,051
Capital commitments	–	6,418,100	843,750	–	–	7,261,850
Total commitments and guarantees	–	6,520,507	1,187,419	67,938	–	7,775,864

As at 31 March 2018	Company					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	4,282	578,195	500	–	582,977
Letter of credits	–	25,128	–	–	–	25,128
Accidents of leased out vehicles	–	94,940	54,447	–	–	149,387
Capital commitments	–	5,979,658	733,725	–	–	6,713,383
Total commitments and guarantees	–	6,104,008	1,366,367	500	–	7,470,875

As at 31 March 2019	Group					
	On demand Rs. '000	**Less than 3 months Rs. '000**	**3 to 12 months Rs. '000**	**1 to 5 years Rs. '000**	**Over 5 years Rs. '000**	**Total Rs. '000**
Guarantees	–	3,650	327,375	–	–	331,025
Assessment received from Inland Revenue Department	–	–	–	67,938	–	67,938
Accidents of leased out vehicles	–	98,757	16,430	–	–	115,187
Capital commitments	–	6,418,100	856,458	–	–	7,274,558
Total commitments and guarantees	–	6,520,507	1,200,263	67,938	–	7,788,708

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As at 31 March 2018	Group					
	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 5 years Rs. '000	Over 5 years Rs. '000	Total Rs. '000
Guarantees	–	4,282	578,195	500	–	582,977
Letter of credits	–	25,128	–	–	–	25,128
Accidents of leased out vehicles	–	94,940	54,447	–	–	149,387
Capital commitments	–	6,060,801	780,635	24,436	–	6,865,872
Total commitments and guarantees	–	6,185,151	1,413,277	24,936	–	7,623,364

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

59.3.4 Total liquid assets

The table below sets out the components of the Company's liquid assets:

As at 31 March	**2019 Rs. '000**	2018 Rs. '000
Cash in hand	**861,562**	668,663
Balances in current accounts	**658,512**	1,751,363
Deposits in commercial banks	**3,382,418**	4,353,861
Treasury bills (Less than 12 months)	**7,988,657**	4,858,398
Other approved securities	**301,548**	103,882
Total liquid assets	**13,192,697**	11,736,167

59.4 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. The Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

59.4.1 Interest rate risk

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

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31 March 2019 and 31 March 2018 to a reasonably possible change in interest rates, with all other variable constant:

As at 31 March	**2019 Rs. '000**	2018 Rs. '000
Impact on Statement of Profit or Loss due to interest rate shocks		
0.50%	**(16,080)**	(23,033)
1%	**(32,160)**	(46,066)
-0.50%	**16,080**	23,033
-1%	**32,160**	46,066

Notes to the financial statements

Interest rate risk exposure on financial assets and liabilities

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

As at 31 March 2019	Company							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	3,294,055	65,422	301,548	–	–	–	–	2,927,085
Balances with banks and financial institutions	3,404,533	219,358	1,546,030	1,639,145		–	–	–
Financial assets – Fair value through profit or loss/Held for trading	23,190	–	–	–	–	–	–	23,190
Loans and receivables	156,652,241	8,008,232	20,944,731	42,275,472	65,998,670	19,344,501	80,635	–
Less – Impairment charges	4,944,339	–	–	–	–	–	–	–
Net loans and receivables	151,707,902	–	–	–	–	–	–	–
Financial assets – Fair value through other comprehensive income/ Available for sale	125,651	–	–	–	–	–	–	125,651
Debt instrument at amortised cost/ Held to maturity	8,002,625	343,710	2,550,185	5,108,730	–	–	–	–
Other financial assets	143,817	–	–	–	–	–	–	143,817
Total	166,701,773	8,636,722	25,342,494	49,023,347	65,998,670	19,344,501	80,635	3,219,743
Liabilities								
Due to banks	27,273,933	1,665,071	15,924,202	4,269,546	2,106,305	3,308,809	–	–
Due to customers	88,368,656	8,449,606	19,979,499	39,556,470	14,298,434	5,965,128	119,519	–
Debt securities issued	21,275,031	1,337,390	–	2,709,346	11,247,003	5,981,292	–	–
Other financial liabilities	2,480,377	–	–	–	–	–	–	2,480,377
Total	139,397,997	11,452,067	35,903,701	46,535,362	27,651,742	15,255,229	119,519	2,480,377
Total interest sensitivity gap	27,303,776	(2,815,345)	(10,561,207)	2,487,985	38,346,928	4,089,272	(38,884)	

