

# CONDENSED INTERIM FINANCIAL STATEMENTS

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PEOPLE'S MERCHANT FINANCE PLC

*For the period ended 31st December 2021*





KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426  
Fax +94 - 11 244 5872  
+94 - 11 244 6058  
Internet www.kpmg.com/lk

## People's Merchant Finance PLC

### Independent auditors' report on review of interim financial information

#### To the Board of Directors

#### Introduction

We have reviewed the accompanying condensed interim financial information of People's Merchant Finance PLC ("the Company") and condensed consolidated interim financial information of the Company and its Subsidiary (the "Group") as at 31<sup>st</sup> December 2021, which comprise.:

- the condensed statements of financial position as at 31<sup>st</sup> December 2021;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month period ended 31<sup>st</sup> December 2021;
- the condensed statements of changes in equity for the nine month period ended 31<sup>st</sup> December 2021;
- the condensed statements of cash flows for the nine-month period ended 31<sup>st</sup> December 2021; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with LKAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

#### Scope of Review

We conducted our review in accordance with the Sri Lanka Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Sri Lanka Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31<sup>st</sup> December 2021 condensed interim financial information is not prepared, in all material respects, in accordance with LKAS 34, 'Interim Financial Reporting'.

Chartered Accountants  
15<sup>th</sup> February 2022

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A.M.R.P. Alahakoon ACA  
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W.W.J.C. Perera FCA  
W.K.D.C. Abeyratne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA

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Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. P. M. K. Sumanasekara FCA, W. A. A. Weerasekara CFA, ACMA, MRICS

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**

As at,	Notes	Company			Group		
		31.12.21 Reviewed Rs. '000	31.03.21 Audited Rs. '000	Change %	31.12.21 Reviewed Rs. '000	31.03.21 Audited Rs. '000	Change %
<b>Assets</b>							
Cash and cash equivalents	13	939,238	707,190	32.8	939,485	707,437	32.8
Placements with banks and financial institutions	13	205,372	5,126	3,906.7	205,372	5,126	3,906.7
Financial assets measured at fair value	13	49,754	647,840	(92.3)	49,754	647,840	(92.3)
Financial assets measured at amortised cost - Loans and advances	13	6,025,815	3,156,568	90.9	6,025,815	3,156,568	90.9
Property, plant and equipment		71,572	24,879	187.7	71,572	24,879	187.7
Intangible assets		8,850	6,590	34.3	8,850	6,590	34.3
Right of use assets		127,952	68,787	86.0	127,952	68,787	86.0
Other Assets		419,628	86,872	383.0	419,628	86,872	383.0
<b>Total Assets</b>		<b>7,848,181</b>	<b>4,703,852</b>	<b>66.8</b>	<b>7,848,428</b>	<b>4,704,099</b>	<b>66.8</b>
<b>Liabilities</b>							
Due to banks	13	1,645,371	-	100.0	1,645,371	-	100.0
Financial liabilities at amortised cost - due to depositors	13	3,053,816	2,289,491	33.4	3,053,816	2,289,491	33.4
Debt securities issued	6	17,050	16,600	2.7	17,050	16,600	2.7
Lease liabilities	13	138,230	80,424	71.9	138,230	80,424	71.9
Employee benefit obligation		18,333	18,360	(0.2)	18,333	18,360	(0.2)
Other liabilities		301,639	167,776	79.8	302,072	168,209	79.6
<b>Total Liabilities</b>		<b>5,174,439</b>	<b>2,572,651</b>	<b>101.1</b>	<b>5,174,872</b>	<b>2,573,084</b>	<b>101.1</b>
<b>Equity</b>							
Stated capital		3,762,055	3,252,159	15.7	3,762,055	3,252,159	15.7
Statutory reserve fund		10,649	10,649	0.0	10,649	10,649	0.0
Accumulated losses		(1,098,961)	(1,131,607)	2.9	(1,099,147)	(1,131,793)	2.9
<b>Total Equity</b>		<b>2,673,743</b>	<b>2,131,201</b>	<b>25.5</b>	<b>2,673,557</b>	<b>2,131,015</b>	<b>25.5</b>
<b>Total Liabilities &amp; Equity</b>		<b>7,848,181</b>	<b>4,703,852</b>	<b>66.8</b>	<b>7,848,428</b>	<b>4,704,099</b>	<b>66.8</b>
Contingent liabilities and commitments		471,863	81,260	480.7	471,863	81,260	480.7
Net assets value per ordinary share (Rs.)		6.60	6.52	1.2	6.60	6.52	1.2
<b>CERTIFICATION</b>							
We certify that the above interim financial statements are in compliance with the requirement of the Companies Act No 07 of 2007.							
(Signed) <b>Kokila Perera</b> Senior Manager-Finance				(Signed) <b>Nalin Wijekoon</b> Chief Executive Officer			
The Board of Directors is responsible for the preparation and presentation of these Interim Financial Statements.							
Approved and signed for and on behalf of the Board of Directors.							
(Signed) <b>Chandula Abeywickrema</b> Chairman				(Signed) <b>Channa Manoharan</b> Director			
15th February 2022 Colombo							
<i>Figures in brackets indicate deductions.</i>							

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF PROFIT OR LOSS - COMPANY**

