

# ASSOCIATED MOTOR FINANCE COMPANY PLC.

(Incorporated in 1962)

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## Publication of Audited Financial Statements as at 31st March 2019

AMF

INCOME STATEMENT	Rs. '000			
	Company		Group	
	31/03/2019 Audited	31/03/2018 Audited	31/03/2019 Audited	31/03/2018 Audited
Interest income	1,422,416	1,434,304	5,411,190	4,429,092
Interest expenses	911,496	900,309	3,156,513	2,575,585
<b>Net interest income</b>	<b>510,920</b>	<b>533,995</b>	<b>2,254,676</b>	<b>1,853,507</b>
Fee and Commission income	38,081	92,346	161,023	247,649
Fee and Commission expenses	0	0		
<b>Net Fee and Commission income</b>	<b>549,001</b>	<b>626,341</b>	<b>2,415,699</b>	<b>2,101,157</b>
Other operating income	77,869	69,774	69,795	77,364
<b>Total operating income</b>	<b>626,870</b>	<b>696,115</b>	<b>2,485,493</b>	<b>2,178,521</b>
Impairment losses on loans & other losses	187,224	301,213	1,115,463	938,394
<b>Total income</b>	<b>439,646</b>	<b>394,902</b>	<b>1,370,030</b>	<b>1,240,127</b>
<b>Operating expenses</b>				
Personnel costs	220,588	170,661	481,222	393,882
Depreciation of property and equipment	25,213	21,041	54,615	45,236
Amortization of intangible assets	941	834	5,804	4,957
Other expenses	114,269	112,820	492,102	531,717
<b>Operating profit/(Loss) before Tax on financial services</b>	<b>78,636</b>	<b>89,546</b>	<b>336,287</b>	<b>264,334</b>
Less: TAX on financial services	42,418	46,164	175,548	166,213
Operating Profit/(Loss) before TAX	36,218	43,383	160,738	98,121
Income tax expense	(98,083)	(13,103)	(308,400)	59,507
<b>Profit/(Loss) for the period</b>	<b>134,301</b>	<b>56,485</b>	<b>469,139</b>	<b>38,614</b>
Earnings per Share (Rs.)	<b>24</b>	<b>10</b>	<b>80</b>	<b>30</b>

SELECTED PERFORMANCE INDICATORS			
Indicator	31/03/2019	31/03/2018	
	Audited	Audited	
<b>Capital Adequacy</b>			
Core capital (Tier 1 Capital) (Rs 000)	1,203,314	1,265,003	
Total capital Base, (Rs.000)	1,288,651	1,046,615	
Core capital to risk weighted assets ratio (Minimum 2019-6%,2018-5%)	15%	22%	
Total capital to risk weighted assets ratio (Minimum 10%)	16%	2%	
Capital funds to total deposit liabilities ratio (Minimum 10%)	25%	20%	
<b>Asset quality</b>			
Gross Non-Performing Accommodations (Rs.000)	313,242	310,449	
Net Non-Performing Accommodations Ratio,%	1.1%	-1.6%	
Gross Non-Performing Accommodations Ratio,%	6.6%	6.4%	
<b>Profitability</b>			
Net interest Margin	6.6%	7.8%	
Return on average assets (%)	0.5%	0.6%	
Return on average equity (%)	3.2%	4.0%	
<b>Regulatory Liquidity (Rs.'000)</b>			
Required minimum amount of liquid assets	472,626	543,580	
Available amount of liquid assets	733,791	792,943	
Required minimum amount of Government securities	304,538	349,785	
Available amount of Government securities	385,685	463,306	
<b>Memorandum information</b>			
Number of employees	147	160	
Number of branches	2	2	
Number of service		0	

STATEMENT OF FINANCIAL POSITION	Rs. '000			
	Company		Group	
	31/03/2019 Audited	31/03/2018 Audited	31/03/2019 Audited	31/03/2018 Audited
<b>Assets</b>				
Cash and cash equivalents	89,053	176,843	310,770	1,154,516
Financial assets - amortised cost	1,041,843	1,670,823	1,928,842	1,655,040
Financial assets at amortized cost / loans and receivables	4,472,890	4,471,577	17,754,252	19,892,570
Financial assets - measured at fair value through profit or loss	-	-	10,905	14,650
Financial assets - measured at fair value through other comprehensive income	1,166	1,311	20,892	22,188
Inventories	137,534	118,927	137,534	119,833
Investment properties	0	0	0	0
Property and equipment	74,728	62,985	880,043	721,037
Intangible assets	2,985	3,281	21,088	14,549
Current tax asset	67,808	46,180	177,830	99,713
Deferred tax assets	321,306	223,223	469,063	223,223
Other assets	49,099	50,945	343,718	191,959
Investment in subsidiary	1,160,388	1,160,388	0	0
Good will			385,244	385,244
<b>Total assets</b>	<b>7,418,801</b>	<b>7,986,484</b>	<b>22,440,181</b>	<b>24,494,523</b>
<b>Liabilities</b>				
Due to financial institutions	1,089,792	1,160,306	6,542,756	8,147,531
Due to other customers	4,914,785	5,435,798	13,460,222	13,500,580
Debentures		0		359,804
Other liabilities	170,825	286,433	365,478	829,699
Retirement benefit obligations	36,121	29,573	113,039	88,094
Deferred tax liability			64,091	64,091
<b>Total liabilities</b>	<b>6,211,524</b>	<b>6,912,110</b>	<b>20,481,495</b>	<b>22,989,800</b>
<b>Equity</b>				
Stated capital	56,086	56,086	56,086	56,086
Statutory reserve fund	87,449	80,733	316,633	235,399
Retained earnings	1,061,717	935,383	1,478,193	1,117,462
Other reserves	2,025	2,171	14,468	15,686
Total equity attributable to equity holders of the company	1,207,277	1,074,374	1,865,380	1,424,633
Non-controlling interests			93,306	80,091
<b>Total equity and liabilities</b>	<b>7,418,801</b>	<b>7,986,484</b>	<b>22,440,181</b>	<b>24,494,523</b>