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As at 31 March 2018	Company							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,412,683	62,930	103,882	–	–	–	–	4,245,871
Balances with banks and financial institutions	4,370,473	71,030	1,584,282	2,715,161	–	–	–	–
Financial assets – Held for trading	174,736	–	–	–	–	–	–	174,736
Loans and receivables	143,220,997	7,159,727	18,512,389	38,834,181	61,632,898	17,033,107	48,695	–
Less – Impairment charges	3,055,560	–	–	–	–	–	–	–
Net loans and receivables	140,165,437	–	–	–	–	–	–	–
Financial assets – Available for sale	219,132	–	–	–	–	–	–	219,132
Financial assets – Held to maturity	4,889,641	126,305	3,194,050	1,544,791	24,495	–	–	–
Other financial assets	145,650	–	–	–	–	–	–	145,650
Total	154,377,752	7,419,992	23,394,603	43,094,133	61,657,393	17,033,107	48,695	4,785,389
Liabilities								
Due to banks	39,921,789	3,166,953	18,806,676	11,322,821	6,625,339	–	–	–
Due to customers	69,763,219	7,076,810	18,714,380	31,508,947	7,267,053	5,130,920	65,109	–
Debt securities issued	15,783,502	646,669	–	1,194,958	7,171,491	6,770,384	–	–
Other financial liabilities	4,645,818	–	–	–	–	–	–	4,645,818
Total	130,114,328	10,890,432	37,521,056	44,026,726	21,063,883	11,901,304	65,109	4,645,818
Total interest sensitivity gap	24,263,424	(3,470,440)	(14,126,453)	(932,593)	40,593,510	5,131,803	(16,414)	

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

As at 31 March 2019	Group							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,310,595	358,072	301,548	–	–	–	–	3,650,975
Balances with banks and financial institutions	7,375,423	219,358	3,150,896	4,005,169	–	–	–	–
Financial assets – Fair value through profit or loss/Held for trading	72,386	–	–	–	–	–	–	72,386
Loans and receivables	162,232,865	8,288,691	20,711,550	43,727,634	68,000,116	21,338,212	166,662	–
Less – Impairment charges	5,277,028	–	–	–	–	–	–	–
Net loans and receivables	156,955,837	–	–	–	–	–	–	–
Reinsurance and insurance receivable	885,395	–	–	–	–	–	–	885,395
Financial assets – Fair value through other comprehensive income/ Available for sale	125,651	–	–	–	–	–	–	125,651
Debt instrument at amortised cost/ Held to maturity	9,091,945	1,107,375	2,875,840	5,108,730	–	–	–	–
Total	178,817,232	9,973,496	27,039,834	52,841,533	68,000,116	21,338,212	166,662	4,734,407
Liabilities								
Due to banks	30,475,326	2,586,124	16,413,032	4,690,335	3,247,635	3,507,591	30,609	–
Due to customers	88,923,196	8,449,606	19,831,974	39,275,151	15,269,553	5,977,325	119,587	–
Debt securities issued	21,134,040	1,322,179	–	2,709,346	11,247,003	5,855,512	–	–
Other financial liabilities	2,464,936	–	–	–	–	–	–	2,464,936
Insurance liabilities and reinsurance payable	4,880,873	–	–	–	–	–	–	4,880,873
Total	147,878,371	12,357,909	36,245,006	46,674,832	29,764,191	15,340,428	150,196	7,345,809
Total interest sensitivity gap	30,938,861	(2,384,413)	(9,205,172)	6,166,701	38,235,925	5,997,784	16,466	

