

AMW CAPITAL LEASING AND FINANCE PLC.

YOUR DESIRE. OUR PASSION.



Annual Report 2012

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Chairman's Message



It is with great pleasure that I present to you the Annual Report and Financial Statements of AMW Capital Leasing & Finance PLC for the year ended 31st December 2012.

The economy recorded a 6.4% GDP growth rate in 2012, implying that the year had a less favorable macro-economic environment as compared to the previous years. The rate of inflation stood at 9.2% due to the upward adjustment of prices in several categories mainly in energy and food, reflecting developments in the international market, the depreciation of the Rupee, supply side disruptions due to the drought conditions that prevailed during the year as well as the increase in import duties on several food items, which contributed to the upward pressure on prices. To control possible demand side inflationary pressures arising from high credit and monetary expansion, the Central Bank of Sri Lanka tightened its monetary policy stance by raising policy interest rates and imposing a ceiling on Rupee lending during the first half of the year. As a result of these policies money supply growth and growth of credit extended to the private sector have begun to decelerate. Further the import duties on all kinds of vehicles increased during the year resulting in a significant drop in vehicles sales which had an adverse impact on the financial services industry.

The global economy too experienced a downturn due to the vulnerability in the main economies. As a result Sri Lanka's export earnings were adversely affected due to fluctuations in commodity prices in world markets as well as the slowing down of economic activity globally. The policy measures adopted by the Government and the Central Bank in the year significantly reduced expenditure on imports.

It is appreciated that the company was able to achieve a steady growth amidst a challenging macro-economic

environment. The earning assets grew by 35% amounting to Rs. 4.5 billion at the end of 2012. Non-Performing advances (NPL) ratio was 0.47% which is well below the industry average of 5%. However the net interest income decreased as compared to the previous year as a result of the upward trend in interest rates over the year under review.

According to the Central Bank of Sri Lanka, the limit on the growth of credit will continue with measures to ensure that credit growth does not exceed a desired level in 2013. Central Bank will continue to take measures to contain the growth of credit at a level consistent with the expected economic activity to help maintain overall monetary expansion at a level consistent with the nominal growth in GDP in 2013. The company therefore needs to focus on new strategies and approaches to tackle the challenges posed from the economic environment. The future plans of the company are elaborated in CEO's message.

In conclusion, on behalf of the Board, I thank the Managing Director Mr. Emmanuel Muttupulle and his team for their hard work, commitment and loyalty in driving your Company's performance despite challenging market conditions. I would also like to thank our stakeholder groups and business partners who contributed to your Company's achievements in 2012. Finally, I wish to thank my colleagues on the Board for their guidance and support as always.

A handwritten signature in black ink, appearing to be 'D. Zoysa', written over a white background.

Deshabandu Tilak De Zoysa
Chairman

02nd April 2013

MD/CEO's Message



Performance

During a challenging year, I'm pleased to inform that our company was able to strengthen its position as a stable financial company and managed to achieve sustainable momentum. The advances base grew from Rs.3.3 billion to Rs. 4.5 billion in 2012 through achieving a growth rate of 35%. This is an extremely remarkable achievement at a time of challenging economic environment and especially in light of the drop in Maruti/ Suzuki sales, which had been our primary target market. Company operated with a network consisting of 11 branches and 2 Service Centres Island wide including new branch openings at Gampaha and Kuliypatiya during the year under review.

The Non-Performing Loan (NPL) ratio stood at 0.47% which implies the high quality of the assets. It can be considered as a satisfactory ratio against the industry average of 5%. The total income and interest income grew by 42% and 43% respectively compared to the previous year. Amidst a challenging macro-economic environment, the company achieved a Pre-tax profit of Rs.200 Million and a Post-tax profit of Rs.128 Million. The Return on Assets (ROA-before Tax) stood at 4.7% against the industry average of 3.9%, indicating the effective utilization of company resources in generating profits.

Economic Environment

The financial year 2012 was a very challenging year for the Sri Lankan economy. The GDP growth eased to around 6%-6.5% and inflation had been around 9.2%. The year therefore posed many challenges to the finance

sector. The growth rate of private sector credit reduced substantially in 2012, as a result of the limits imposed by the Central Bank on commercial banks' credit disbursements. The rapidly depreciating exchange rate, rising interest rates, increased vehicle import duties and the reduced availability of long term funding resulted in a significant change in the dynamics in the economic and business environment. These changes has necessitated that we re-examine some of our strategies. The dual impact of the recent Rupee depreciation, and the increase in duties on vehicle imports, has resulted in a sharp rise in vehicle prices. The demand for vehicle leasing could thus be dampened. The price hike is likely to impact the small and medium sector as well as certain segments of fixed income earners. The resulting increase in the monthly installments of these customers, combined with a possible rise in cost of living due to higher prices of fuel and electricity and other essentials, could adversely affect the repayment capacity of borrowers, necessitating the company to further strengthen its credit granting and the recovery processes.

Outlook

In 2013, company will address the challenges it faces through reviewing some of the strategies as well as the existing business model. In response to the challenges posed by the environment, the company will focus on product diversification as well as the realignment of the portfolio based on risk and margins. The company which has hitherto been focusing primarily on AMW brands of vehicles will look at the diversification of its asset portfolio through financing non AMW products as well as penetrating more into Hire Purchase

MD/CEO's Message Contd...

segment. The company is also expecting a substantial contribution to its growth through the expansion of its branch network in regions of economic affluence. In order to facilitate growth, it is also important for the company to have a stable funding portfolio comprising an adequate mix of time deposits and other borrowings such as securitization, bank borrowings and commercial paper. Towards achieving this objective, the company will focus on a rapid expansion its very low deposit base through an aggressive deposit mobilization campaign. The company has already taken steps in this direction and expects a significant growth in deposits over the latter part of 2013. As a result of the depressed economic conditions that prevailed especially through the latter part of the year under review along with the gradual shift in the target market, the risk profile of its asset base has changed and there has been a marginal increase in the proportion of non-performing advances but nevertheless well below the industry average.

Appreciation

I would like to express my gratitude to the Chairman and Board of Directors for their valuable guidance and support during the period. My sincere gratitude extends to the Senior Management and staff for their hard work and dedication throughout the period.



E C S R Muttupulle
Managing Director/CEO

02nd April 2013

Board of Directors

Mr. Tilak De Zoysa - Chairman

Mr. Tilak De Zoysa is the Honorary Consul for Croatia and a Fellow of the Chartered Management Institute, UK and Fellow of the Plastics & Rubber Institute, Sri Lanka and has over thirty years experience in the corporate sector.

He currently holds the following positions:

- ★ President of Associated Motorways(Private) Limited
- ★ Chairman of Carsons Cumberbatch PLC.
- ★ Chairman of Amaya Hotels and Resorts, New York, USA
- ★ Chairman of Jetwing Zinc Journeys Lanka (Pvt.) Limited
- ★ Vice Chairman of HelpAge International UK
- ★ Chairman - HelpAge Sri Lanka
- ★ Vice Chairman of Orient Insurance Ltd.
- ★ Vice Chairman of Ceat Group of Companies

Mr. De Zoysa serves on the Boards of :

John Keells PLC
Lanka Walltiles PLC
Nawaloka Hospitals PLC
Tal Lanka Hotels PLC
Tal Hotels & Resorts Ltd.,
Employers Federation of Ceylon
Dutch Lanka Trailer Manufacturers Ltd - Tata Group
Eastern Merchants PLC
Inoac Polymer Lanka Private Ltd

He also held the following positions in the past -

- ★ Monetary Board - Central Bank of Sri Lanka (2003-2009)
- ★ Ceylon Chamber of Commerce
- ★ National Chamber of Commerce of Sri Lanka
- ★ Plastics and Rubber Institute of Sri Lanka
- ★ Ceylon Motor Traders Association of Sri Lanka
- ★ Automobile Association of Ceylon

Mr. Emmanuel Cyril Stanford Rodrigo Muttupulle - Managing Director/ Chief Executive Officer

- ★ Bachelors Degree in Chemical Engineering UK
- ★ Masters Degree in Bio Chemical Engineering, UK
- ★ Graduate Training Program at Stanford University Graduate School of Business, USA and Summer leasing School in Utah, USA.

Mr. Muttupulle's experience in the leasing industry spans twenty three years. He was one of the pioneers in introducing many innovative financial instruments to the Sri Lankan Market. These include among others, Dollar Denominated Leases to export companies in Sri Lanka, Lease Securitization and financial derivatives such as Interest Rate Swaps and Forward Rate Agreements.

Mr. Muttupulle has held the following positions:

- ★ Managing Director of Lanka Orix Leasing Company Limited from 1992 to 1999
- ★ CEO, Vanik Bangladesh Limited in 2000
- ★ Executive Director of LB Finance from 2003 to 2005
- ★ CEO of AMW Capital Leasing from July 2005 to date

Mr. Samantha Aruna Bandara Rajapaksa - Director

Mr. Rajapaksa is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, The Chartered Institute of Management Accountants of UK, and a Member of the Chartered Institute of Marketing of UK. He also holds an MBA from the University of Sri Jayawardanepura.

Mr. Rajapaksa began his career at Ernst & Young. He went on to serve as Director/GM at Informatics International, Director/Chief Executive Officer at CF Venture Fund, Group Director of Central Finance Co. PLC, Senior Project Manager at AT&T Inc., USA and Group Director of Kshatriya Holdings PLC.

In his last assignment Mr. Rajapaksa was a Group Director of the Softlogic Group and Director/ Chief Executive Officer of Softlogic Communications Ltd., responsible for the Nokia Distributorship and group business development initiatives. He also served as the Chairman of Softlogic Credit Ltd., while also serving on the Boards of Softlogic Capital PLC and Softlogic Finance PLC. Mr. Rajapaksa continues on the Boards of Asiri Hospitals Holdings PLC and Asiri Surgical Hospital PLC.

Mr. Avijit Majumdar - Non Executive Director

Mr. Majumdar is a Chartered Accountant by profession being qualified by the Institute of Chartered Accountants of India.

He also holds a Bachelor of Commerce Degree from the University of Delhi, India.

Board of Directors Contd...

Mr. Majumdar is the Finance Director of Automotive Division in Al Futtaim Private Company LLC, UAE, since 2007. He Joined the Al Futtaim Motors, UAE, as the General Manager Finance in 1996. Al Futtaim Motors is the largest operating subsidiary of Al Futtaim Private Company LLC.

Prior to joining the Al Futtaim Group he served as CEO for Sabco LLC in Oman; Finance & Development Manager with Bask Developments, Turks & Caicos Islands, BWI; and as Senior Manager Finance of Jumbo Electronics, Dubai.

Mr. Majumdar began his career in 1977 as a Management Trainee at the ITC Limited in India and in 11 years he was appointed as the Regional Financial Controller of the Hotel Division of the group. His tenure with the ITC group laid the foundation to a focused, analytical, system oriented working style.