### CERTIFICATION

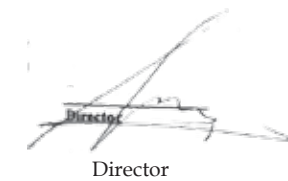
I certify that these financial statements comply with the requirements of the Companies Act No 7 of 2007.

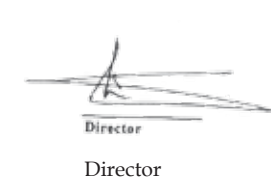
  
Head of Finance

T.M.A.Sally  
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board on 27th June 2019

  
Director

  
Director

Date: 27/06/2019

**Deloitte.**

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSOCIATED MOTOR FINANCE COMPANY PLC

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Associated Motor Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2019, 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 and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis 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 Group 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.

#### Impairment of loans and receivables and transition with the adoption of SLFRS 9 – "Financial Instruments"

**Risk description:** As disclosed in Note 20 to the financial statement the Company and Group has recorded "Loans and Receivables" of Rs. 4,742,134,611 and Rs. 19,637,536,772 respectively and allowance for impairment losses provision of loans and receivables amounted to Rs. 269,244,156 of the Company and Rs. 1,883,285,082 of the Group. Further Note 6 to the Financial Statements provide the impact on transition of SLFRS 9 – "Financial Instruments".

Recognition of allowance for impairment losses under SLFRS 9 - expected credit loss (ECL) model, is a new and complex calculation which requires the management to use significant judgements and assumptions in its estimation, which is explained in Note 27.

Impairment of loans and advances to customers and the impact of the transition to SLFRS 9, are considered to be a key audit matter owing to the significance of loans and advances, the high degree of complexity and judgement used in determining the provisions, based on the expected credit loss model.

**Our responses**  
Our audit procedures to assess impairment of loans and advances to customers included the following:  
- Assessment of the methodology inherent within the models against the requirements of SLFRS 9;  
- Challenging the key assumptions in the ECL models, including staging, PD and LGD and evaluating the reasonableness of Management's key judgements and estimates;  
- Testing the accuracy and completeness of the data inputs by testing reconciliations between source systems and the ECL models and assessment of economic information used within, and weightings applied to, forward looking scenarios;  
- Recalculation of ECL for a sample using the key assumptions used in the models, such as PD and LGD;  
- Considering the reasonableness of Macro – Economic and other factors used by management in their judgmental overlays by comparing them with relevant publicly available data and information sources;  
- Assessing the disclosures in the Financial Statements in relation to impairment of loans and advances to customers with reference to the requirements of SLFRS 9.

Our audit procedures for transition to the SLFRS 9 included the following:

Assessing the design, implementation and operating effectiveness of key internal controls over the transition adjustments and new processes, data and controls that have not been subject to testing previously;  
- Evaluating management's process for identifying contracts to be assessed based on the selected transition approach and any practical expedients applied;  
- Evaluating the appropriateness of the accounting policies based on the requirements of the new accounting standards, our business understanding and industry practice;

#### Recoverability of deferred tax assets

**Risk description**  
The Group has recognized significant deferred tax asset related to investment allowance and carried forward tax losses as disclosed in the Note. ...., which the management considered would probably be utilised or recovered in the future through the generation of future taxable profits by the Group entities or by off-setting against deferred tax liabilities.

The recognition of deferred tax assets relies on the exercise of significant judgement by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated.

We identified the recognition of deferred tax assets as a key audit matter because of its significance to the financial statements and significant management judgement involved in the estimation in forecasting the future taxable profits which could be subject to management bias.

**Our Response:**  
Our audit procedures included  
- Assessing and challenging the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions in future taxable profit forecasts of the Group by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the Group, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures  
- Assessing adequacy of disclosures made in the financial statements.

**Other Information**  
Management is responsible for the other information. The other information comprises the information included in the annual report, but 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 included in the annual report 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 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. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.  
Those charged with governance are responsible for overseeing the Company's and the Group'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 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 and the Group'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 and the Group'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 and the Group 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.  
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2347.

  
S.J.M.S. ASSOCIATES  
Chartered Accountants  
27 June 2019