Notes to the financial statements

As at 31 March 2018	Group							
	Carrying amount Rs. '000	On demand Rs. '000	Less than 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	Over 5 years Rs. '000	Non-interest bearing Rs. '000
Assets								
Cash and cash equivalents	4,765,518	116,661	103,882	–	–	–	–	4,546,377
Balances with banks and financial institutions	8,758,715	67,544	3,899,546	4,791,625	–	–	–	–
Financial assets – Held for trading	315,485	–	–	–	–	–	–	315,485
Loans and receivables	145,148,406	6,442,138	19,366,201	40,303,970	61,789,624	17,197,778	48,695	–
Less – Impairment charges	3,233,329	–	–	–	–	–	–	–
Net loans and receivables	141,915,077	–	–	–	–	–	–	–
Reinsurance and insurance receivable	406,687	–	–	–	–	–	–	406,687
Financial assets – Available for sale	219,132	–	–	–	–	–	–	1,343,454
Financial assets – Held to maturity	6,013,963	126,305	3,194,050	1,544,791	24,495	–	–	–
Total	162,394,577	7,550,147	26,563,679	46,640,386	61,814,119	17,197,778	48,695	6,612,003
Liabilities								
Due to banks	41,834,394	3,522,231	18,904,224	11,629,295	6,953,778	561,956	262,910	–
Due to customers	69,377,794	7,043,261	18,644,414	31,227,037	7,267,053	5,130,920	65,109	–
Debt securities issued	15,783,502	6,46,669	-	1,194,958	7,171,491	6,770,384	–	–
Other financial liabilities	4,473,552	–	–	–	–	–	–	4,473,552
Insurance liabilities and reinsurance payables	–	–	–	–	–	–	–	4,054,586
Total	131,479,242	11,212,161	37,548,638	44,051,290	21,392,322	12,463,260	328,019	8,528,138
Total interest sensitivity gap	30,925,335	(3,662,014)	(10,984,959)	2,589,096	40,421,797	4,734,518	(279,324)	

59.4.2 Currency risk

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

Since investments in USD deposits were low, the currency risk of the Company/Group is minimal.

The tables below indicate the currencies to which the Company/Group had significant exposures as at 31 March 2018 and the effect to the gains/losses in case of a market exchange rates up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the rupees 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).

Notes to the financial statements

Impact on Statement of Profit or Loss due to exchange rate shocks

		Company		Group	
	Change in currency rate in %	**2019 Effect on profit before tax Rs. '000**	2018 Effect on profit before tax Rs. '000	**2019 Effect on profit before tax Rs. '000**	2018 Effect on profit before tax Rs. '000
USD	1	**49**	42	**437**	843
USD	-1	**(49)**	(42)	**(437)**	(843)

59.4.3 Equity price risk

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

1% increase/decrease in equity market prices	2019			2018		
	Effect on net asset value Rs. '000	**Effect on profit before tax Rs. '000**	**Effect on comprehensive income Rs. '000**	Effect on Net asset value Rs. '000	Effect on profit before tax Rs. '000	Effect on comprehensive income Rs. '000
Company						
Financial assets – FVTPL/Held for trading	**232**	**232**	**–**	1,748	1,748	–
Financial assets – FVOCI/Available for sale	**1,256**	**–**	**1,256**	2,191	–	2,191
Group						
Financial assets – FVTPL/Held for trading	**724**	**724**	**–**	3,152	3,152	–
Financial assets – FVOCI/Available for sale	**1,256**	**–**	**1,256**	2,191	–	2,191

59.4.4 Commodity price risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the Group, volatility in gold prices may adversely affect Statement of Profit or Loss. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Following strategies are used to manages the credit and market risks arising from adverse changes in gold prices by the Group:

- LTV – The Group implements a process of revising the advance payments for each gold sovereign to reflect market value volatility to maintain an ideal loan-to-value ratio.
- Product Lifetime – As a credit risk management strategy, the Group deliver services in less time, enabling a faster recovery process.