	For the nine months ended			For the quarter ended		
	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %
<b>Gross Income</b>	<b>646,858</b>	461,735	40.1	<b>264,068</b>	193,568	36.4
Interest income	<b>522,543</b>	338,129	54.5	<b>223,597</b>	130,331	71.6
Less: Interest expense	<b>185,141</b>	169,980	8.9	<b>77,422</b>	53,239	45.4
<b>Net interest income</b>	<b>337,402</b>	168,149	100.7	<b>146,176</b>	77,092	89.6
Fee and commission income	<b>12,949</b>	7,529	72.0	<b>6,746</b>	3,105	117.3
Net fair value gain from financial assets at FVTPL	<b>31,538</b>	39,435	(20.0)	<b>6,542</b>	13,645	(52.1)
Other operating income	<b>79,828</b>	76,643	4.2	<b>27,183</b>	46,488	(41.5)
<b>Total operating income</b>	<b>461,718</b>	291,756	58.3	<b>186,648</b>	140,330	33.0
Less: Impairment charges for loans and receivables and other losses	<b>25,657</b>	6,974	267.9	<b>11,360</b>	545	1,984.4
<b>Net operating income</b>	<b>436,062</b>	284,782	53.1	<b>175,288</b>	139,785	25.4
Less: Personnel Expenses	<b>194,992</b>	120,472	61.9	<b>65,830</b>	48,770	35.0
Depreciation of property, plant and equipment	<b>6,023</b>	3,050	97.5	<b>3,217</b>	1,078	198.4
Amortisation of intangible assets	<b>403</b>	1,416	(71.5)	<b>166</b>	623	(73.3)
Amortisation of right of use assets	<b>33,717</b>	28,046	20.2	<b>10,347</b>	13,581	(23.8)
Other expenses	<b>131,588</b>	86,525	52.1	<b>49,096</b>	34,137	43.8
<b>Operating profit before tax on financial services</b>	<b>69,337</b>	45,273	53.2	<b>46,632</b>	41,597	12.1
Less : Tax on financial services	<b>34,628</b>	19,978	73.3	<b>14,920</b>	10,452	42.8
<b>Profit before income tax</b>	<b>34,709</b>	25,295	37.2	<b>31,712</b>	31,146	1.8
Less: Income tax expense	-	-	-	-	-	-
<b>Profit for the period</b>	<b>34,709</b>	25,295	37.2	<b>31,712</b>	31,146	1.8
Basic earnings per share - (Rs)	<b>0.11</b>	0.12	(12.3)	<b>0.09</b>	0.15	(36.0)

*Figures in brackets indicate deductions.*

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF PROFIT OR LOSS - GROUP**

	For the nine months ended			For the quarter ended		
	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %
<b>Gross Income</b>	<b>646,859</b>	461,736	40.1	<b>264,069</b>	193,569	36.4
Interest income	<b>522,543</b>	338,129	54.5	<b>223,597</b>	130,331	71.6
Less: Interest expense	<b>185,141</b>	169,980	8.9	<b>77,422</b>	53,239	45.4
<b>Net interest income</b>	<b>337,402</b>	168,149	100.7	<b>146,176</b>	77,092	89.6
Fee and commission income	<b>12,949</b>	7,529	72.0	<b>6,746</b>	3,105	117.3
Net fair value gain/(loss) from financial assets at FVTPL	<b>31,538</b>	39,435	(20.0)	<b>6,542</b>	13,645	(52.1)
Other operating income	<b>79,828</b>	76,643	4.2	<b>27,183</b>	46,488	(41.5)
<b>Total operating income</b>	<b>461,718</b>	291,756	58.3	<b>186,648</b>	140,330	33.0
Less: Net impairment charges/ (reversal) on financial assets	<b>25,657</b>	6,974	267.9	<b>11,360</b>	545	1,984.4
<b>Net operating income</b>	<b>436,062</b>	284,782	53.1	<b>175,289</b>	139,785	25.4
Less: Personnel Expenses	<b>194,992</b>	120,472	61.9	<b>65,830</b>	48,770	35.0
Depreciation of property, plant and equipment	<b>6,023</b>	3,050	97.5	<b>3,217</b>	1,078	198.4
Amortisation of intangible assets	<b>403</b>	1,416	(71.5)	<b>166</b>	623	(73.3)
Amortisation of right of use assets	<b>33,717</b>	28,046	20.2	<b>10,347</b>	13,581	(23.8)
Other expenses	<b>131,588</b>	86,525	52.1	<b>49,096</b>	34,137	43.8
<b>Operating profit/(loss) before tax on financial services</b>	<b>69,337</b>	45,273	53.2	<b>46,632</b>	41,597	12.1
Less : Tax on financial services	<b>34,628</b>	19,978	73.3	<b>14,920</b>	10,452	42.8
<b>Profit/(Loss) before income tax</b>	<b>34,709</b>	25,295	37.2	<b>31,712</b>	31,146	1.8
Less: Income tax expense	-	-	-	-	-	-
<b>Profit/(Loss) for the period</b>	<b>34,709</b>	25,295	37.2	<b>31,712</b>	31,146	1.8
Basic earnings/(loss) per share - (Rs)	<b>0.11</b>	0.12	(12.2)	<b>0.09</b>	0.15	(36.0)

*Figures in brackets indicate deductions.*

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME - COMPANY**

	For the nine months ended			For the quarter ended		
	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %
<b>Profit for the period</b>	34,709	25,295	37.2	31,712	31,146	1.8
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Actuarial loss on defined benefit plans	-	-	-	-	-	-
Deferred tax effect on actuarial loss	-	-	-	-	-	-
<b>Other comprehensive income for the period</b>	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	34,709	25,295	37.2	31,712	31,146	1.8