Mr. Nigel David Johnson - Non Executive Director

Mr. Nigel David Johnson is the Managing Director of Hertz - UAE, an Al- Futtaim Group Company.

He joined the organisation in April 2008 and is responsible for a AED 250 million turnover, over 300 employees and an operating fleet of 12,000 vehicles.

With over 15 years automotive fleet and leasing experience, Mr. Nigel Johnson's previous roles include leading the operative function for Inchcape Fleet Solutions, an automotive fleet leasing and management business in the UK, which managed in excess of 40,000 vehicles. Prior to this Mr. Nigel Johnson held senior positions within the Churchill Insurance Group, managing supplier relationships and Lease Plan UK, at the time, UK's largest vehicle leasing supplier.

Mr. Nihal Senanayake Welikala - Non Executive Independent Director

He holds a Law Degree from the University of Ceylon.

He is also a Fellow of the Institute of Chartered Accountants, UK and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Mr. Nihal Welikala has thirty years of experience in the Banking sector in Sri Lanka. During this period he has served as the Chief Executive officer of Citibank, Colombo and the National Development Bank PLC.

Mr. Angelo Maharajah Patrick - Non Executive Independent Director

He holds an MBA from the University of Colombo and is a Fellow of the Chartered Institute of Management Accountants, UK.

He also holds a Diploma in Marketing and is a Member of the Chartered Institute of Marketing, UK.

He has held Directorates and Senior positions over the past 40 years in Sri Lanka, Indonesia and Canada, which include the following:

- ★ Group Director of the Capital Maharajah Organisation Limited
- ★ Managing Director of NDBS Stock Brokers (Pvt) Limited
- ★ Director of the Carson Cumberbatch Group of Companies
- ★ Consultant to the Provincial Government, Edmonton, Canada in the Ministry of Social Service
- ★ Senior Management Consultant to the Bank of Ceylon (Management Consultancy and Merchant Banking Division)
- ★ Finance Manager of PT CondongGarut, Jakarta, Indonesia
- ★ Finance Manager of PT Thomertwal, Jakarta, Indonesia
- ★ Group Cost Accountant - Associated Motorways Limited (1971)

The Professional positions he held are

- ★ President of the Chartered Institute of Management Accountants (Sri Lanka Division)
- ★ Council Member of Chartered Institute of Management Accountants UK
- ★ Member of the Accounting Standards and Monitoring Committee. Currently functioning as an Adviser to the Committee.
- ★ Member - Committee on Corporate Governance of Institute of Chartered Accountants in Sri Lanka (1993 - 1997)
- ★ Lecturer and Examiner in the Master of Business Administration (1998 - 2001) and Post Graduate Diploma in manufacturing Management from 2005 to date at the University of Colombo.
- ★ Course Director for the Residential Training Program in Corporate Planning conducted by the CIMA, Sri Lanka Division from 1985 to 1992

Board of Directors Contd...

Mr. Asoka W Wickremesinghe

- Non Executive Independent Director

Mr. Asoka Wickremesinghe is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka .He is Chairman of Coca Cola Beverages SL. He was a past Additional Secretary to the Ministry of Industries, Industrial development & Investment promotion. He served as a consultant to United Nations Industrial Development Organization (UNIDO) and assisted in the restructuring of the sectorial programs of the Ministry.

He has served on a number of Public and Private Limited Companies.

Mrs. Dilani Cornelia Yatawaka - Director

A Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants UK and the Institute of Certified Management Accountants of Sri Lanka, Ms. Yatawaka was appointed to the AMWCL Board in November 2011. She is the Finance Director of AMWCL's parent company Associated Motorways (Private) Limited and is also a Director of Associated Motor (Lanka) Co. Limited.

Milestones of the Company

2006

- ★ Obtained Leasing Company License
- ★ Opened our First Branch at Kurunegala
- ★ Opened Second Branch at Matara
- ★ Opened Third Branch at Ratnapura



2007

- ★ New Branch opened in Negombo
- ★ New Branch opened in Kandy



2008

- ★ Obtained Finance Company License



2011

- ★ Listed in the Diri Savi Board of the Colombo Stock Exchange
- ★ Three new branches opened - Badulla, Anuradhapura and Nugegoda
- ★ Migrating to a sophisticated state of the art Leasing System



2012

- ★ Three new branches opened - Kuliypitiya, Gampaha and Dambulla
- ★ New service center opened in Avissawella
- ★ Setting up a Micro-Finance Unit

Operational Review

Year of 2012 can be treated as a 'year of consolidation' for many finance companies due to number of hurdles that they had to face during this year. The trend of increasing interest rates which commenced in October 2011 continued throughout the year until it stabilized at the year end. Increase in vehicle import duty effective from 01st April 2012, rupee depreciation and the liquidity shortage badly affected the leasing market and the good times the leasing/ finance companies enjoyed came to a temporary halt. The RMV (Registrar of Motor Vehicles) statistics indicates a 30% drop in new vehicle registration (across all categories) during the year compared with 2011. The continuation of highly ambitious growth plans disregarding the sluggish market conditions by some of the existing players and the new entrants made the market fiercely competitive.

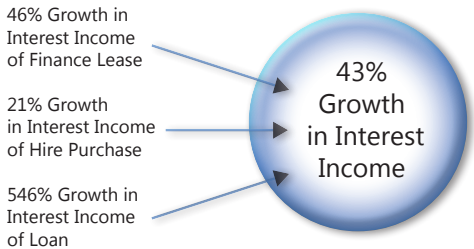
The sharp increase in borrowing rates impacted the company due to the mismatch the company was carrying in the re-pricing of its assets and liabilities. The sales of Suzuki/ Maruti cars which initially contributed more than 50% of the total disbursements during the year too experienced a drop of more than 70%. However, the company managed to withhold many obstacles due to timely and proactive decisions. The opening new standalone customer service points to increase the concentration of financing non-AMW brands of vehicles and strengthening existing branch network assisted the company to move forward with many positives (listed below) while reducing the risk of overly dependence on financing AMW brands.



Growth in income earning assets

The company reported a 35% growth in income earning assets during 2012. Increase in the leasing portfolio by 26% as a result of increasing the share of Suzuki/ Maruti business, successful penetration into the 3 wheeler and motor bike market mainly through financing Piaggio and Yamaha and also increase in the leasing of small trucks of other brands helped the company to achieve this growth. Hire Purchase assets too grew by 40% supported by the business generated through newly opened customer service centers. The phenomenal increase in auto loan portfolio too well supported the overall asset growth.

Growth in interest income



Interest income of the company grew by 43% over the previous year which was mainly supported by the increase in the lending rates and also by the increased disbursements. Interest income of Finance Lease, Hire Purchase and loans grew respectively by 46%, 21% and 546% during 2012.

Continuous emphasis on group synergy i.e. increase the leasing share of AMW brands namely Nissan, Suzuki, Maruti, Piaggio and Yamaha assisted immensely to maintain both portfolio quality and the growth momentum.

Operational Review Contd...

Penetration into small ticket / micro leases

The company's decision to increase the business share of small ticket micro leases brought many benefits to the company such as spreading portfolio risk very well and also deriving a higher yield.

Fixing the liability gap

The vulnerability to the interest rate which company has been exposed over the years was addressed by converting a flexible rate loan to a fixed term loan during the year. This assisted the company to maintain a 60:40 long to short liability mix by minimizing the vulnerability to any further volatility in market rates.

Employee Engagement & Philosophy

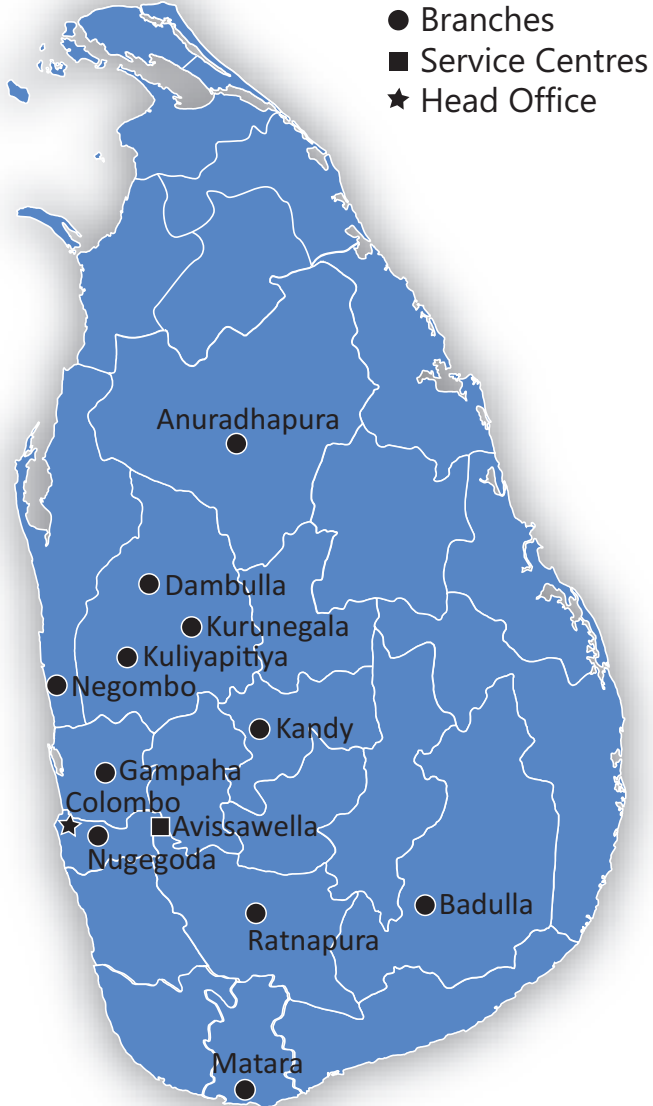
The company has been building on the 'customer centric' culture and many new things were introduced during the year using 'new technology' to enhance the level of customer satisfaction. Many internal/external and OBT (Out Bound Training) trainings were conducted continuously throughout the year using industry experts to enhance their knowledge and also to gain new knowledge in various fields. The company continued with its philosophy of providing 'simple non-complicated' financial products to the market by focusing with a more long term perspective than a short term perspective. The attracting experienced employees from the finance and banking industry during the year helped the company to introduce industry best practices and new processes to continue on its growth path. The total staff strength increased to 95 at the year end.

