

AMW CAPITAL LEASING AND FINANCE PLC

PUBLICATION OF FINANCIAL STATEMENTS



Independent auditor's report

To the Shareholders of AMW Capital Leasing and Finance PLC

Report on the audit of the financial statements

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AMW Capital Leasing and Finance PLC (the Company) as at 31 December 2019, and of the financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka.

What we audit

The financial statements of the Company, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLASs). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We are an independent member of the Chartered Accountants of Sri Lanka (CA Sri Lanka) and we have complied with the independence requirements of the Code of Ethics for Accountants in Sri Lanka.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company period. These matters were addressed in the context of our audit of the financial statements as a whole, and we do not provide a separate opinion on these matters.

Information on the audit of the financial statements, including the audit opinion, is available on the website of the Institute of Chartered Accountants of Sri Lanka.

Other information: Management is responsible for the other information. The other information comprises the information included in the AMW Capital Leasing and Finance PLC 2019 Annual Report (the Report) but does not include the financial statements and our auditor's report thereon. The Audit Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, we were responsible to read the other information identified above and to identify, in relation to the other information, any material misstatements or omissions that we are aware of. We do not provide an opinion on the other information.

When we read the Annual Report, if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance.

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or to cease trading, or to undertake similar actions.

Those charged with governance are responsible for reviewing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements: Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is not a guarantee that an audit conducted in accordance with SLFRS will always detect a material misstatement of this kind. Misstatements arise from fraud or error and are considered material if, individually or in aggregate, they would reasonably be expected to influence the economic decisions of users taking the financial statements as a whole.

Report on other legal and regulatory requirements: As required by section 401 of the Companies Act, No. 7 of 2007, we have obtained all the information and explanations that we considered necessary for the purposes of our examination, proper accounting records have been kept by the Company.

R. M. Jayasinghe
 CHAIRMAN OF AUDITORS
 CA Sri Lanka membership number: 1793
 COLOMBO
 Date: 19 May 2020



Independent auditor's report

To the Shareholders of AMW Capital Leasing and Finance PLC (Company)

Key audit matters

Impairment of loans and advances, and available-for-sale investments and other financial assets
 The audit procedures performed to assess the impairment of loans and advances, and available-for-sale investments and other financial assets are described in the audit report. The audit procedures performed to assess the impairment of loans and advances, and available-for-sale investments and other financial assets are described in the audit report.

Underlying, evaluating and testing the design and operating effectiveness of controls in the lending and credit risk mitigation process.
 The audit procedures performed to assess the underlying, evaluating and testing the design and operating effectiveness of controls in the lending and credit risk mitigation process are described in the audit report.

Assessing the appropriateness of the criteria used by management to determine whether the customer credit facilities are impaired.
 The audit procedures performed to assess the appropriateness of the criteria used by management to determine whether the customer credit facilities are impaired are described in the audit report.

Assessing the design and implementation of the ICL model, including significant assumptions made by management, and the quality of observable data, which included, cash flow information, discount rates and expected recoveries when defaults occur.
 The audit procedures performed to assess the design and implementation of the ICL model, including significant assumptions made by management, and the quality of observable data, which included, cash flow information, discount rates and expected recoveries when defaults occur are described in the audit report.

Checking the underlying calculations and available information used by management, against reliable publicly available information.
 The audit procedures performed to check the underlying calculations and available information used by management, against reliable publicly available information are described in the audit report.

Assessing the accuracy and sufficiency of disclosures relating to impairment allowances for credit losses on loans and advances to customers and available-for-sale investments.
 The audit procedures performed to assess the accuracy and sufficiency of disclosures relating to impairment allowances for credit losses on loans and advances to customers and available-for-sale investments are described in the audit report.

Based on the procedures performed as mentioned above, we considered the assumptions and judgements made by the management to be reasonable.

Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not obtaining sufficient audit evidence to provide a basis for our opinion is higher for our auditing of items that are hard to verify, such as, intangible assets, management estimates, and the results of internal control.

Obtain an understanding of areas of control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Oversee the engagement of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Review the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also provide those charged with governance with a statement that we have complied with the ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that we considered to be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that we consider to be most significant to the audit of the financial statements of the period and we therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

As part of an audit in accordance with SLASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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STATEMENT OF FINANCIAL POSITION