*Figures in brackets indicate deductions.*

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME - GROUP**

	For the nine months ended			For the quarter ended		
	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %	31.12.2021 Reviewed Rs. '000	31.12.2020 Reviewed Rs. '000	Change %
<b>Profit for the period</b>	34,709	25,295	37.2	31,712	31,146	1.8
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Actuarial loss on defined benefit plans	-	-	-	-	-	-
Deferred tax effect on actuarial loss	-	-	-	-	-	-
<b>Other comprehensive income for the period</b>	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	34,709	25,295	37.2	31,712	31,146	1.8

*Figures in brackets indicate deductions.*



**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY - COMPANY**

Company	Stated capital	Advance against stated capital	Reserve fund	Retained earnings	Total equity
<i>In thousands of rupees</i>					
<b>Balance as at 1 April 2020</b>	<b>2,440,290</b>	<b>300,000</b>	<b>7,259</b>	<b>(1,195,048)</b>	<b>1,552,501</b>
Profit/(loss) for the nine months ended 31 December 2020	-	-	-	25,295	25,295
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,295</b>	<b>25,295</b>
<b>Transactions with owners of the Company</b>					
Advance against stated capital		512,000			512,000
Right issue of shares	-	-	-	-	-
<b>Total contribution and distribution</b>	<b>-</b>	<b>512,000</b>	<b>-</b>	<b>-</b>	<b>512,000</b>
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2020</b>	<b>2,440,290</b>	<b>812,000</b>	<b>7,259</b>	<b>(1,169,753)</b>	<b>2,089,796</b>
<b>Balance as at 1 April 2021</b>	<b>3,252,159</b>	<b>-</b>	<b>10,649</b>	<b>(1,131,607)</b>	<b>2,131,201</b>
Profit/(loss) for the nine months ended 31 December 2021	-	-	-	34,709	34,709
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,709</b>	<b>34,709</b>
<b>Transactions with owners of the Company</b>					
<b>Contributions and distributions</b>					
Issue of ordinary shares through right issue	509,896	-	-	-	509,896
Advance against stated capital	-	-	-	-	-
<b>Transaction cost related to rights issue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,063)</b>	<b>(2,063)</b>
<b>Total contribution and distribution</b>	<b>509,896</b>	<b>-</b>	<b>-</b>	<b>(2,063)</b>	<b>507,833</b>
<b>Total transactions with owners of the Company</b>	<b>509,896</b>	<b>-</b>	<b>-</b>	<b>(2,063)</b>	<b>507,833</b>
<b>Balance as at 31 December 2021</b>	<b>3,762,055</b>	<b>-</b>	<b>10,649</b>	<b>(1,098,961)</b>	<b>2,673,743</b>

*Figures in brackets indicate deductions.*

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY - GROUP**

Group	Stated capital	Advance against stated capital	Reserve fund	Retained earnings	Total equity
<i>In thousands of rupees</i>					
<b>Balance as at 1 April 2020</b>	<b>2,440,290</b>	<b>300,000</b>	<b>7,259</b>	<b>(1,195,157)</b>	<b>1,552,392</b>
Profit/(loss) for the nine months ended 31 December 2020	-	-	-	25,295	25,295
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,295</b>	<b>25,295</b>
<b>Transactions with owners of the Company</b>					
Advance against stated capital		512,000			512,000
Right issue of shares	-	-	-	-	-
<b>Total contribution and distribution</b>	<b>-</b>	<b>512,000</b>	<b>-</b>	<b>-</b>	<b>512,000</b>
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2020</b>	<b>2,440,290</b>	<b>812,000</b>	<b>7,259</b>	<b>(1,169,862)</b>	<b>2,089,687</b>
<b>Balance as at 1 April 2021</b>	<b>3,252,159</b>	<b>-</b>	<b>10,649</b>	<b>(1,131,793)</b>	<b>2,131,015</b>
Profit/(loss) for the nine months ended 31 December 2021	-	-	-	34,709	34,709
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,709</b>	<b>34,709</b>
<b>Other comprehensive income</b>					
<b>Transactions with owners of the Company</b>					
<b>Contributions and distributions</b>					
Issue of ordinary shares through rights issue	509,896	-	-	-	509,896
Advance against stated capital	-	-	-	-	-
Transaction cost related to rights issue	-			(2,063)	(2,063)
<b>Total contribution and distribution</b>	<b>509,896</b>	<b>-</b>	<b>-</b>	<b>(2,063)</b>	<b>507,833</b>
<b>Total transactions with owners of the Company</b>	<b>509,896</b>	<b>-</b>	<b>-</b>	<b>(2,063)</b>	<b>507,833</b>
<b>Balance as at 31 December 2021</b>	<b>3,762,055</b>	<b>-</b>	<b>10,649</b>	<b>(1,099,147)</b>	<b>2,673,557</b>