Branch Network

Information of Company Branch Network and Service Centres

Location	District	Province	Address	Contact Person	Telephone	Fax
Borella	Colombo	Western	AMW Capital Leasing & Finance PLC 445, BaudhalokaMawatha, Colombo 08 (Head Office)	Chulanga De Alwis	011-2671371	011-2671272
Kurunegala	Kurunegala	North Western	AMW Capital Leasing & Finance PLC 204, Colombo Road, Wanduragala, Kurunegala	Thusitha Yalage	037-7609608	037-2229867
Negombo	Colombo	Western	AMW Capital Leasing & Finance PLC 262, Chilaw Road, Periyamulla, Negombo	Indika Jayamanne	031-7609608	031-2225552
Kandy	Kandy	Central	AMW Capital Leasing & Finance PLC 400, Katugastota Road, Kandy	Dineeth Premachandra	081-7609608	081-2212952
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing & Finance PLC 282, Moragahayata, Colombo Road, Ratnapura	Manoj Perera	045-5677677	045-2226940
Matara	Matara	Southern	AMW Capital Leasing & Finance PLC 215E, Galle Road, Pamburana, Matara.	Vipul Shantha	041-7609642	041-2220460
Badulla	Badulla	Uva	AMW Capital Leasing & Finance PLC 08, Lower Kings Street, Badulla.	Nuwan Buddhika	055-7609615-8	055-7609619
Anuradhapura	Anuradhapura	North Central	AMW Capital Leasing & Finance PLC 521/40, 04th Cross Road, New Town, Anuradhapura	Lalith Bodipala	025-7609622	025-7609625
Nugegoda	Nugegoda	Western	AMW Capital Leasing & Finance PLC 675, High Level Road, Wijerama, Nugegoda	Chathura Jayendra	011-7609647-8	011-7609649
Gampaha	Gampaha	Western	AMW Capital Leasing & Finance PLC 163/A,Ja-Ela Road, Gampaha	Eroshan Anuradha	033-7609608	033-7609644
Kuliyaipitiya	Kuliyaipitiya	North Western	AMW Capital Leasing & Finance PLC 463/A, Madampe Road, Kuliyaipitiya	Dilan Liyanage	037-7609611-3	037-7609658
Dambulla	Dambulla	Central	AMW Capital Leasing & Finance PLC 661, Anuradhapura Road, Dambulla	Udana Galgamuwa	066-7609611	066-7609615
Avissawella	Colombo	Western	AMW Capital Leasing & Finance PLC 151/A, Colombo Road, Avissawella (Service Centre)	Manoj Perera	036-7609611	036-7609616

Branch Network Contd...

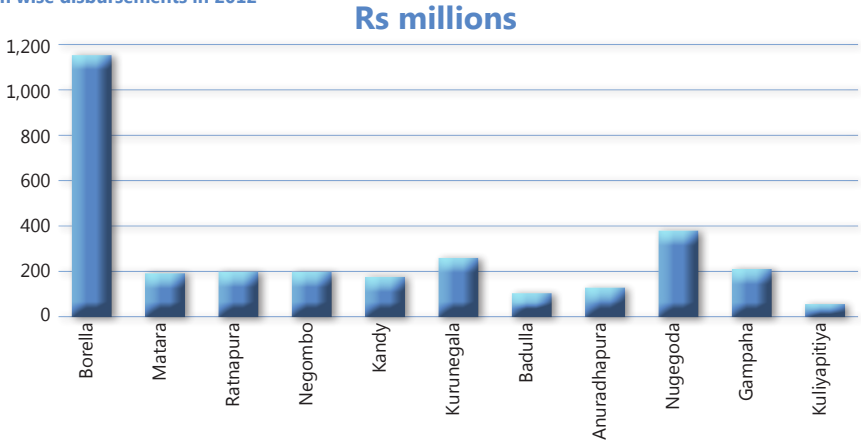


Branch Performance

The total disbursement during 2012 shows a 10% growth over the previous year. The disbursements in branches increased from Rs.1.17 billion in 2011 to Rs.1.67 billion during the year and reported a 43% growth over the previous year. The Anuradhapura and Nugegoda branches which commenced business operations in later

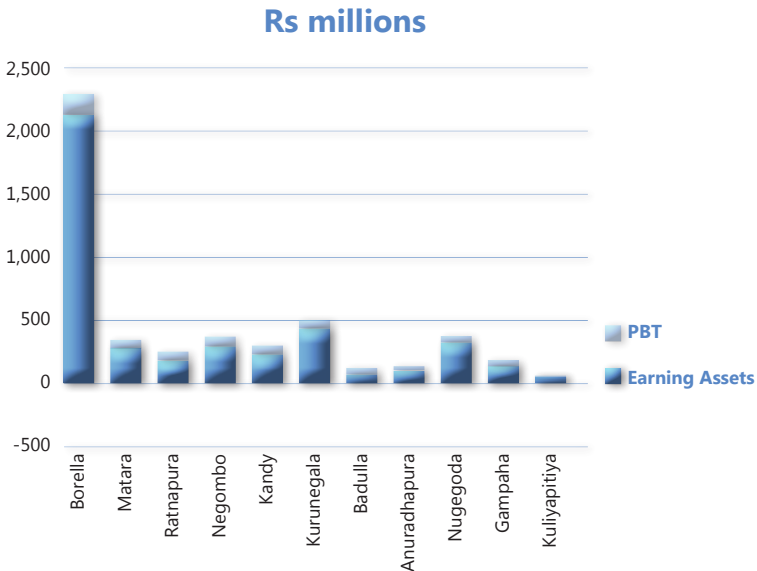
part of 2011 performed to their full scale during the year which was one of the main reasons for the disbursement growth reported by branches. The company will continue with its branch expansion plans to increase the reach and thereby geographically penetrate into areas where there is a demand for company's services.

Branch wise disbursements in 2012



Note: Gampaha and Kuliyaipitiya branches were opened respectively in March & July 2012.

Branch wise Income Earning Assets and PBT in 2012



Risk Management

At AMW Capital Leasing and Finance PLC (AMWCL) we believe that risk-taking is an inherent element of our business activities and, indeed, profits are in part, the reward for successful risk taking. On the other hand, excessive and poorly managed risk can lead to losses and thus endanger the safety of our depositors and our other creditors. Accordingly, we place significant emphasis on the adequacy of our management of risk. Risk at AMWCL refers to the possibility that the outcome of an action or event could bring adverse impacts on our capital, earnings or its viability. Such outcomes could either result in direct loss of earnings and erosion of capital or may result in imposition of constraints on our company's ability to meet its business objectives. These constraints could hinder our capability to conduct our business or to take advantage of opportunities that would enhance our business. As such, we ensure that the risks we are taking are warranted. Risks are considered warranted when they are understandable, measurable, controllable and within our capacity to readily withstand adverse results. Sound risk management systems enable us to take risks knowingly, reduce risks where appropriate and strive to prepare for a future, which by its nature cannot be predicted with absolute certainty.

In common with other financial institutions, the principal risks of AMWCL are;

- ★ Strategic risk
- ★ Credit risk
- ★ Mismatch risk
- ★ Liquidity risk
- ★ Interest rate risk
- ★ Operational risk

Risk Management is a discipline at the core of AMWCL and encompasses all activities that affect its risk profile. We therefore attach considerable importance to improve the ability to identify, measure, monitor and control the overall risks assumed.

Risk identification is to recognize and understand risks that may arise from both existing and new business initiatives and is a continuing process which is understood at both the transaction and portfolio levels. Risk Monitoring is done by having in place an effective management information system (MIS) to monitor risk levels and facilitate timely review of risk positions and exceptions. Risk Control is done by establishing and

communicating risk limits through policies, standards, and procedures that define responsibility and authority for the various risks assumed by the company and these limits serve as a means to control exposure on these risks. Further, for risk control we apply a range of mitigating tools in minimizing exposure to various risks and have a process to authorize and document exceptions or changes to risk limits when warranted.

Active Board and Senior Management Oversight

The Board of Directors is ultimately responsible for the level of risk taken by AMWCL. Accordingly, they approve the overall business strategies and significant policies of the company, including those related to managing and taking risks, and also ensure that senior management is fully capable of managing the activities that AMWCL undertakes.

The Directors have a clear understanding of the types of risks to which AMWCL is exposed to and receive reports that identify the size and significance of the risks in terms that are meaningful to them. In fulfilling this responsibility, Directors take steps to develop an appropriate understanding of the risks the company faces, through briefings from auditors and experts external to the institution. Using this knowledge and information, Directors provide clear guidance regarding the level of exposures acceptable to AMWCL and have the responsibility to ensure that senior management implements the procedures and controls necessary to comply with adopted policies. Senior management is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws, regulations and internal policies on both a long-term and day-to-day basis.

Risk Management Framework

During the year under review the company set up an independent risk management function with the recruitment of a Risk Manager responsible for functional reporting to the Integrated Risk Management Committee (IRMC). This ensures that the risk management function is independent from those who take or accept risk on behalf of AMWCL.

The risk management function which provides an oversight of the management of risks inherent in the institution's activities is tasked to:

Risk Management Contd...

- ★ Identify current and emerging risks;
- ★ Develop risk assessment and measurement systems;
- ★ Establish policies, practices and other control mechanisms to manage risks;
- ★ Develop risk tolerance limits for IRMC and Board approval;
- ★ Monitor positions against approved risk tolerance limits;
- ★ Report results of risk monitoring to Senior Management and the Board.

Although the Risk Manager is responsible for the overall risk management function, business lines are held equally responsible for the risks they are taking.

Risks and their management

Strategic Risk

Board of Directors and Senior Management oversight is an integral part of our strategic risk management program. The Board of Directors retains the overall responsibility for strategic risk management of the company. It is chiefly responsible for setting corporate strategy and reviewing management performance in implementing the company's strategic plan. In turn, senior management ensures that there is an effective strategic risk management process by transforming the strategic direction given by the Board through policy.

Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment. We have implemented robust strategic risk mitigation measures and techniques to enhance the achievement of strategic objectives. These include engaging qualified board and senior management, formulation of strategic and operational plans, high quality of personnel and proper training, comprehensive risk management systems and adequate access to information.

Credit Risk

Credit risk is the likelihood that a debtor or financial instrument issuer is unwilling or unable to pay interest or repay the principal according to the terms specified in a credit agreement resulting in economic loss to the company.

Credit Risk Management

The Board is responsible for approving credit risk strategy and significant policies relating to credit risk and its management which is based on the overall business strategy. The Board is also responsible for approving the overall lending authority structure, and explicitly delegating credit sanctioning authority to senior management and the credit committee as well as setting credit limits with any one customer or within a single segment. With the setting up of the risk management function the company will move into a more standardized lending structure where the risk management function is responsible for agreeing and formalization of lending policies/ guidelines and sign-off on any exceptions. The primary lending authority is assigned to the loan originating function if the specific transaction conforms to pre-defined standardized lending criteria with the independent risk management function responsible for the sign-off for any exceptions from the lending standards on the individual transactions.

The credit approval process is through signatures whereby the transaction proposal is circulated and approval requires agreement between all the approving authorities concerned. The front office proposes new transactions, and the approving authority examines the risk and makes a granting/ rejection decision or might issue recommendations for altering the proposed transaction until it complies with risk standards. This is commonly done by using credit risk mitigants such as down-payments, collateral and third party guarantees. As with the industry norms the primary component in credit risk is on assets risk, which is mitigated through third party valuations, inspection of asset by the facility originators and putting restrictions on the maximum loan to value (LTV) ratios. Post sanction monitoring is due through collection reports to analyze the performance of the collection staff as well as draw inferences of different segments, asset classes which are useful in the lending process.