59.5 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 is managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

Notes to the financial statements

59.6 Insurance risks

People's Insurance PLC (PI) is a subsidiary of the Company whose principal line of business is carrying out general insurance business. The following are the risks and their management arising from PI for its statutory year ended 31 March 2018.

59.6.1 Regulatory framework

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

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

59.6.2 Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

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

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

Methods used to manage risks

Risk appetite and risk tolerance

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

Identification of shock losses

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

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

	31 March 2019			31 March 2018		
	Gross liabilities Rs. '000	**Reinsurance receivable Rs. '000**	**Net liabilities Rs. '000**	Gross liabilities Rs. '000	Reinsurance receivable Rs. '000	Net liabilities Rs. '000
Motor	**735,451**	**19,655**	**715,796**	444,580	26,081	418,499
Marine	**641**	**481**	**160**	1,517	32,018	(30,501)
Fire	**480,124**	**399,907**	**80,217**	49,245	1,234	48,011
Miscellaneous	**137,149**	**–**	**137,149**	69,153	19,733	49,420
Total	**1,353,365**	**420,043**	**933,322**	564,495	79,066	485,429

Notes to the financial statements

Claims development table

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

Gross non-life insurance outstanding claims provision for 2019

Accident period	Current estimate of cumulative claims incurred									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**4,357,505**	101,745	29,044	(13,280)	6,770	(11,817)	71	15,672	(165)	4,485,545
2017/18	–	2,792,805	33,255	21,071	5,704	8,298	(608)	4,738	(844)	2,864,419
2016/17	–	–	2,635,203	50,267	5,397	(8,555)	(17,006)	(113)	(945)	2,664,248
2015/16	–	–	–	2,182,704	31,044	35,874	(5,165)	6,377	1,703	2,252,537
2014/15	–	–	–	–	2,040,473	(15,126)	28,391	1,577	1,465	2,056,780
2013/14	–	–	–	–	–	2,042,094	(167,837)	50,297	3,148	1,927,702
2012/13	–	–	–	–	–	–	2,042,934	(58,704)	4,224	1,988,454
2011/12	–	–	–	–	–	–	–	1,396,938	2,762	1,399,700
2010/11	–	–	–	–	–	–	–	–	213,653	213,653
Current estimate of cumulative claims incurred	**4,357,505**	2,894,550	2,697,502	2,240,762	2,089,388	2,050,768	1,880,780	1,416,782	225,001	19,853,038

Gross non-life insurance outstanding claims provision for 2018

Accident period	Cumulative payments to date									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**(3,305,799)**	(643,850)	(33,633)	(33,449)	(19,230)	(17,585)	(6,910)	(20,395)	–	(4,080,851)
2017/18	–	(2,267,584)	(468,923)	(30,768)	(13,186)	(10,447)	(10,057)	(8,627)	(2,129)	(2,811,721)
2016/17	–	–	(2,129,944)	(389,878)	(23,979)	(12,958)	(16,478)	(8,262)	(390)	(2,581,889)
2015/16	–	–	–	(1,743,315)	(395,617)	(28,525)	(53,691)	(16,664)	(1,718)	(2,239,530)
2014/15	–	–	–	–	(1,586,379)	(329,993)	(29,760)	(19,215)	(2,329)	(1,967,676)
2013/14	–	–	–	–	–	(1,621,312)	(252,384)	(57,574)	(3,495)	(1,934,765)
2012/13	–	–	–	–	–	–	(1,465,582)	(311,763)	(5,154)	(1,782,499)
2011/12	–	–	–	–	–	–	–	(893,615)	(72,227)	(965,842)
2010/11	–	–	–	–	–	–	–	–	(134,902)	(134,902)
Cumulative payments to date	**(3,305,799)**	(2,911,434)	(2,632,500)	(2,197,410)	(2,038,391)	(2,020,820)	(1,834,862)	(1,336,115)	(222,344)	(18,499,675)
Total gross claims outstanding	**1,051,706**	(16,884)	65,002	43,352	50,997	29,948	45,918	80,667	2,657	1,353,363