*Figures in brackets indicate deductions.*

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS**

For the nine months ended 31st December	COMPANY		GROUP	
	2021 Reviewed Rs '000	2020 Reviewed Rs '000	2021 Reviewed Rs '000	2020 Reviewed Rs '000
<b>Cash flows from operating activities</b>				
Profit/(Loss) before tax	34,709	25,295	34,709	25,295
<b>Adjustment for:</b>				
- Depreciation and amortisation	40,143	32,510	40,143	32,510
- Net gain on investment securities at FVPTL	(31,538)	(39,435)	(31,538)	(39,435)
- Net impairment loss on loans and advances	25,657	6,974	25,657	6,974
- Interest expense on preference shares	450	450	450	450
- Interest expense on leases	7,271	8,216	7,271	8,216
- Dividend on equity securities at FVPTL	(267)	(342)	(267)	(342)
- Interest income	1,370	(62,463)	1,370	(62,463)
- Provision for retirement benefit obligation	3,600	3,550	3,600	3,550
- Loss / (Gain) on disposal of property, plant and equipment	(670)	(14,526)	(670)	(14,526)
	80,725	(39,771)	80,725	(39,771)
<b>Changes in</b>				
Financial assets measured at amortised cost - Loans and advances	(2,894,904)	(862,879)	(2,894,904)	(862,879)
Other assets	(332,756)	(6,240)	(332,756)	(6,240)
Due to customers	764,324	131,769	764,324	131,769
Other liabilities	132,088	91,967	132,088	91,967
	(2,250,523)	(685,154)	(2,250,523)	(685,154)
Retiring gratuity paid	(3,914)	(8,263)	(3,914)	(8,263)
Income tax paid	-	-	-	-
<b>Net cash used in operating activities</b>	<b>(2,254,437)</b>	<b>(693,417)</b>	<b>(2,254,437)</b>	<b>(693,417)</b>
<b>Cash flows from investing activities</b>				
Interest income on short term investment	(1,370)	62,463	(1,370)	62,463
Net proceeds from investments in fixed deposits	(200,246)	834,661	(200,246)	834,661
Net proceeds from investments in securities	629,625	65,000	629,625	65,000
Acquisition of property, plant and equipment	(52,717)	(7,222)	(52,717)	(7,222)
Purchase of intangible assets	(2,663)	(2,647)	(2,663)	(2,647)
Proceeds from disposal of property, plant and equipment	670	14,547	670	14,547
Dividends received from investments	267	342	267	342
<b>Net cash from investing activities</b>	<b>373,566</b>	<b>967,144</b>	<b>373,566</b>	<b>967,144</b>
<b>Cash flows from financing activities</b>				
Net proceeds from rights issue of shares	509,896	-	509,896	-
Advances against stated capital	-	512,000	-	512,000
Net proceeds from Borrowing from due to banks	1,645,371	-	1,645,371	-
Lease rental payments	(42,347)	(37,889)	(42,347)	(37,889)
<b>Net cash from financing activities</b>	<b>2,112,920</b>	<b>474,111</b>	<b>2,112,920</b>	<b>474,111</b>
Net increase in cash and cash equivalents	232,049	747,839	232,049	747,839
Cash and cash equivalents at beginning of the year	707,190	289,725	707,437	289,975
<b>Cash and cash equivalents at the end of the year</b>	<b>939,239</b>	<b>1,037,564</b>	<b>939,486</b>	<b>1,037,814</b>
<b>Cash and cash equivalents at the end of the year</b>				
Cash and cash equivalents	939,238	1,039,658	939,485	1,039,908
Bank overdraft	-	(2,094)	-	(2,094)
	939,238	1,037,564	939,485	1,037,814

The notes to the financial statements are an integral part of these financial statements.

Figures in brackets indicate deductions.

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
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- 1 People's Merchant Finance PLC ("the Company") is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011 and listed on the Colombo Stock Exchange. The Company was incorporated on 26 January 1983 and is domiciled in Sri Lanka. The Company was listed on the main board of Colombo Stock Exchange on 11 July 1994. The registered office of the Company and the principal place of the business is situated at No. 361, 361/1, R.A.De Mel Mawatha, Colombo 03.
- 2 The Interim Financial Statements are in compliance with the Sri Lanka Accounting Standard - LKAS 34 - Interim Financial Reporting and the provisions of the Companies Act No. 7 of 2007 and provide the information as required in terms of Rule 7.4 of Colombo Stock Exchange .
- 3 There are no significant changes in the accounting policies since the publication of 2020/21 Audited Financial Statements.
- 4 The Monetary Board of the Central Bank of Sri Lanka has issued a direction on the Company under Section 12 of the Finance Business Act No 42 of 2011 to cap the total deposits (with accrued interest) at Rs 3,500 Mn until such time the Company meets the required minimum core capital of Rs.2.5Bn on or before 31/12/2021 as per the Finance Business Act Direction No 2 of 2017 – Minimum Core Capital.  
  
The cap of Rs. 3,500 Mn imposed on Deposits has been removed by CBSL on 19<sup>th</sup> January 2022 in terms of Section 2.2 of Finance Business Act (Minimum Core Capital) Direction No. 02 of 2017, considering the level of compliance with the cited Direction, subsequent to the successful completion of the rights issue in December 2021.

**5 Share capital**

	2021 Rs.	2020 Rs.
Ordinary Shares (Number of Shares)	405,301,750	210,875,000
Ordinary Shares (Value Rs.)	3,762,054,500	2,440,290,000
Advance against Stated Capital (Value Rs.)	-	812,000,000

**6 Preference shares**

	2021	2020
Cumulative Preference Shares (Number of Shares)	1,000,000	1,000,000
Cumulative Preference Shares (Value Rs.)	10,000,000	10,000,000

**7 Public holding**

	No: of Shares
<b>Issued Share Capital as at 31st December 2021</b>	405,301,750
<i>Less:</i>	
Parent Company	332,669,640
Common Director	-
Directors shareholding	-
Spouses & Children under 18 and Close Family of Directors	-
Chief Executive Officers Shareholding	-
Spouse, Children under/over 18 & close family Members of CEO	-
Holding of 5% or more jointly or severally	-
Public Shareholding (10,022 Shareholders)	72,632,110
<b>Public Holding as a % of Shares Issued</b>	<b>17.92%</b>
Issued Share Capital as at 31st December 2021	405,301,750
Closing Mkt Price	6.80
Total Market Capitalization	2,756,051,900
Public Shareholding (10,022 Shareholders)	18%
<b>Float adjusted market capitalization</b>	<b>493,898,348</b>