Over the years the company was primarily focused in finance leases for AMW brand vehicles (Maruti, Suzuki, Nissan) for personal use which was comparatively low risk, with the company acquiring and developing required skills and aptitudes in this segment. However, with the changes in economic variables impacting the growth of the company, it has shifted its target market more towards non-AMW brand vehicles and the commercial segment and into hire purchase and auto loans while striving to

Risk Management Contd...

increase the market share of AMW brand vehicles. While this strategy gives a diversification benefit, it also creates risks in its portfolio with the new target market being more sensitive to macro-economic variables which needs to be understood and analyzed for more proactive risk management. The credit policies are aligned with the future strategic direction and clear lending guidelines are implemented for the credit selection of the non-AMW brand and commercial segments.

Our credit portfolio is primarily made up of finance leases with over 71% based on the product class with cars dominating with over 70% exposure based on the asset class, which could be classified as low risk.

Product wise exposure (Rs. 'million)

Product	As at Dec 31, 2012		As at Dec 31, 2011	
	Exposure	%	Exposure	%
Finance Leasing	3,184.60	71.0%	2,525.93	76.3%
Hire Purchase	1,040.80	23.2%	743.66	22.5%
Auto Loans	259.1	5.8%	41.64	1.2%
Total	4,484.50	100.0%	3,311.23	100.0%

Exposure based on asset class as at Dec 31, 2012

Asset	(Rs. 'million)	%
Motor Cars	3,176.89	70.84%
Motor Tricycle	325.81	7.27%
Dual Purpose	388.63	8.67%
Auto Loans	253.10	5.64%
Motor Lorry	176.18	3.93%
Motor Cycle	73.06	1.63%
Motor Coach	49.73	1.11%
Equipment	21.43	0.48%
Agri tractors	19.66	0.44%
Total	4,484.50	100.0%

Despite an aggressive expansion in the lending portfolio by 35% and shift from AMW brands to non-AMW and commercial segment, our NPL ratio was kept at a very low level of 0.47% as at December 2012, as compared to the industry standard of 5-6% and maintained healthy capitalization of over 15%. The low non-performing ratio and the capital cushion reflects our credit policies and processes.

(Rs. '000)	2012	2011
Total Risk Weighted Assets	4,717,812	3,602,757
Capital	722,711	628,686
Capital Adequacy Ratio- Tier-I	15.3%	17.4%
Capital Adequacy Ratio- Total	15.3%	17.4%
Gross NPA	21,233.3	3,473.0
Gross NPA Ratio	0.47%	0.1%

Asset Liability Management (ALM)

The goal of ALM is to provide measures of the exposure to mismatch risk, and to maintain it within bounds, while optimizing the risk-return profile of the balance sheet. The ALCO which is the implementation arm of ALM comprises the CEO and the heads of divisions.

Mismatch Risk

In common with the finance industry practice the structural position of AMWCL consists of primarily lending for longer maturities at fixed rates while the funding is primarily made up of short term floating rate liabilities linked to an index and fixed rate long term borrowings. The mismatch between maturities and interest rate will generate both liquidity risk and interest rate risk. If loans are under-funded, there will be positive gaps, or deficits, at future dates. These deficits generate both liquidity risk and interest rate risk since there is a limitation of knowing at which rate the funds that balance the loans will be raised. If there is excess funding, there is no liquidity risk, since liquidity was raised in advance, but there is interest rate risk, since we do not know at which rate those excess funds will be lent at future dates.

Risk Management Contd...

The mismatch is primarily mitigated through parental funding, strong bank relationships and customer deposits.

Liquidity Risk

Liquidity is the ability to raise cash sufficient to finance lending opportunities and face deposit withdrawals at a reasonable cost in a reasonable time frame. Liquidity risk is the risk of not being able to raise liquidity or of raising liquidity at a high cost at short notice.

Liquidity Risk Management

Liquidity management is done through liquidity gaps including static and dynamic liquidity gaps which are completed by stress tests on liquidity, for assessing what would happen under an extreme crisis situation with liquidity shortage. We control liquidity risk by spreading over time the required amounts of funding and avoiding unexpected important needs for raising additional funds. The Board sets limits for liquidity gaps for making sure that raising funds will be within acceptable boundaries. Liquidity management is aimed at target time profile of gaps after raising new resources, which complies with liquidity gap limits. Further, diversification of the funding sources with different maturities enables better management of liquidity risks and its impact on the operations of the company. Currently the main funding sources of the company are the parental funding, bank borrowings and securitization advances. To reduce dependence on parental and bank funding a fully-fledged deposit drive would be undertaken with more proactive asset and liability management to take advantage of market liquidity and interest rates for better liquidity management. ALCO would decide on the composition of the funding sources (type, tenure and interest rates) on the management of the funding side of the balance sheet.

Interest Rate Risk

Structural interest rate risk arises from customers wanting certainty in interest payments and therefore asks for long term fixed rate loans which are funded by short and long term floating rate borrowings through banks and depositors. In such a situation, changes in the yield curve and also non-parallel shifts in the yield curve will impact the net interest income (NII) with high volatility thereby impacting the stability of earnings of the company.

Interest Rate Risk Management

Interest rate risk is managed through interest rate gaps which measures the sensitivity of NII to a shift in the yield curve. We keep interest rate gaps open when we have a mismatch risk for taking advantage of beneficial variations of interest rates. We try to minimize the NII volatility by setting limits on interest rate Gaps and also being conscious of the tenure premiums in the market rates in pricing our lending products.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Both the Board of Directors and senior management are responsible for establishing a strong internal control culture in which control activities are an integral part of the regular activities of the company. Controls that are an integral part of the regular activities enable quick responses to changing conditions and avoid unnecessary costs.

Operational Risk Management

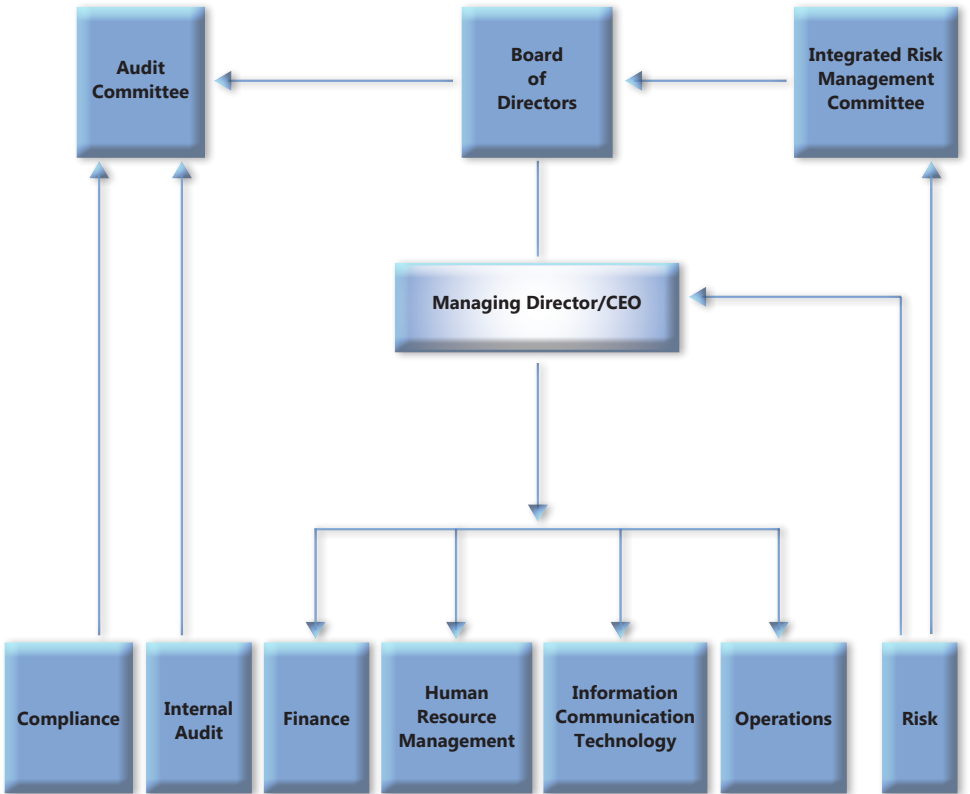
We have in place adequate internal audit coverage to verify that operating policies and procedures have been implemented effectively. The Board (either directly or indirectly through its audit committee) ensures that the scope and frequency of the audit program is appropriate to the risk exposures. Internal Audit periodically validates that the company's operational risk management framework is being implemented effectively across the company. Further, with the setting up of the risk management function more focus will be given to operational risk management needs of the company in addition to the current operational risk management process. By implementing Business Continuity Plan (BCP) including Disaster Recovery Plans will ensure that the critical operations of the company will function with minimal disruptions thereby reducing operational risk incidences. The core information system performance has stabilized during the year under consideration with the user requirements fulfilled and the IT system is assessed on an ongoing basis to ensure that it would be a business enabler without hindering the operations of the company. Internal Audit conducts periodic reviews to evaluate the accuracy and reliability of the system and any modification to the system is carried out in a structured manner to ensure that the modifications are in line with the user requirements in addition to ensuring that the required controls are not compromised.

Corporate Governance

Being an organization who firmly believes in good Corporate Governance, AMW Capital Leasing & Finance PLC strives to live up to the expectations of its stakeholders by offering outstanding products and services.

Operating in a highly competitive and growing market, Capital Leasing makes every effort to make its presence felt across the nation.

Governance Structure of the Company.



Corporate Governance Contd...

The Company is governed by the regulations/Directions issued by CBSL as its prime regulator, the Code of Best Practices on Corporate Governance by ICASL, the Continuing Listing Requirements set by the CSE and also other key aspects governing compliance issued by SEC. The company's compliance at meeting such parameters set by the above regulators are tabulated below.

