

AMW CAPITAL LEASING AND FINANCE PLC

Publication of Financial Statements



AUDITORS' REPORT TO THE BOARD OF DIRECTORS AMW CAPITAL LEASING AND FINANCE PLC

Report on the Financial Statements

Opinion
We have audited financial statements of AMW Capital Leasing and Finance PLC (the Company) which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company for the year ended 31 March 2018 are prepared in all material respects, in accordance with Sri Lanka Accounting Standards.

Basics for opinion
We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the matter
Impairment of loans and advances As at 31 March 2018, loans & advances (net of impairment) amounted to Rs.10.9 bn. These advances constituted 92% of the Company's total assets.	To assess the reasonableness of the allowance for impairment, our audit procedures (among others) included the following: <ul style="list-style-type: none"> We understood & evaluated the key internal risks and our estimation of the allowance for impairment, including those over-identifying occurrence of loss events and non-performing loans. We tested - checked the underlying calculation (and data used) in each calculation on a sample basis. In addition to the above, focused procedures were performed as follows: <ul style="list-style-type: none"> Specific attention for impaired For a sample on non-performing loans & issues, management's forecast of cash flows were tested - checked to historical patterns of customer repayment. Among other aspects, forecast cash flows arising from collateral (or other sources) of expected recoveries were verified to source documents. Collective advances for impairment. For loss rates used by the management, we assessed the appropriateness of the loss emergence period including consistency with historical loss emergence assumptions on effects arising from macro-economic factors were compared to published data. We assessed the adequacy of the related financial statement disclosures as set out in paragraphs 7.

Responsibilities of management and those charged with governance for the financial statement

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- conclude on the appropriateness 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 the 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

21 June 2018
Colombo

Statement of Financial Position		
As at	31.03.2018	31.03.2017
	Rs.'000	Rs.'000
Assets		
Cash and Cash Equivalents	142,302	85,031
Loans and Receivables -Leases	6,350,584	7,286,258
Loans and Receivables -Hire Purchase	19,628	80,605
Loans and Advances	4,542,142	3,352,128
Financial Investments -Available-for-Sale	80	80
Financial Investments -Held-to-Maturity	497,849	588,930
Property Plant and Equipment	31,433	46,025
Goodwill and Intangible Assets	8,786	12,412
Other Assets	93,292	77,902
	-	-
Total Assets	11,686,096	11,529,371
Liabilities		
Due to Banks	1,488,824	2,387,978
Due to Customers	2,729,906	1,744,997
Other Borrowings	4,360,584	4,655,263
Current Tax Liabilities	253,366	196,411
Deferred Tax Liabilities	127,840	174,605
Other Provisions	130,502	202,490
Other Liabilities	490,862	453,148
Total Liabilities	9,581,884	9,814,892
Equity		
Stated Capital	200,000	200,000
Statutory Reserve Fund	104,461	84,983
Retained Earnings	1,799,751	1,429,496
Other Reserves	-	-
Total Equity	2,104,212	1,714,479
Total Equity and Liabilities	11,686,096	11,529,371
Contingent Liabilities and Commitments	-	-

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

- the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;
 - the information contained in these statements have been extracted from the audited financial statements of the Licensed Finance Company.
- Brandon Morris (Sgd.)
Director/CEO
- Dimuthu Tillekeratne (Sgd.)
Senior Accountant

27.06.2017
Colombo

Statement of Comprehensive Income		
For the year ended	31.03.2018	31.03.2017
	Rs.'000	Rs.'000
Interest Income	1,923,164	1,665,937
Interest Expenses	(1,058,858)	(881,344)
Net Interest Income	864,306	784,593
Fee and Commission Income	54,200	57,096
Fee and Commission Expenses	-	-
Net Fee and Commission Income	54,200	57,096
Net Gain/(Loss) from trading	-	-
Other Operating Income (net)	356,667	270,381
Total Operating Income	1,275,173	1,112,070
Impairment for loans and other loans		
Individual Impairment	(20,163)	(16,377)
Collective Impairment	(4,086)	(5,118)
Others	-	-
Net Operating Income	1,250,923	1,090,576
Personal Cost	(202,853)	(239,258)
Depreciation and Amortization	(23,058)	(26,834)
Other Expenses	(250,877)	(230,403)
Operating Profit/(Loss) before Value Added Tax (VAT)	774,135	594,081
VAT on Financial Services	(112,558)	(86,022)
Operating Profit/(Loss) after Value Added Tax (VAT)	661,577	508,059
Share of profits of associates and Joint Ventures	-	-
Profit Before Taxation	661,577	508,059
Tax Expenses	(272,004)	(185,313)
Profit for the period	389,573	322,746
Other Comprehensive Income, net of tax		
Actuarial Gain/(Loss) on Employee Benefit Obligation	222	4,418
Tax Effect on Actuarial Gain/(Loss) on Defined Benefit Plans	(62)	(1,237)
Total Comprehensive Income, net of tax	389,733	325,927
Earnings Per Share - Basic	19.48	16.14

Fitch Rating BBB+(Ika)



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Licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act No.78 of 1988