**8 Market Price**

<b>Market Price</b>	2021 Rs.	2020 Rs.
Highest price during the quarter ended 31st December	9.30	8.80
Lowest price during the quarter ended 31st December	6.20	8.60
Closing price as at 31st December	6.80	8.60

**9 Ratios**

<b>Ratios</b>	As at 31.12.2021	As at 31.03.2021
Debt to equity ratio (times)	1.15	1.08
Interest cover (times)	1.19	1.29
Quick asset ratio (%)	3.96	8.11

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**10 Twenty Largest Ordinary Shareholders as at 31st December 2021**

<b>Name of the Share Holder</b>	<b>No: of Shares</b>	<b>%</b>
Sterling Capital Investments (Private) Limited	332,669,640	82.08
People's Bank	33,856,246	8.35
People's Leasing & Finance PLC	25,014,002	6.17
Mr. L. De Fonseka	1,000,000	0.25
Mr. Z.G. Carimjee	600,000	0.15
People's Leasing & Finance PLC/ Dr. H.S.D. Soysa & Mrs. G. Soysa	599,064	0.15
Mr. H.V. Pakianathan	370,143	0.09
Dr. H.S.D. Soysa	348,000	0.09
Mr. H. Beruwalage	344,088	0.08
Sandwave Limited	241,258	0.06
Mr. D.T. Beruwalage	202,480	0.05
Mrs. P.D.A.S.K. Beruwalage	200,348	0.05
Mr. P.M. Pathiraja	190,015	0.05
DFCC Bank PLC/ Mr.W.G. Herath	166,353	0.04
MR. A.N. HANDUNPATHIRANA	153,698	0.04
Mr. T.Kulanthaivelu	150,657	0.04
Merchant Bank of Sri Lanka & Finance PLC/Y.R.P. De Silva	148,851	0.04
Mr. M.C.M. Zarook	139,500	0.03
Mr. B.W.Kundanmal	126,100	0.03
Mr. P.K. Biswas	124,000	0.03
	<b>396,644,443</b>	<b>97.87</b>

**11 Shares held by directors**

<b>Directors' Shareholding</b>	<b>Position</b>	<b>No: of Shares</b>
Mr. C.P.Abeywickrama	Chairman	-
Mr. C.S.Manoharan	Director	1,000.00
Mr. K.R.P.Madusanka	Director	-
Mr.M.J.T.Waas	Director	-
Mr. R. Kodituwakku	Director	-
<b>Total</b>		<b>1,000.00</b>

**12 Rights issue of shares**

On 23rd December 2021 the Company raised capital of Rs. 509,895,750 through a rights issue by issuing 78,445,500 ordinary shares at an exercise price of Rs. 6.50/ per share.

The Company expects to use the proceeds of the Rights Issue to expand the Loans and Advances portfolio of the Company by building a high quality portfolio.

**13 Financial instruments**

**13.1 Analysis of financial instrument by measurement basis**

<b>As at 31st December 2021</b>	<b>Company</b>			<b>Total Rs. '000</b>
	<b>Financial instruments recognized through profit or loss (FVTPL) Rs. '000</b>	<b>Financial instruments recognized through other comprehensive income (FVTOCI) Rs. '000</b>	<b>Financial instruments at amortised cost (AC) Rs. '000</b>	
<b>Assets</b>				
Cash and cash equivalents	-	-	939,238	<b>939,238</b>
Balances with banks and financial institutions	-	-	205,372	<b>205,372</b>
Financial assets measured at amortised cost - Loans and adv	-	-	6,025,815	<b>6,025,815</b>
Investments in securities	49,731	23	-	<b>23</b>
<b>Total Financial Assets</b>	<b>49,731</b>	<b>23</b>	<b>7,170,424</b>	<b>7,170,447</b>
<b>Liabilities</b>				
Due to banks	-	-	1,645,371	<b>1,645,371</b>
Financial liabilities at amortised cost - due to depositors	-	-	3,053,816	<b>3,053,816</b>
Debt securities issued	-	-	17,050	<b>17,050</b>
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,716,237</b>	<b>4,716,237</b>

CONDENSED INTERIM FINANCIAL STATEMENTS  
EXPLANATORY NOTES

13.1 Analysis of financial instrument by measurement basis (Continued)

As at 31st March 2021	Company			Total Rs. '000
	Financial instruments recognized through profit or loss (FVTPL) Rs. '000	Financial instruments recognized through other comprehensive income (FVTOCI) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	
<b>Assets</b>				
Cash and cash equivalents	-	-	707,190	707,190
Balances with banks and financial institutions	-	-	5,126	5,126
Financial assets measured at amortised cost - Loans and adv	-	-	3,156,568	3,156,568
Investments in securities	647,817	23	-	647,840
<b>Total Financial Assets</b>	<b>647,817</b>	<b>23</b>	<b>3,868,884</b>	<b>4,516,724</b>
<b>Liabilities</b>				
Due to banks	-	-	-	-
Financial liabilities at amortised cost - due to depositors	-	-	2,289,491	2,289,491
Debt securities issued	-	-	16,600	16,600
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,306,091</b>	<b>2,306,091</b>