As at	31.12.2019 Rs.'000	31.12.2018 Rs.'000
Assets		
Cash and Cash Equivalents	254,935	214,689
Loans and Receivables - Leases	3,846,330	5,632,050
Loans and Receivables - Hire Purchase	1,124	7,188
Loans and Advances	5,526,124	5,136,832
Equity Instruments at Fair Value Through Other Comprehensive Income	1,981	80
Debt Instruments at Amortised Cost	437,185	532,884
Property Plant and Equipment	23,676	25,191
Right of Use Assets	75,829	-
Goodwill and Intangible Assets	2,376	4,875
Other Assets	84,629	105,339
Total Assets	10,254,190	11,659,128
Liabilities		
Due to Banks	3,245,391	3,445,417
Due to Customers	2,265,482	2,359,396
Other Borrowings	1,171,269	2,460,269
Lease Liability	73,943	-
Current Tax Liabilities	195,355	231,622
Deferred Tax Liabilities	136,720	155,618
Other Provisions	132,027	238,195
Other Liabilities	365,301	425,416
Total liabilities	7,585,508	9,335,933
Equity		
Statutory Capital	200,000	200,000
Residual Reserve Fund	132,480	115,342
Retained Earnings	2,334,833	2,007,853
Fair Value through OCI Reserve	1,369	-
Total Equity	2,668,682	2,323,195
Total Equity and Liabilities	10,254,190	11,659,128
Contingent Liabilities and Commitments	-	-

STATEMENT OF COMPREHENSIVE INCOME

For the year ended	31.12.2019 Rs.'000	31.12.2018 Rs.'000
Interest Income	1,968,209	2,034,384
Interest Expenses	(988,245)	(1,063,919)
Net Interest Income	979,964	970,465
Fee and Commission Income	65,226	51,311
Fee and Commission Expenses	-	-
Net Fee and Commission Income	65,226	51,311
Net Gain/(Loss) from trading	-	-
Other Operating Income (net)	314,734	338,980
Total Operating Income	1,359,924	1,360,756
Impairment for loans and other loans		
Individual Impairment	(118,530)	(32,787)
Collective Impairment	(3,191)	(21,723)
Others	-	-
Net Operating Income	1,238,203	1,306,246
Personal Cost	(240,343)	(215,611)
Depreciation and Amortization	(42,665)	(19,940)
Other Expenses	(247,724)	(259,036)
Operating Profit/(Loss) before Value Added Tax (VAT)	707,471	811,659
VAT on Financial Services	(104,003)	(129,424)
Debt Repayment Levy	(63,657)	(18,038)
Operating Profit/(Loss) after Value Added Tax (VAT)	539,811	664,197
Share of profits of associates and Joint Ventures	-	-
Profit before Taxation	539,811	664,197
Tax Expenses	(197,046)	(308,782)
Profit for the period	342,765	355,415
Other Comprehensive Income, net of tax		
Actuarial Gain/(Loss) on Employee Benefit Obligation	1,881	1,223
Fair Value Gain/(Loss) on Equity Instruments	1,901	-
Income tax relating to Other Comprehensive income	(1,059)	(342)
Total Comprehensive Income, net of tax	345,488	356,296
Earnings Per Share - Basic	17.14	17.77

We, the undersigned, being the Chief Executive Officer and the Accountant of AMW Capital Leasing and Finance PLC certify jointly that:

(a) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;

(b) the information contained in these statements have been extracted from the audited financial statements of the Licensed Finance Company.

Chamath Munasinghe (Sgd.)
 Director/CEO

Dinuk Baig (Sgd.)
 Accountant

10-06-2020
 Colombo

SELECTED PERFORMANCE INDICATORS

Indicator	31.12.2019 Rs.'000	31.12.2018 Rs.'000
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital) Rs.'000	2,668,682	2,323,195
Total Capital Base Rs.'000	2,749,103	2,400,425
Tier 1 Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum 2019-6.5% , 2018 -6%)	23.12%	18.09%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum 2019-10.5% , 2018 -10%)	23.81%	18.69%
Capital Funds to Deposit Liabilities Ratio (Minimum 10)	0.85	1.02
Asset Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodations, Rs.'000	512,412	332,181
Gross Non-Performing Accommodations Ratio, %	5.18%	2.98%
Net Non-Performing Accommodations Ratio, %	1.05%	-0.11%
Profitability (%)		
Interest Margin	9.28%	8.78%
Return on Assets (before tax)	4.93%	5.74%
Return on Equity (after tax)	13.73%	16.42%
Regulatory Liquidity (Rs.'000)		
Required Minimum Amount of Liquid Assets	343,677	508,312
Available Amount of Liquid Assets	679,113	823,029
Required Minimum Amount of Government Securities	406,378	336,075
Available Amount of Government Securities	410,000	484,113
Memorandum Information		
No of Employees	223	221
No of Branches	15	15
Number of Service Centers	7	7
Number of Pawning Centers	-	-



AMW Capital Leasing and Finance PLC

185, Union Place, Colombo 02. Tel - 0112 309300

Fitch Rating BBB+(lka)