Corporate Governance Principle	Level of Compliance
The Board of Directors	
Composition of the Board	<p>The Board of Directors of AMW Capital Leasing and Finance PLC(AMWCL) being the ultimate governing body of the company, actively directs, lead and controls the operations of the company. Their skills, knowledge and business acumen helps in keeping abreast with the vastly expanding financial sector of the country and is considered an immense benefit for the effective functioning of the Board.</p> <p>As such the Directors take responsibility in directing the performance of the company, take initiative in achieving set objectives, which are continuously monitored to ensure the best return to its shareholders.</p> <p>The Board of AMWCL comprise of Nine Directors of whom Three Directors are Independent Non Executive Directors thereby complying with the corporate governance requirements of the CSE and CBSL regulations currently applicable.The names of the Directors and their profiles are given on pages 4 - 6.</p>
Board Charter	<p>The Board of Directors are tasked with ensuring that exemplary governance on all aspects of business is well delivered to all its stakeholders.</p> <p>The systems deployed to direct and control the company, ensures that regulatory compliance is met, transparency strengthened and accountability achieved in high standards of corporate governance.</p> <p>The practice of strong corporate values are encouraged from the Senior Management and the Board of Directors.</p>
	<p>The Board of Directors are primarily responsible for -</p> <ul style="list-style-type: none"> ★ Setting the overall corporate policy and ensuring the formulation of and implementation of a sound business strategy. ★ Monitoring performance and reviewing risks and major investments. ★ Ensuring that the Managing Director and the Management team possess the skills, experience and knowledge to implement the strategies so adopted. ★ Ensuring the adoption of a senior management succession strategy. ★ Ensuring compliance with laws, regulations and ethical standards. ★ Delivering sustainable shareholder value and also serving in the long term interest of other stakeholders inclusive of customers, regulators, employees and community through effective management of the business. ★ Reviewing and approving macro financial and other resource requirements in meeting corporate goals and ensuring that the integrity of financial information and financial controls. ★ Reviewing and critically analyzing monthly management information and key performance indicators. ★ Determining the nature and extent of significant risks it takes, in order to achieve its strategic objectives. Thus, monitoring and reviewing the risk management processes for compliance with regulations, standards and other regulatory requirements.

Corporate Governance Contd...

Corporate Governance Principle	Level of Compliance
The Board of Directors	
Roles of Chairman and Chief Executive Officer to be separate	The roles of Chairman and Chief Executive Officer have been separate from the inception of the Company.
Chairman to be Non-Executive	In accordance with CBSL regulations, this requirement is met.
Relationship between Board Members	There is no financial, business, family or other relationships, if any between the Chairman, Chief Executive Officer and any other member of the Board.
Directors Shareholdings	The Directors or their families or connected parties do not hold any shares in the Company.
Disclosure of details of New Directors	All disclosures are made to the CSE for dissemination to the public. Disclosure is made of directorates and significant holdings to the Central Bank of Sri Lanka.
Meetings	<p>Meetings are held by the Board every month, at which the Company's performance is monitored on a regular basis and also whereby business strategies are planned and current market conditions reviewed. In the alternative, all other operational requirements which needs the approval of the Board on an urgent basis is passed by Circular Resolution as and when required.</p> <p>In addition to the regular meetings, formal and informal communication between the Board Members take place on an on going basis in the discharge of duty.</p> <ul style="list-style-type: none"> ★ Agenda - The Agenda items include regular reports which facilitate and monitor performance and compliance with regulatory authorities. Non-routine issues which require Board attention are specifically mentioned as separate items. ★ Attendance - is monitored as per requirement of the Company's Articles. ★ Minutes - Detailed Minutes are recorded of the proceedings of the meeting with special emphasis on decisions taken.
Independence of Directors	The Independent Non Executive Directors are responsible for bringing independent judgment and scrutinizing the decisions taken by the Board on all issues of strategy, performance, resources and business conduct.
Signed Declaration of Independence by the Non- Executive Directors	The Non-Executive Directors have made written submissions as to their independence.
Senior Independent Director	In compliance with CBSL regulation reference item 4.7(2) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Mr. Angelo Patrick was appointed as the Senior Independent Director.

Corporate Governance Contd...

Corporate Governance Principle	Level of Compliance
The Board of Directors	
Procedure for appointment of new Directors	Although the Company has not formed a specified Nomination Committee, all new appointments of Directors involve a process of test to ascertain whether their combined knowledge and experience match the strategic demands facing the Company.
Training for new Directors	<p>Currently there is no formal process for providing training on the induction of new Directors. Adequate knowledge sharing opportunities are provided at Board Meetings.</p> <p>The Directors are notified and attendance encouraged for any Symposiums, Seminars or Lectures carried out by the Regulators.</p>
Access to Independent professional advice	The Board Directors in performance of their duties, are permitted to obtain independent professional advice from third party whenever deemed necessary at the company's expense if considered appropriate.
Conflict of Interest	<p>All Directors exercise their independent and objective judgment on issues of strategy, policy, resources and standards of conduct.</p> <p>The Board is conscious of its obligation to ensure that Directors avoid conflicts of interest between their duty to the Company and their own interests. The Board has adopted a procedure to ensure that conflicts of interests of Directors are disclosed to the Board and also Board members are required to disclose all transactions with the Company. All related party transactions (if any) are disclosed in the Financial Reports Section of the Annual Report.</p>
Supply of Information	Board Meetings are conducted based on formal agenda, covering the main responsibilities of the Board. The Board receives a standard set of documents which are timely, accurate, relevant and comprehensive. The Board may call for additional information or clarify any issues with any member of the Executive Committee.
Dedication of adequate time and effort to matters of the Board and the Company	The Chairman and the Board dedicate adequate time for the affairs of the Company by attending Board Meetings, Committee Meetings in which they are members and by making decisions via Circular Resolutions. In addition the Executive Directors of the Board have regular meetings with the Management as and when required.
Company Secretary	The Company Secretary is a Fellow Member of the Institute of Chartered Secretaries & Administrators UK as well as the Institute of Chartered Corporate Secretaries of Sri Lanka. She is responsible for supporting and advising the Chairman and the Board on all Board procedures and compliance with applicable rules and regulations.
Re-election of Directors	According to Articles of Association, each director other than the Chairman and the Managing Director retires by rotation and is required to stand for re-election by the shareholders at the AGM.

Corporate Governance Contd...

Corporate Governance Principle	Level of Compliance
Relationship with Shareholders	
General Meeting (AGM)	Information is received by the shareholders within the stipulated time frame before the AGM to give them an opportunity to exercise prerogative to raise any issues relating to their shareholding and the business. The Board of Directors and Auditors of the Company are present at the AGM to answer any questions.
Separate Resolutions for each item of business	The Company proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each substantially different issue.
Accountability and Audit	
Financial Reporting, Statutory and Regulatory Reporting	In the preparation of the Annual Financial Statements, the Company has complied with the requirements of the Companies Act No 7 of 2007 which are prepared and presented in conformity with Sri Lanka Accounting Standards.
Summoning an EGM to notify shareholders if net assets fall below one behalf of the Shareholders' funds	The situation has not arisen. However, should the situation arise, an EGM will be called for and shareholders will be notified.
Internal Control - Maintaining a sound system of internal control and risk management	In order to ensure that a sound system of internal control is maintained, the Board ensures that <ul style="list-style-type: none"> ★ An internal audit programme is prepared covering all operations. ★ Internal and external audit reports are reviewed by management on a timely basis and control weaknesses are corrected.
Review of external audit function and Relationship with External Auditor	The Board is responsible for the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements. The Board has the primary responsibility for making a recommendation on the appointment, re-appointment or removal of the External Auditor in line with professional standards and regulatory requirements.

Corporate Governance Contd...

Corporate Governance Principle	Level of Compliance
Other Corporate Governance Initiatives	
The Company's responsibility towards Its employees	The Company's employment relationships are built on trusting and caring long term relationships which are industrial conflict free. Family values provide the basis for overall corporate culture and work is scheduled to strike a fine balance between family life and work life. Well defined carrier paths are made available to younger employees with potential. During the tenure of employment they are encouraged to enhance their competencies both primary and secondary through following identified programmes of studies and by participation at refresher and update programmes. Attitudinal competencies are considered a critical competency and all employees are required to undergo such programmes conducted.
The Company's responsibility towards its customers	To better cater to the public the Company is expanding its reach island wide, both in independent locations and through the AMW branch showrooms in some of the major cities.
Board appointed Committees	
Audit Committee	<p>The Audit Committee comprises of Independent Non-Executive Directors. The Chairman of the Audit Committee is Mr. Angelo Maharajah Patrick. The Audit Committee meets on a monthly basis and reviews the monthly, quarterly and annual financials of the company prior to recommending same to the Board.</p> <p>The Committee meets with External Auditors, discuss the scope of Audit and Management Letter, review Internal Audit functions including any investigations.</p>
Integrated Risk Management Committee	<p>The Committee comprises of Independent Non-Executive Directors and the CEO of the Company. The Chairman of the Integrated Risk Management Committee is Mr. Nihal Welikala.</p> <p>The Committee reviews all relevant type of risk, discusses and decided on an appropriate mitigation and identification of Compliance Officers.</p>
Remuneration Committee	The Committee comprises of Independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr. Asoka Wickremesinghe.
ALCO and Credit Committees	These Committees were formed in November 2011.

Meetings

The number of meetings of the Board, Board appointed sub-committees and individual attendance by members at the said meetings for the Financial Year Ended 31st December 2012 are given below.

Board Meetings

Names	Directorship Status	Number of Meetings
Number of meetings held		12
T De Zoysa	Chairman	12
E C S R Muttupulle	MD/CEO	12
S A B Rajapaksa (Appointed w.e.f:20/04/2012)	Director	07
A Majumdar	Non-Executive Director	08
N D Johnson	Non-Executive Director	10
N S Welikala	Independent Non-Executive Director	11
A M Patrick	Independent Non-Executive Director	12
A W Wickremesinghe	Independent Non-Executive Director	12
D C Yatawaka	Director	12

Audit Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		11
A M Patrick	Chairman	11
N S Welikala	Member	09
A W Wickremesinghe	Member	11
S A B Rajapaksa (Appointed w.e.f:30/04/2012)	Member	04

Integrated Risk Management Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		10
N S Welikala	Chairman	09
A M Patrick	Member	09
E C S R Muttupulle	Member	10
A W Wickremesinghe	Member	10
S A B Rajapaksa (Appointed w.e.f:30/04/2012)	Member	03
D C Yatawaka (Appointed w.e.f:22/05/2012)	Member	05
U Fernando (Appointed w.e.f:22/05/2012)	Member	06
D P V Mendis (Appointed w.e.f:22/05/2012)	Member	06
R Boteju (Appointed w.e.f:22/05/2012)	Member	06
L R Perera (Appointed w.e.f:22/05/2012)	Member	05
D I Brohier (Appointed w.e.f:22/05/2012)	Member	04
H N N K Perera (Appointed w.e.f:22/05/2012)	Member	05
I Wanniarachchi (Appointed: 22/05/2012 & resigned.: 18/08/2012)	Member	01

Report of the Directors

The Directors are pleased to present their Report for the Financial Year Ended 31st December 2012 together with the Audited Statement of Financial Position and the Statement of Comprehensive Income for the period under review.

Review of the Period

The Chairman's message along with the Managing Director/CEO's message highlights the Company's performance during the period under review.

Financial Statements

The Financial Statements prepared in compliance with the requirements of section 151 of the Companies Act No.7 of 2007 are given on pages 3 to 71 in this Annual Report.