Notes to the financial statements

Net non-life insurance outstanding claims provision for 2019

Accident period	Current estimate of cumulative claims incurred									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**4,350,992**	108,233	34,319	(4,902)	7,055	(16,214)	72	15,968	(167)	4,495,356
2017/18	–	2,692,279	37,716	15,721	5,742	14,290	(608)	9,001	(844)	2,773,297
2016/17	–	–	2,549,666	59,287	6,864	(10,511)	(16,949)	(128)	(945)	2,587,284
2015/16	–	–	–	2,100,737	16,076	34,203	(3,982)	6,454	1,599	2,155,087
2014/15	–	–	–	–	2,023,094	(15,127)	28,151	2,382	1,465	2,039,965
2013/14	–	–	–	–	–	2,034,121	(158,485)	51,344	3,157	1,930,137
2012/13	–	–	–	–	–	–	1,976,422	(15,515)	4,239	1,965,146
2011/12	–	–	–	–	–	–	–	1,224,086	4,621	1,228,707
2010/11	–	–	–	–	–	–	–	–	209,132	209,132
Current estimate of cumulative claims incurred	**4,350,992**	2,800,512	2,621,701	2,170,843	2,058,831	2,040,762	1,824,621	1,293,592	222,257	19,384,111

Net non-life insurance outstanding claims provision for 2018

Accident period	Cumulative payments to date									
	2018/19 Rs. '000	2017/18 Rs. '000	2016/17 Rs. '000	2015/16 Rs. '000	2014/15 Rs. '000	2013/14 Rs. '000	2012/13 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000	Total Rs. '000
2018/19	**(3,609,164)**	(679,049)	(34,981)	(36,931)	(21,217)	(15,267)	(7,623)	(22,502)	–	(4,426,734)
2017/18	–	(2,209,836)	(446,918)	(30,608)	(13,132)	(10,432)	(10,057)	(8,627)	(2,129)	(2,731,739)
2016/17	–	–	(2,075,965)	(387,579)	(23,866)	(12,833)	(16,282)	(8,244)	(390)	(2,525,159)
2015/16	–	–	–	(1,756,890)	(369,486)	(27,883)	(31,860)	(16,664)	(1,614)	(2,204,397)
2014/15	–	–	–	–	(1,564,956)	(329,883)	(29,152)	(17,417)	(2,329)	(1,943,737)
2013/14	–	–	–	–	–	(1,593,260)	(226,969)	(32,280)	(3,495)	(1,856,004)
2012/13	–	–	–	–	–	–	(1,424,239)	(248,760)	(5,123)	(1,678,122)
2011/12	–	–	–	–	–	–	–	(881,711)	(71,904)	(953,615)
2010/11	–	–	–	–	–	–	–	–	(131,282)	(131,282)
Cumulative payments to date	**(3,609,164)**	(2,888,885)	(2,557,864)	(2,212,008)	(1,992,657)	(1,989,558)	(1,746,182)	(1,236,205)	(218,266)	(18,450,789)
Total gross claims outstanding	**741,828**	(88,373)	63,837	(41,165)	66,174	51,204	78,439	57,387	3,991	933,322

60 Events after the reporting period

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

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 31 March 2019. This will be declared at the Annual General Meeting to be held on 31 July 2019, 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 31 March 2019. As required by Section 56 (2) of the Companies Act No. 07 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. 07 of 2007, having obtained a certificate from the Auditors, prior to recommending the final dividend for the year.