As at 31st December 2021	Group			Total Rs. '000
	Financial instruments recognized through profit or loss (FVTPL) Rs. '000	Financial instruments recognized through other comprehensive income (FVTOCI) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	
<b>Assets</b>				
Cash and cash equivalents	-	-	939,485	939,485
Balances with banks and financial institutions	-	-	205,372	205,372
Financial assets measured at amortised cost - Loans and adv	-	-	6,025,815	6,025,815
Investments in securities	49,731	23	-	49,754
<b>Total Financial Assets</b>	<b>49,731</b>	<b>23</b>	<b>7,170,672</b>	<b>7,220,426</b>
<b>Liabilities</b>				
Due to banks	-	-	1,645,371	1,645,371
Financial liabilities at amortised cost - due to depositors	-	-	3,053,816	3,053,816
Debt securities issued	-	-	17,050	17,050
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,716,237</b>	<b>4,716,237</b>

As at 31st March 2021	Group			Total Rs. '000
	Financial instruments recognized through profit or loss (FVTPL) Rs. '000	Financial instruments recognized through other comprehensive income (FVTOCI) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	
<b>Assets</b>				
Cash and cash equivalents	-	-	707,437	707,437
Balances with banks and financial institutions	-	-	5,126	5,126
Financial assets measured at amortised cost - Loans and adv	-	-	3,156,568	3,156,568
Investments in securities	647,817	23	-	647,840
<b>Total Financial Assets</b>	<b>647,817</b>	<b>23</b>	<b>3,869,131</b>	<b>4,516,971</b>
<b>Liabilities</b>				
Due to banks	-	-	-	-
Financial liabilities at amortised cost - due to depositors	-	-	2,289,491	2,289,491
Debt securities issued	-	-	16,600	16,600
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,306,091</b>	<b>2,306,091</b>

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**EXPLANATORY NOTES**

**13.2 Fair value measurement hierarchy**

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets at fair value if the carrying amount is a reasonable approximation of fair value.

31 <sup>st</sup> December 2021	Carrying amount Rs. '000		Fair value Rs. '000					
	Company	Group	Company			Group		
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>								
<b>Financial assets measured at fair value</b>								
Investment securities measured at FVTPL (note a)	49,731	49,731	7,864	41,867	-	7,864	41,867	-
Investment securities measured at FVOCI (note b)	23	23	-	-	23	-	-	23
	<b>49,754</b>	<b>49,754</b>	<b>7,864</b>	<b>41,867</b>	<b>23</b>	<b>7,864</b>	<b>41,867</b>	<b>23</b>
<b>Financial assets not measured at fair value</b>								
Loans and advances (note c)	6,025,815	6,025,815	-	-	-	-	-	-
Cash and cash equivalent (note d)	939,238	939,485	-	-	-	-	-	-
Placements with banks and financial institutions (note e)	205,372	205,372	-	-	-	-	-	-
	<b>7,170,425</b>	<b>7,170,672</b>	-	-	-	-	-	-
	<b>7,220,179</b>	<b>7,220,426</b>	<b>7,864</b>	<b>41,867</b>	<b>23</b>	<b>7,864</b>	<b>41,867</b>	<b>23</b>
<b>31<sup>st</sup> March 2021</b>								
31 <sup>st</sup> March 2021	Carrying amount Rs. '000		Fair value Rs. '000					
	Company	Group	Company			Group		
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial liabilities</b>								
<b>Financial liabilities not measured at fair value</b>								
Due to banks (note f)	1,645,371	1,645,371	-	-	-	-	-	-
Deposits due to customers (note g)	3,053,816	3,053,816	-	-	-	-	-	-
Debt securities issued (note h)	17,050	17,050	-	-	-	-	-	-
Financial liabilities (note i)	241,353	241,353	-	-	-	-	-	-
Lease liabilities (note j)	138,230	138,230	-	-	-	-	-	-
	<b>5,095,820</b>	<b>5,095,820</b>	-	-	-	-	-	-
	<b>5,095,820</b>	<b>5,095,820</b>	-	-	-	-	-	-
<b>Financial assets measured at fair value</b>								
Investment securities measured at FVTPL (note a)	647,817	647,817	2,320	645,496	-	2,320	645,496	-
Investment securities measured at FVOCI (note b)	23	23	-	-	23	-	-	23
	<b>647,840</b>	<b>647,840</b>	<b>2,320</b>	<b>645,496</b>	<b>23</b>	<b>2,320</b>	<b>645,496</b>	<b>23</b>
<b>Financial assets not measured at fair value</b>								
Loans and advances (note c)	3,156,568	3,156,568	-	-	-	-	-	-
Cash and cash equivalent (note d)	707,190	707,437	-	-	-	-	-	-
Placements with banks and financial institutions (note e)	5,126	5,126	-	-	-	-	-	-
	<b>3,868,884</b>	<b>3,869,131</b>	-	-	-	-	-	-
	<b>4,516,724</b>	<b>4,516,971</b>	<b>2,320</b>	<b>645,496</b>	<b>23</b>	<b>2,320</b>	<b>645,496</b>	<b>23</b>
<b>Financial liabilities not measured at fair value</b>								
Due to banks (note f)	-	-	-	-	-	-	-	-
Deposits due to customers (note g)	2,289,491	2,289,491	-	-	-	-	-	-
Debt securities issued (note h)	16,600	16,600	-	-	-	-	-	-
Financial liabilities (note i)	130,132	130,132	-	-	-	-	-	-
Lease liabilities (note j)	80,424	80,424	-	-	-	-	-	-
	<b>2,516,647</b>	<b>2,516,647</b>	-	-	-	-	-	-

The methodologies and assumptions used to estimate the fair values of the financial instruments, which are not carried at fair value are as follows:

- Investment securities measured at FVTPL – The carrying amount of these investments reflect last traded price at stock exchange and NDB Wealth Money Plus daily reports.
- Investment securities measured at FVOCI – The carrying amount of these shows investments in the Credit Information Bureau of Sri Lanka. Investment in Government Securities are reflect last traded prices. As CRIB is a private company unable to find market values. It is assumed that the carrying amounts approximate their fair values
- Loans and advances to customers – The carrying amount reflects amortised value of loan and advances. Thus its carrying amount approximates to the fair value
- Cash and cash equivalents – The carrying amount of cash and cash equivalents approximate its fair value due to the relatively short maturity of the financial instruments
- Placements with banks and financial institutions – The carrying amount of investment in fixed deposits approximate its fair value due to the relatively short maturity of the financial instruments;

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**13.2 Fair value measurement hierarchy (Continued)**

- f) Due to banks – Fair value of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of such instruments;
- g) Deposits due to customers – The carrying amount reflecting amortised cost of deposits from customers. Thus its carrying amount approximates to the fair value
- h) Debt securities issued – Fair value of preference shares reflect market value with the consideration of 6% interest rate
- i) Financial liabilities – The carrying value is approximately its fair value of the financial instrument
- j) Lease liabilities – The carrying amount reflecting amortised cost of lease liabilities.

There were no transfers between Level 1 and Level 2 during the reporting period.

**Level 3 Fair value measurement**

The following table shows a reconciliation from the beginning balance to the ending balance for fair value measurement in level 3 of the fair value hierarchy

	Group Rs. '000		Company Rs. '000	
	31.12.2021	31.03.2021	31.12.2021	31.03.2021
Balance at the beginning of the year	23	23	23	23
Changes in fair value during the period	-	-	-	-
	23	23	23	23

**14 Events occurring after the reporting date**

There have been no material events occurring after the reporting date which require adjustments to or disclosure in these financial statements other than information in note 4.

**15 Commitments and contingencies**

There are no significant capital commitments which have been approved or contracted for by the company as at 31st December 2021 except following,

- Contingent liability has been increased up to Rs 471,862,921.89 as at 31-12-2021 due to the increase of Margin Trading un-utilized balances.

- 16** The COVID-19 pandemic has continued to bring concerns on the Group's and company's operating environment. The implications of the outbreak is closely monitored by the Group and company throughout the year and have taken measures to communicate with the stakeholders in order to continue business under the "new-normal". The outbreak had a relatively negative impact on the liquidity position mainly due to the moratorium programme of Central Bank of Sri Lanka for customers to differ payment of loan/lease rentals and withdrawal of deposits by customers to meet their cash requirements. The expected credit loss was determined considering the probability of default, loss given default, economic factor adjustments as at 31st December 2021. Further, the impact on fair values of financial assets at fair value were not significant.

**17 New accounting standard amendments issued but not effective as at reporting date**

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standard amendments (SLFRSs/LKASs) which will become applicable for financial periods beginning after on or after 1<sup>st</sup> January 2022. Accordingly, the Group and Company has not applied the following new standard amendments in preparing these Condensed Financial Statements.

These amended standards and interpretations are not expected to have a significant impact on the Group's and Company's financial statements.

Onerous Contracts – Cost of fulfilling a contract (amendments to LKAS 37)

Covid-19 Related Rent Concessions (amendments to SLFRS 16)

Property, Plant and Equipment: Proceeds before Intended Use (amendments to LKAS 16)

Reference to Conceptual Framework (amendments to SLFRS 3)

Classification of Liabilities as Current or Non-current (amendments to LKAS 1)

Annual improvements to SLFRS standards 2018-2020

Definition of accounting estimate (amendments to LKAS 8)

Disclosure of accounting policies (amendments to LKAS 1 and SLFRS practice statement 2)