Independent Auditors Report

The Auditors Report on the Financial Statements is given on page 30 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements is given on pages 35 to 36.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 25.

Stated Capital

The Stated Capital of the Company on 31st December 2012 was Rs.200,000,000/- and was unchanged during the period.

Statutory Payments

All known statutory payments have been made by the Company.

Events after the Statement of Financial Position

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements.

Going Concern

The Board is satisfied that the Company will continue its operations in the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the Financial Statements.

Re-election of Directors

In accordance with the Articles of Association Messrs. N Johnson and A M Patrick retire, and being eligible offer themselves for re-election.

Directors' Interests

The Directors' Interest in Contracts of the Company have been included in the notes to the Accounts.

Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 31.4 to the Financial Statements on page 63.

Auditors

Messrs. Ernst & Young have expressed their willingness to continue in office as Auditors of the Company for the year ending 31st December 2013. A resolution pertaining to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



Mrs. D. De Silva
Company Secretary

Dated 20th February 2013

Directors' Responsibility for Financial Reporting

The Financial Statements are prepared in conformity with generally accepted accounting principles and the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements reflect a true and fair view of the state of affairs of the Company as at 31st December 2012 and provide the information required by the Companies Act No. 7 of 2007. The Financial Statements have been prepared on the going concern basis as the Board is satisfied that the Company will continue its operations in the foreseeable future.

The Board of Directors have instituted an effective and comprehensive system of internal checks, internal audits, and the whole system of financial and other controls required to carry on the business of the Company in an orderly manner, safeguard its assets and ensure as far as practicable the accuracy and reliability of the records. These controls are regularly reviewed.

The Company Auditors, Messrs. Ernst & Young, Chartered Accountants, carry out reviews and test checks the effectiveness of internal controls as they consider appropriate and necessary for providing their opinion on the financial statements.

The Board of Directors oversees the Management's responsibilities for financial reporting at their regular meetings.

By Order of the Board.



Mrs D. De Silva
Company Secretary

20th February 2013

Director's Statement on Internal Control over Financial Reporting

Responsibility

In line with the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Section 10 (2) (b), the Board of Directors presents this Report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the Internal Control mechanism in place at AMW Capital Leasing and Finance PLC ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the System of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the System of Internal Controls over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over Financial Reporting.

The management documents the internal controls over Financial Statements and the process identified so far has not revealed any significant weaknesses over such controls for Financial Reporting.

In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the AMW group for suitability of design and effectiveness on an on going basis. As the current year was the first year of adopting new Sri Lanka Accounting Standards comprising LKAS and SLFRS, processes to comply with new requirements of recognition, measurement, classification and disclosure are being introduced.

Confirmation

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

External Auditors Certification

The External Auditors have submitted a Certification on the process adapted by the Directors on the System of internal Controls over Financial Reporting on 20 February 2013.

By order of the Board



Angelo M. Patrick
Chairman - Audit Committee



E.C.S.R. Muttupulle
Managing Director / CEO



Samantha Rajapaksa
Director

20 February 2013
Colombo

Report of the Board Audit Committee

The Board Audit Committee was appointed by the Board in February 2011 and currently comprises of three Independent Non-Executive Directors, Angelo Patrick as Chairman, Nihal Welikala and Asoka Wickremasinghe. All three members of the Committee are Members of a recognized Professional body of Accountants. The Compliance Officer functions as the Secretary to the Committee.

The Objectives of the Committee were defined by the Board as:

1. To ensure effective, accurate and timely Financial Reporting.
2. Management of Internal Controls.
3. Ensure the effective utilization of resources and Report on Conflict of interests.
4. Assessing independence of External Auditors and monitor the External Audit function.
5. Ensure compliance with the Finance Business Act and the attendant Directions, Rules, Determinations, Notices and Guidelines issued by the Central Bank of Sri Lanka.

The problems concerning the Operations Software as reported last year were completely resolved during the year with the co-operation extended to us by the Vendor and the unstinted support of our Finance, Operations and AMW IT staff. A new General Ledger system was implemented in September. The Parent Company implemented the SAP system Group wide which benefited us. All financial reports are now generated in a timely manner at acceptable levels of accuracy supported by the several Management Reports to facilitate decision making. The company has complied with all Weekly and Monthly reports required by the Central Bank. With the resolution of all problems on Operations Software and the SAP General Ledger system coming on line, the Management is now able to focus on developing further Management reports to monitor Key Performance Indicators and Branch wise performance.

The Internal Audit functions are carried out by the Internal Audit Division of the Parent Company. They report directly to the Audit Committee. The Managing Director of the Company along with the Managing

Director of the Parent Company, Finance Director of the Parent Company, the Senior Finance Manager, the Head of Risk and the Internal Auditor attend the Audit Committee meetings by invitation. The Group IT Head and the support staff are present as and when required to discuss the IT issues. Quarterly Internal Audit reports were presented to the Committee by the Internal Auditor as per the format of presentation approved by the Committee, which included a report on Compliance with the Regulatory framework, compliance with Accounting Standards and reports on Internal controls & Operational monitoring indicators. In addition to the above, the quarterly Internal Audit reports also includes a Balance Sheet audit. Branch Audits commenced during the year and reviews were undertaken of the 3 largest branches.

The Committee met with External Auditors without the presence of the Management of the company and is satisfied with their independence based on the work carried out by them and the fees paid to them for Audit and Non-audit services.

A report on the proceedings, findings and recommendations of the Audit Committee is made to the Board of Directors after each meeting.

The Committee met on eleven occasions during the financial year and the attendance at the meetings was:

Angelo Patrick	11
Nihal Welikala	9
Asoka Wickremesinghe	11
Samantha Rajapaksa	4



Angelo M. Patrick
Chairman
Audit Committee

28th March 2013

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee comprises of three independent directors (Mr. N S Welikala- Chairman, Mr. Angelo Patrick and Mr. Asoka Wickremesinghe), Mr. Samantha Rajapaksa- Director and Mr. Emmanuel Muttupulle (MD/CEO) and Key management personnel dealing with the management of credit, market and liquidity risks, operations and technology, finance and internal audit.

The IRMC met 10 times during the year ended 31st December and its deliberations and conclusions were reported to the Board of Directors on a monthly basis.

The scope of review of the committee was based on the guidelines defined by the Central Bank for Finance Companies. In particular, risks flowing from the business plan and strategy, economic risks and asset liability mismatch risks and process as well as operations and

IT systems were reviewed by the committee. The credit risk of the company remained low during the year despite aggressive portfolio expansion of over 35% as demonstrated by a NPL ratio of 0.47%. Capitalization is relatively high at 15.3%. (Tier-I of 15.3%). Liquidity and mismatch risks were adequately mitigated and the new IT system was stabilized.



N S Welikala

Chairman

Integrated Risk Management Committee

28th March 2013.

**YOUR DESIRE.
OUR PASSION.**

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Independent Auditor's Report



ERNST & YOUNG

Chartered Accountants

201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMW CAPITAL LEASING AND FINANCE PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of AMW Capital Leasing and Finance PLC which comprise the Statement of Financial Position as at 31 December 2012, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a Summary of Significant Accounting Policies and other explanatory Notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2012 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 December 2012 and its Profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.

Ernst & Young

20 February 2013
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva FCA W R H Fernando FCA FCMA W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

Statement of Financial Position

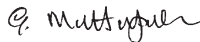
As at 31 December	Note	2012 Rs.	2011 Rs.	01/01/2011 Rs.
ASSETS				
Cash and Bank	3	28,904,809	29,303,010	17,757,985
Short Term Receivables	4	19,156,553	19,640,100	11,211,611
Other Non Financial Assets	5	131,489,514	152,239,422	80,475,423
Rentals Receivable on Lease and Hire Purchase Assets	6	4,204,875,436	3,262,961,409	2,033,261,759
Loans and Advances	7	258,141,838	41,604,860	-
Vehicle Stock		11,680,000	33,641,000	4,202,000
Financial Investments - Available for Sale	8	80,400	80,400	80,400
Financial Investments - Held-to-Maturity	8	38,335,275	16,830,000	500,000
ESC Recoverable		-	-	3,175,406
Property, Plant & Equipment	9	66,790,891	62,705,637	5,405,731
Intangible Assets	10	25,597,377	29,885,105	1,199,889
Total Assets		4,785,052,093	3,648,890,943	2,157,270,204
EQUITY AND LIABILITIES				
Liabilities				
Bank Overdraft	3	85,393,558	28,744,099	11,661,578
Trade & Other Payables	11	293,672,661	364,627,369	130,676,197
Time Deposits		2,623,000	3,784,375	300,000
Amounts Due to Related Parties	12	367,872,274	317,362,512	518,158,920
Interest Bearing Borrowings	13	3,162,419,333	2,179,336,000	900,770,000
Provision for Income Tax	14	25,892,169	26,191,154	67,581,958
Deferred Tax Liability	15	81,309,802	82,288,177	68,708,827
Retirement Benefit Obligation	16	7,716,773	4,642,324	2,234,826
Total Liabilities		4,026,899,570	3,006,976,010	1,700,092,306
Equity				
Stated Capital	17	200,000,000	200,000,000	200,000,000
Retained Profit		485,932,174	398,319,735	236,526,930
Statutory Reserve Fund	18	28,955,802	22,543,923	12,827,772
Investment Fund Reserve	19	35,441,351	13,228,079	-
General Reserve Fund	20	7,823,196	7,823,196	7,823,196
Total Equity		758,152,523	641,914,933	457,177,898
Total Equity and Liabilities		4,785,052,093	3,648,890,943	2,157,270,204

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



D. I. Brohier - Senior Finance Manager

The board of directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by.



E. C. S. R. Muttupulle - Managing Director/CEO



S. A. B. Rajapaksa - Director

Accounting Policies and Notes on pages 35 to 71 form an integral part of these Financial Statements.

