

# AMW CAPITAL LEASING AND FINANCE PLC

## PUBLICATION OF FINANCIAL STATEMENTS

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**Independent auditor's report**  
To the Shareholders of AMW Capital Leasing and Finance PLC

**Report on the audit of the financial statements**  
*Our 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**What we have audited**

The Company's financial statements which comprise:

- the statement of financial position as at 31 December 2021;
- 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 and other explanatory information.

**Basis for opinion**

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

**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.

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**Independent auditor's report**  
To the Shareholders of AMW Capital Leasing and Finance PLC (Contd)

**Report on the audit of the financial statements (Contd)**  
**Key audit matters**

Key audit matter	How our audit addressed the key audit matter
<b>Impairment of loans and advances and rentals receivable on lease and hire purchase assets</b> <i>Refer accounting policy Section 2.2.2: Impairment losses on loans and receivables and Notes 6, 7 and 22 to the financial statements.</i>	The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and advances and rentals receivable on lease and hire purchase assets in line with SLFRS 9 adopted, included the following: - Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process; - Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired; - Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgment made and assumptions used by management respectively, which included, cash flow estimates, discount rates and expected recoveries when defaults occur; - Checking the reasonableness of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information; - Checking the underlying calculations and data on a sample basis for accuracy and completeness; and - Assessing the accuracy and sufficiency of related disclosures.
<b>The Company uses the Expected Credit Loss (ECL) model to determine the impairment allowance for loans and advances to customers and rentals receivable on lease and hire purchase assets from customers.</b>	The impairment of loans and advances and rentals receivable on lease and hire purchase assets using the ECL model was considered as a key audit matter due to: - The complex calculations with key variables being used in the ECL model requiring significant management judgment and use of assumptions; and - The magnitude of the expected amounts of loans and advances and rentals receivable on lease and hire purchase assets and the impairment allowances thereof.

### Key Financial Data for the Period Ended 31st December 2021 (Audited)

In Rupees Million	Current Period 2021	Previous Period 2020
	From 01.01.2021 To 31.12.2021	From 01.01.2020 To 31.12.2020
Interest Income	1,378	1,636
Interest Expenses	(511)	(675)
<b>Net Interest Income</b>	<b>867</b>	<b>961</b>
Other Income	359	292
Operating Expenses (excluding impairment)	(504)	(423)
Impairment	(173)	(271)
<b>Profit Before Tax</b>	<b>548</b>	<b>559</b>
Taxes*	(185)	(271)
<b>Profit for the year</b>	<b>363</b>	<b>288</b>
Other comprehensive income for the year, net of tax	6	(2)
<b>Total Comprehensive Income for the year</b>	<b>369</b>	<b>286</b>

\*Including indirect taxes (Such as VAT on Financial Services) and direct taxes (Corporate Income tax)

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**Independent auditor's report**  
To the Shareholders of AMW Capital Leasing and Finance PLC (Contd)

**Report on the audit of the financial statements (Contd)**  
*Other information*

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2021 ("the Annual Report") that does not include the financial statements and our auditor's report thereon. The Annual 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, 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 the 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 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 SLAS 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.

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**Independent auditor's report**  
To the Shareholders of AMW Capital Leasing and Finance PLC (Contd)

**Report on the audit of the financial statements (Contd)**  
*Auditor's responsibilities for the audit of the financial statements (Contd)*

As part of an audit in accordance with SLAS, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 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 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.

### Key Financial Data as at 31st December 2021 (Audited)

In Rupees Million	As at 31.12.2021	As at 31.12.2020
<b>Assets</b>		
Cash and Bank Balance	289	432
Government Securities	471	759
Due from Related Parties	-	-
Loans (excluding due from related parties)	8,530	7,780
Investments in Equity	2	2
Property, Plant and Equipment	27	22
Other Assets	254	152
<b>Total Assets</b>	<b>9,573</b>	<b>9,147</b>
<b>Liabilities</b>		
Due to Banks	3,285	3,126
Due to Related Parties	-	99
Deposits from Customers	2,175	2,100
Other Liabilities	789	867
<b>Total Liabilities</b>	<b>6,249</b>	<b>6,192</b>
<b>Equity</b>		
Stated Capital	200	200
Statutory Reserve Fund	165	147
Retained Earnings	2,957	2,607
Other Reserves	2	1
<b>Total Equity</b>	<b>3,324</b>	<b>2,955</b>
<b>Total Equity and Liabilities</b>	<b>9,573</b>	<b>9,147</b>
<b>Net Assets Value Per Share</b>	<b>166.20</b>	<b>147.76</b>

Note: Amounts stated are in net of impairment and depreciation.

**CERTIFICATION:**

We, the undersigned, being the Chief Executive Officer, the General Manager-Finance and the Compliance Officer 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 (CBSL);

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

**Shanuka Jayarathna (Sgd.)**  
General Manager - Finance  
Date: 30.03.2022

**Chamath Munasinghe (Sgd.)**  
Director/Chief Executive Officer  
Date: 30.03.2022

**Rochelle Silva (Sgd.)**  
Head of Compliance  
Date: 30.03.2022

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**Independent auditor's report**  
To the Shareholders of AMW Capital Leasing and Finance PLC (Contd)

**Report on the audit of the financial statements (Contd)**  
*Auditor's responsibilities for the audit of the financial statements (Contd)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are 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.

**Report on other legal and regulatory requirements**

As required by section 163(2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

**CHARTERED ACCOUNTANTS**  
CA Sri Lanka membership number: 4084  
COLOMBO  
Date: 30 March 2022

### Selected Key Performance Indicators

Item	As at 31.12.2021		As at 31.12.2020	
	Actual	Required	Actual	Required
<b>Regulatory Capital Adequacy (%)</b>				
Tier 1 Capital Adequacy Ratio	30.62%	7.00%	29.72%	6.50%
Total Capital Adequacy Ratio	30.62%	11.00%	29.72%	10.50%
Capital Funds to Deposit Liabilities Ratio	153%	10.00%	141.00%	10.00%
<b>Quality of Loan Portfolio (%)</b>				
Gross Non-Performing Loans Ratio	7.57%		8.50%	
Net-Non-Performing Loans Ratio	0.97%		1.40%	
Net-Non-Performing Loans to Core Capital Ratio	2.77%		1.16%	
Provision Coverage Ratio	117.47%		95.15%	
<b>Profitability (%)</b>				
Net Interest Margin	9.89%		10.48%	
Return on Assets (Before Tax)	5.85%		5.75%	
Return on Equity (After Tax)	11.56%		10.20%	
Cost to Income Ratio	50.53%		41.36%	
<b>Liquidity (%)</b>				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	258%		809%	
Liquid Assets to External Funds	12.53%		20.32%	
<b>Memorandum information</b>				
Number of Branches	22		15	
Number of Service Centers	0		7	
External Credit Rating (Fitch Rating)	BBB+ (lka)		BBB- (lka)	



## AMW Capital Leasing and Finance PLC

185, Union Place, Colombo 02. Tel - 011 2 309 300

Fitch Rating BBB+ (lka)