**CONDENSED INTERIM FINANCIAL STATEMENTS**

**18 Segmental analysis**

Rs. '000

For the nine months ended 31st December	Leasing & Hire Purchases		Loans and Pawning		Margin Trading		Other		Total Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Income</b>										
Interest income	254,412	162,636	190,252	44,835	68,229	17,289	9,649	113,369	522,543	338,129
Fee and commission income	12,946	6,992	2	537	-	-	-	-	12,949	7,529
Net income from other financial instruments at FVTPL	-	-	-	-	-	-	31,538	25,790	31,538	25,790
Other operating income	9,542	8,451	52,775	33,578	-	-	17,511	48,259	79,828	90,288
<b>Gross revenue</b>	<b>276,901</b>	<b>178,079</b>	<b>243,030</b>	<b>78,950</b>	<b>68,229</b>	<b>17,289</b>	<b>58,699</b>	<b>187,418</b>	<b>646,858</b>	<b>461,737</b>
Less: Interest expenses	61,503	53,689	56,087	31,612	24,556	8,703	42,995	75,976	185,141	169,980
<b>Total operating income</b>	<b>215,397</b>	<b>124,390</b>	<b>186,943</b>	<b>47,338</b>	<b>43,673</b>	<b>8,586</b>	<b>15,705</b>	<b>111,442</b>	<b>461,717</b>	<b>291,757</b>
Net impairment charges/(reversal)	12,034	25,604	10,457	(18,630)	3,166	-	-	-	25,657	6,974
<b>Net operating income</b>	<b>203,363</b>	<b>98,786</b>	<b>176,485</b>	<b>65,968</b>	<b>40,507</b>	<b>8,586</b>	<b>15,705</b>	<b>111,442</b>	<b>436,061</b>	<b>284,783</b>
Less: Operating Expenses	121,824	75,650	111,096	44,542	48,640	12,263	85,163	107,055	366,723	239,510
<b>Segment results</b>	<b>81,539</b>	<b>23,135</b>	<b>65,388</b>	<b>21,426</b>	<b>(8,132)</b>	<b>(3,677)</b>	<b>(69,459)</b>	<b>4,387</b>	<b>69,338</b>	<b>45,273</b>
Less: Tax on financial services	-	-	-	-	-	-	-	-	34,628	19,978
Less: Income tax expense	-	-	-	-	-	-	-	-	-	-
<b>Loss attributable to equity holders</b>									<b>34,710</b>	<b>25,295</b>
<b>As at 31st December</b>										
Segment Assets	2,607,225	1,436,553	2,377,630	845,826	1,040,960	232,874	1,822,612	2,032,877	7,848,428	4,548,130
<b>Total Assets</b>	<b>2,607,225</b>	<b>1,436,553</b>	<b>2,377,630</b>	<b>845,826</b>	<b>1,040,960</b>	<b>232,874</b>	<b>1,822,612</b>	<b>2,032,877</b>	<b>7,848,428</b>	<b>4,548,130</b>
Segment Liabilities	1,719,078	776,513	1,567,694	457,202	686,358	125,878	1,201,742	1,098,850	5,174,872	2,458,443
<b>Total Liabilities</b>	<b>4,278,365</b>	<b>776,513</b>	<b>673,647</b>	<b>457,202</b>	<b>595</b>	<b>125,878</b>	<b>222,265</b>	<b>1,098,850</b>	<b>5,174,872</b>	<b>2,458,443</b>
<i>Figures in brackets indicate deductions.</i>										

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CORPORATE INFORMATION**

<p><b>Name of Company</b> People's Merchant Finance PLC</p> <p><b>Legal Form</b> Public Limited Liability Company (Incorporated and domiciled in Sri Lanka)</p> <p><b>Date of Incorporation</b> 26<sup>th</sup> January 1983</p> <p><b>Company Registration Number</b> PQ 200</p> <p><b>Stock Exchange Listing</b> The ordinary shares of the Company were quoted on the Colombo Stock Exchange (CSE) on 11<sup>th</sup> July 1994.</p> <p>The company has been transferred from Second Board to Dirisavi Board with effect from 12th October 2021 due to compliance with the Minimum public holding requirement.</p> <p><b>Accounting Year-End</b> March -31</p> <p><b>Registered Office &amp; Principle Place of Business</b> No. 361,361/1, R.A.De Mel Mawatha, Colombo 03, Sri Lanka Telephone +94117666333 Email; info@pmb.lk Web Address; www.peoplesmerchant.lk</p> <p><b>Registrars</b> SSP Corporate Services (Pvt) Ltd No. 101, Inner Flower Road, Colombo 03, Sri Lanka Telephone; +94112573894, +94112576871 Fax; +94112573609 Email; <a href="mailto:sspsec@sltnet.lk">sspsec@sltnet.lk</a></p> <p><b>Auditors</b> M/s. KPMG Chartered Accountants 32A, Sir Mohamed Macan Maker Mawatha, Colombo 03.</p>	<p><b>Branch Offices</b> Corporate Anuradhapura Kurunegala Negombo Trincomalee Kandy Matara Awissawella Matugama Elpitiya Gampaha Wellawatta Pawning Center</p> <p><b>Board of Directors and Board Sub-Committees</b> <b>Board of Directors</b> Mr. C.P.Abeywickrema - Chairman Mr. C.S.Manoharan Mr. K.R.P.Madusanka Mr.M.J.T.Waas Mr.Ranjith Kodituwakku</p> <p><b>Integrated Risk Management Committee</b> Mr. C.P.Abeywickrema - Chairman Mr. C.S.Manoharan Mr. K.R.P.Madusanka Mr.M.J.T.Waas Mr.N.H.G.Wijekoon, CEO Mr.Athula Banadaranayake. Chief Manager-Risk Ms.Shyamali Pematratne, Compliance Officer</p> <p><b>Board Audit Committee</b> Mr. C.S.Manoharan - Chairman Mr. C.P.Abeywickrema Mr. K.R.P.Madusanka</p> <p><b>Remuneration Committee</b> Mr. C.P.Abeywickrema - Chairman Mr. C.S.Manoharan Mr. K.R.P.Madusanka</p> <p><b>Nomination Committee</b> Mr. C.P.Abeywickrema - Chairman Mr. C.S.Manoharan Mr. K.R.P.Madusanka</p>	<p><b>Related Party Transactions Review Committee</b> Mr. C.S.Manoharan - Chairman Mr. K.R.P.Madusanka Mr.M.J.T.Waas</p> <p><b>Bankers</b> People's Bank National Development Bank PLC Cargills Bank Ltd</p> <p><b>Subsidiary Company</b> PMB Services Limited</p> <p><b>Vehicle Yard</b> No.49, Wellawa, Kurunegala. Sri Lanka.</p> <p><b>Tax Payer Identity Number (TIN)</b> '134000228</p> <p><b>Central Bank Registration Number</b> LFC/043 (Under the Finance Business Act No. 42 of 2011)</p> <p><b>Credit Agency Status</b> An approved Credit Agency under the Mortgage Act No.6 of 1949 and the Trust Receipt Ordinance No.12 of 1947 by the department of Commerce.</p> <p><b>Credit Rating</b> [SL] B Stable</p>
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