20 February 2013
Colombo

Statement of Comprehensive Income

Year Ended 31 December	Note	2012 Rs.	2011 Rs.
Interest Income	21	767,371,103	538,396,154
Rental Income from Operating Leases		15,730,593	2,967,014
Other Operating Income	22	131,471,878	101,384,457
Total Operating Income		914,573,574	642,747,625
Less: Expenses			
Administration Cost		(109,427,319)	(94,338,362)
Personnel Cost		(90,005,279)	(73,997,290)
Distribution Cost		(12,180,553)	(2,896,685)
Provision for Impairment Losses		(14,853,327)	(3,640,334)
Other Operating Cost		-	(6,010,500)
Finance Cost	23	(481,026,617)	(157,705,430)
Finance Income	24	3,686,457	430,113
Profit from Operations		210,766,936	304,589,137
Less: Value Added Tax on Financial Services		(10,563,018)	(11,772,117)
Profit Before Tax	25	200,203,918	292,817,020
Taxation	26	(71,966,328)	(95,079,985)
Profit for the Year		128,237,590	197,737,035
Other Comprehensive Income Net of Tax		-	-
Total Comprehensive Income for the Year Net of Tax		128,237,590	197,737,035
Earnings Per Share - Basic	27	6.41	9.89
Dividend Per Share	28	0.60	0.65

Accounting Policies and Notes on pages 35 to 71 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year Ended 31 December	Stated Capital Rs.	Retained Profit Rs.	Statutory Fund Reserve Rs.	Investment Fund Rs.	General Reserve Fund Rs.	Total Equity Rs.
Balance as at 31 December 2010	200,000,000	236,526,930	12,827,772	-	7,823,196	457,177,898
Net Profit for the year	-	197,737,035	-	-	-	197,737,035
Dividend Paid	-	(13,000,000)	-	-	-	(13,000,000)
Transfers	-	(22,944,230)	9,716,151	13,228,079	-	-
Balance as at 31 December 2011	<u>200,000,000</u>	<u>398,319,735</u>	<u>22,543,923</u>	<u>13,228,079</u>	<u>7,823,196</u>	<u>641,914,933</u>
Net Profit for the year	-	128,237,590	-	-	-	128,237,590
Dividend Paid	-	(12,000,000)	-	-	-	(12,000,000)
Transfers	-	(28,625,151)	6,411,879	22,213,272	-	-
Balance as at 31 December 2012	<u>200,000,000</u>	<u>485,932,174</u>	<u>28,955,802</u>	<u>35,441,351</u>	<u>7,823,196</u>	<u>758,152,523</u>

Accounting Policies and Notes on pages 35 to 71 form an integral part of these Financial Statements.

Statement of Cash Flows

Year Ended 31 December	Note	2012 Rs.	2011 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net Profit Before Income Tax		200,203,918	292,817,020
Adjustments for :			
Interest Income on Held to Maturity Investments	24	(3,686,457)	-
Dividend Income	22	(18,000)	(15,000)
Retiring Gratuity - Charge for the year	16	3,256,380	2,407,498
Gain on Disposal of Fixed Assets		(4,735,119)	-
Loss on Disposal of Fixed Assets		3,482,145	-
Depreciation & Amortization	9 & 10	24,999,527	13,095,935
Operating Profit Before Changes in Working Capital		223,502,394	308,305,453
Increase / (Decrease) in Related Party Payable	12	50,509,762	(200,796,408)
Increase / (Decrease) in Trade & Other Payables	11	(70,954,709)	233,951,171
(Increase) / Decrease in Other Receivables		21,233,454	(77,017,082)
(Increase) / Decrease in Inventories		21,961,000	(29,439,000)
Net Investment in Lease, Hire Purchase and Loans and Advances	6 & 7	(1,158,451,006)	(1,271,304,509)
Increase / (Decrease) in Deposits from Customers		(1,161,375)	3,484,375
Net Cash Generated from / (used in) Operations		(913,360,480)	(1,032,816,000)
Gratuity Paid	16	(181,931)	-
Income Tax Paid	14	(72,881,563)	(122,792,627)
WHT Paid	14	(362,123)	(98,812)
Net Cash Generated from/ (used in) Operating Activities		(986,786,097)	(1,155,707,439)
CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	22	18,000	15,000
Acquisition of Plant, Equipment and Intangible Assets	9 & 10	(30,213,928)	(99,081,057)
Disposal of Plant, Equipment		6,669,850	-
Investments Made During the Year		(21,505,275)	(16,330,000)
Interest Received from Held to Maturity Investments	24	3,686,457	-
Net Cash Generated from/ (used in) Investing Activities		(41,344,896)	(115,396,057)
CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES			
Dividends Paid	28	(12,000,000)	(13,000,000)
Net Increase/(Decrease) in Borrowings	13	983,083,333	1,278,566,000
Net Cash Generated from/ (used in) Financing Activities		971,083,333	1,265,566,000
Net Increase / (Decrease) in Cash & Cash Equivalents		(57,047,660)	(5,537,496)
Cash & Cash Equivalents at the Beginning of the Year		558,911	6,096,407
Cash & Cash Equivalents at the End of the Year	3	(56,488,749)	558,911

Accounting Policies and Notes on pages 35 to 71 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year Ended 31 December 2012

1. CORPORATE INFORMATION

AMW Capital Leasing and Finance PLC (Previously known as "AMW Capital Leasing PLC") was incorporated on 23 February 2006 under the Companies Act No. 17 of 1982 and was re-registered under the New Companies Act No. 07 of 2007 on 27 June 2007. The new Registration Number of the Company is PB14PQ.

The registered office of the Company is located at No. 185, Union Place, Colombo 02 and principal place of business of the Company is located at No. 445, Bauddhaloka Mawatha, Colombo 08.

During the year, the principal activities of the Company were Granting Lease facilities, Hire Purchase facilities, Mortgage Loans and Acceptance of Deposits.

The Financial Statements for the year ended 31 December 2012 were authorised for issue by the Directors on 20 February 2013.

The immediate holding Company of AMW Capital Leasing and Finance PLC is Associated Motorways (Pvt) Limited which is incorporated in Sri Lanka and ultimate parent Company is Al-futtaim Engineering LLC, Dubai.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Financial Statements have been prepared on the historical cost basis, except for Defined Benefit Obligation at present value as explained in the respective Note to the Financial Statements.

2.1.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS & LKAS (hereafter "SLFRS") issued by the Institute of Chartered Accountants of Sri Lanka (ICASL). For all periods up to and including the year ended 31 December 2011, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS) which were effective up to 31 December 2011. These Financial Statements for the year ended 31

December 2012 are the first, the Company has prepared in accordance with SLFRS effective from 01 January 2012.

The effect of the transition to SLFRS on previously reported financial positions and financial performances of the Company is given in Note 2.4.16.

2.1.2 Presentation of Financial Statements

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 33. Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

2.1.3 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the Financial Statements

Year Ended 31 December 2012

Judgements

2.2.1 Taxes

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements.

The Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

2.2.2

Going Concern

The Company's Management has made an assessment of the Company's ability to continue as a Going Concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a Going Concern. Therefore, the Financial Statements continue to be prepared on the Going Concern basis.

2.2.3

Impairment Losses on Loans and Receivable

The Company reviews its individually significant Loans and Receivables at each reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, Management Judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and Receivables that have been assessed individually and found not to be impaired, all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan and receivables portfolio (such as levels of arrears, probability of default, loss given ratio, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and receivables is disclosed in more detail in Note 6 & 7.

2.2.4

Impairment of Available-For-Sale Investments

The Company reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgment

Notes to the Financial Statements

Year Ended 31 December 2012

as applied to the individual assessment of loans and advances. The Company also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.2.5 Employee Benefit Liabilities

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a Defined Benefit Obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are given in Note 16.

2.3 EVENTS AFTER THE REPORTING PERIOD

All material events after the reporting period have been considered and appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its Financial Statements.

2.4.1 Foreign Currency Transactions

The Financial Statements are presented in Sri Lankan Rupees which is the Company's functional and presentation currency.

The Functional currency is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the Income Statement.

2.4.2 Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

a) Interest and Similar Income and Expense

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

b) Dividends

Revenue is recognised when the Company's right to receive the payment is established.

c) Rental Income

Rental income arising from operating leases on Motor vehicles is accounted for on a straight-line basis over the lease term.

d) Fee and Commission Income

Fee and commission income is recognized on an accrual basis.

Notes to the Financial Statements

Year Ended 31 December 2012

e) Other Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of Plant and Equipment and other non-current assets, including investments, are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

2.4.3 Expenditure Recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining Property, Plant and Equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the Income Statement, the "function of expense method" has been adopted on the basis that it represents fairly the elements of Company's performance.

2.4.4 Tax

a) Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date which is currently the Inland Revenue Act No 10 of 2006 and subsequent amendments thereto.

b) Deferred Tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the Financial Statements.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of

assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes related to the same taxable entity and the same taxation authority.

c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- ★ Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Notes to the Financial Statements

Year Ended 31 December 2012

- ★ Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

d) Value Added Tax on Financial Services

Value Added Tax on Financial Services is calculated in accordance with the amended Value Added Tax Act No. 7 of 2003. The amount of Value Added Tax on Financial Services is charged in determining the profit for the year.

e) Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividends is recognised.

2.4.5 Property, Plant & Equipment

Cost and Valuation

Property, plant and equipment is stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation.

All other repair and maintenance costs are recognised in the Income Statement as incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer Equipment	20%
Office Equipment	20%
Furniture & Fittings	20%
Motor Vehicles	20%
Motor Vehicles on Hire	20%
Fixtures	20%

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.4.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation

Notes to the Financial Statements

Year Ended 31 December 2012

period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognized.

Amortization

Amortization on Computer Software is calculated on a straight-line basis over the estimated useful life of 5 years.

2.4.7

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

2.4.8

Financial Instruments

The Company recognizes Financial Assets or Financial Liabilities in its Statement of Financial Position when the Company becomes a party to the contractual provisions of the Instrument. Financial Assets and Financial Liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a Financial Asset or a Liability (other than Financial Assets and Financial Liabilities

at fair value through profit or loss) are added or deducted from the fair value of the Financial Asset or Liability, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of Financial Assets and Financial liabilities at fair value through profit or loss are recognized immediately in the Income Statement. Financial Assets and Liabilities are offset and the net amount is presented when, and only when the Company has a legal right to offset the amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial Assets

a) Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and unquoted financial instruments.

b) Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit

Notes to the Financial Statements

Year Ended 31 December 2012

and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the Income Statement.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement.

Available-for-sale Financial Investments

Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve

until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Income Statement and removed from the available-for-sale reserve.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

c) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ★ The rights to receive cash flows from the asset have expired.
- ★ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through

Notes to the Financial Statements

Year Ended 31 December 2012

arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

d) Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines

that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Income Statement.

Available-for-sale Financial Investments

For available-for-sale financial investments,

Notes to the Financial Statements

Year Ended 31 December 2012

the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the Income Statement;

Increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the Income Statement.

Financial Liabilities

a) Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings at amortized cost, plus directly attributable transaction costs.

The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

b) Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the Income Statement.

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the Effective Interest Rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization

Notes to the Financial Statements

Year Ended 31 December 2012

is included in finance costs in the income statement.

c) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

d) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.4.10 Impairment of non-Financial Assets

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. For assets

excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company's estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.4.11 Cash and Bank Balances

Cash and Bank balances in the Statement of Financial Position comprise cash at banks and on hand. For the purpose of the statement cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts.

2.4.12 Post-Employment Benefits Employee Benefit Liability

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the Statement of Financial Position using the projected unit credit method. All actuarial gains and losses are recognized in the year they occur in the Income Statement. The gratuity liability is not externally funded.

Defined Contribution Plan - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes the defined percentages of gross emoluments of employees to an approved

Notes to the Financial Statements

Year Ended 31 December 2012

Employees' Provident Fund and Employees' Trust Fund respectively.

2.4.13 Provisions, Contingent Assets & Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote.

2.4.14 Standards Issued but not Effective

A number of new standards are not yet effective for the year ended 31 December 2012 and have not been applied in preparing these Financial Statement of the Company. Following new standards could have a financial impact in the Financial Statements from their effective dates.

SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39.

SLFRS 9, was issued in 2012 and become effective for the financial periods beginning on or after 01 January 2015.

Accordingly, the Financial Statements for the year ending 31 December 2015 / 31 March 2016 will adopt the SLFRS 9.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. This standard was initially effective for annual periods beginning on or after 01 January 2014 and subsequently effective date has been deferred.

Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

2.4.15 First-time Adoption of SLFRS

These Financial Statements, for the year ended 31 December 2012, are the first the Company has prepared in accordance with Sri Lanka Accounting Standards (SLFRS). For periods up to and including the year ended 31 December 2011, the company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Company has prepared Financial Statements which comply with SLFRS applicable for periods ending on or after 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these Financial Statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2011, the Company's date of transition to SLFRS. This note explains the principal adjustments made by the Company in restating its SLAS Statement of Financial Position as at 1 January 2011 and its previously published SLAS Financial Statements as at and for the year ended 31 December 2011.

Notes to the Financial Statements

Year Ended 31 December 2012

a) **The Company has applied the following Mandatory Exceptions:**

Significant Accounting Judgment, Estimates and Assumptions

- ★ Significant accounting judgment, estimates and assumptions at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with SLAS effective up to 31 December 2011 (after adjustments to reflect any differences in accounting policies).
- ★ The estimates used by the Company to present these amounts in accordance with SLFRS effective from 1 January 2012 reflect conditions at 1 January 2011, the date of transition to SLFRS and as of 31 December 2011.

b) **The Company has applied the following Exemptions:**

The Company has elected to disclose the following amounts prospectively from the date of transition (SLFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed): (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and (ii) the experience adjustments arising on the plan liabilities and the plan assets.

c) **Deferred Tax**

Transitional adjustments relating to SLFRS adjustments lead to temporary differences. Such temporary differences results in deferred tax adjustments which are recognized in correlation to the underlying transaction either in retained earnings or as a separate component of equity.

2.4.16 Explanations for Transition to SLFRS

The effect of the transition from SLASs to SLFRSs has been presented in the reconciliation statements and accompanying notes to the material reconciliation items.

Notes to the Financial Statements

First-time adoption of SLFRS continued Reconciliation of Equity as at 01 January 2011

	Notes	SLAS 01-Jan-11 Rs.	Remeasurement Rs.	SLFRS 01-Jan-11 Rs.
ASSETS				
Cash and Bank		17,757,985	-	17,757,985
Investment in Treasury Bills	a	500,000	(500,000)	-
Short Term Receivables	b	91,687,034	(80,475,423)	11,211,611
Other Non Financial Assets	b	-	80,475,423	80,475,423
Rentals Receivable on Lease and Hire Purchase Assets	c	2,023,025,995	10,235,764	2,033,261,759
Vehicle Stock		4,202,000	-	4,202,000
Long Term Investments	d	80,400	(80,400)	-
Financial Investments - Available for Sale	d	-	80,400	80,400
Financial Investments - Held-to-Maturity	a	-	500,000	500,000
ESC Recoverable		3,175,406	-	3,175,406
Property, Plant & Equipment		5,405,731	-	5,405,731
Intangible Assets		1,199,889	-	1,199,889
Total Assets		<u>2,147,034,440</u>		<u>2,157,270,204</u>
EQUITY AND LIABILITIES				
Liabilities				
Bank Overdraft		11,661,578	-	11,661,578
Trade & Other Payables		130,676,197	-	130,676,197
Time Deposits		300,000	-	300,000
Amounts Due to Related Parties		518,158,920	-	518,158,920
Interest Bearing Borrowings		900,770,000	-	900,770,000
Provision for Income Tax		67,581,958	-	67,581,958
Deferred Tax Liability		68,708,827	-	68,708,827
Retirement Benefit Obligation		2,234,826	-	2,234,826
Total Liabilities		<u>1,700,092,306</u>		<u>1,700,092,306</u>
Equity				
Stated Capital		200,000,000	-	200,000,000
Retained Profit	c	226,291,166	10,235,764	236,526,930
Statutory Reserve Fund		12,827,772	-	12,827,772
Investment Fund Reserve		-	-	-
General Reserve Fund		7,823,196	-	7,823,196
Total Equity		<u>446,942,134</u>		<u>457,177,898</u>
Total Equity and Liabilities		<u>2,147,034,440</u>		<u>2,157,270,204</u>

Notes to the Financial Statements

First-time adoption of SLFRS continued Reconciliation of Equity as at 31 December 2011

	SLAS 31-Dec-11 Rs.	Remeasurement Rs.	SLFRS 31-Dec-11 Rs.
ASSETS			
Cash and Bank	29,303,010	-	29,303,010
Investment in Treasury Bills	a 16,830,000	(16,830,000)	-
Short Term Receivables	b 171,879,522	(152,239,422)	19,640,100
Other Non Financial Assets	b -	152,239,422	152,239,422
Rentals Receivable on Lease and Hire Purchase Assets	c 3,249,276,672	13,684,737	3,262,961,409
Loans and Advances	c 41,639,816	(34,956)	41,604,860
Vehicle Stock	33,641,000	-	33,641,000
Long Term Investments	d 80,400	(80,400)	-
Financial Investments - Available for Sale	d -	80,400	80,400
Financial Investments - Held-to-Maturity	a -	16,830,000	16,830,000
Property, Plant & Equipment	62,705,637	-	62,705,637
Intangible Assets	29,885,105	-	29,885,105
Total Assets	3,635,241,162		3,648,890,943
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	28,744,099	-	28,744,099
Trade & Other Payables	364,627,369	-	364,627,369
Time Deposits	3,784,375	-	3,784,375
Amounts Due to Related Parties	317,362,512	-	317,362,512
Interest Bearing Borrowings	2,179,336,000	-	2,179,336,000
Provision for Income Tax	26,191,154	-	26,191,154
Deferred Tax Liability	82,288,177	-	82,288,177
Retirement Benefit Obligation	4,642,324	-	4,642,324
Total Liabilities	3,006,976,010		3,006,976,010
Equity			
Stated Capital	200,000,000	-	200,000,000
Retained Profit	c 384,669,954	13,649,781	398,319,735
Statutory Reserve Fund	22,543,923	-	22,543,923
Investment Fund Reserve	13,228,079	-	13,228,079
General Reserve Fund	7,823,196	-	7,823,196
Total Equity	628,265,152		641,914,933
Total Equity and Liabilities	3,635,241,162		3,648,890,943

Notes to the Financial Statements

First-time adoption of SLFRS continued

Reconciliation of Total Comprehensive Income for the year ended 31 December 2011

	SLAS 2011 Rs.	Remeasurement Rs.	SLFRS 2011 Rs.
Interest Income	538,396,154	-	538,396,154
Rental Income from Operating Leases	2,967,014	-	2,967,014
Other Operating Income	101,384,457	-	101,384,457
Total Operating Income	<u>642,747,625</u>		<u>642,747,625</u>
Less: Expenses			
Administration Cost	(93,848,362)	-	(93,848,362)
Personnel Cost	(74,487,290)	-	(74,487,290)
Distribution Cost	(2,896,685)	-	(2,896,685)
Provision for Impairment Losses	(7,054,350)	3,414,016	(3,640,334)
Other Operating Cost	(6,010,500)	-	(6,010,500)
Finance Cost	(157,705,430)	-	(157,705,430)
Finance Income	430,113	-	430,113
Profit from Operations	<u>301,175,120</u>		<u>304,589,137</u>
Less: Value Added Tax on Financial Services	(11,772,117)	-	(11,772,117)
Profit Before Tax	<u>289,403,003</u>		<u>292,817,020</u>
Taxation	(95,079,985)	-	(95,079,985)
Profit for the Year	194,323,018		197,737,035
Other Comprehensive Income Net of Tax	-	-	-
Total Comprehensive Income for the Year Net of Tax	<u>194,323,018</u>		<u>197,737,035</u>

Notes to the Financial Statements

First-time adoption of SLFRS continued

Notes to the Reconciliation of Equity as at 01 January 2011 and 31 December 2011 and Total Comprehensive Income for the Year Ended 31 December 2011.

a Investments in Treasury Bills & Treasury Bonds

Investments in Treasury Bills & Treasury Bonds have been reclassified as Held to Maturity Investments since the Company intends to hold such investments till maturity.

b Short Term Receivables

Due to the application of LKAS 32 and 39, non financial assets (VAT recoverable and prepayments) in short term receivables have been reclassified as other non financial assets.

c Rentals Receivable on Lease, Hire Purchase Assets and Loans & Advances

Under SLAS, the provision for impairment of receivables consists of both a specific amount for incurred losses and general amount for expected losses. SLFRS does not permit recognition of impairment for expected future losses and this amount has been eliminated against retained earnings as at 01 January 2011. The effect of earnings for the year ended 31 December 2011 is also recognised in profit for the year under SLFRS.

d Long Term Investments

Under previous SLAS, the Company accounted for long term investments measured at cost. Under SLFRS, the Company has designated such investments as available for sale investments. SLFRS requires available for sale investments to be measured at fair value. However fair value cannot be ascertained since there is no market value for this investment. This investment is measured at cost as a result.

Notes to the Financial Statements

Year Ended 31 December

3. CASH & CASH EQUIVALENTS

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Cash in Hand	14,061,922	3,162,229	6,353,718
Cash at Bank	14,842,887	26,140,781	11,404,267
	28,904,809	29,303,010	17,757,985
Bank Overdraft	(85,393,558)	(28,744,099)	(11,661,578)
	(56,488,749)	558,911	6,096,407

4. SHORT TERM RECEIVABLES

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Other Receivables	29,599,282	27,505,191	11,211,611
	29,599,282	27,505,191	11,211,611
Less: Provision for Receivables	(10,442,729)	(7,865,091)	-
	19,156,553	19,640,100	11,211,611

5. OTHER NON FINANCIAL ASSETS

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
VAT Recoverable	128,013,258	150,438,845	61,411,364
Prepayment	3,476,256	1,800,577	19,064,059
	131,489,514	152,239,422	80,475,423

6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS

6.1 Rentals Receivable on Lease Assets

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Receivable after five years			
Rentals Receivable	12,257,067	3,639,043	-
Unearned Income	(874,766)	(166,193)	-
	11,382,301	3,472,850	-
Receivable from one to five years			
Rentals Receivable	2,792,971,309	2,208,046,267	1,125,207,147
Unearned Income	(585,452,457)	(436,720,687)	(230,436,498)
	2,207,518,852	1,771,325,580	894,770,649
Receivable within one year			
Rentals Receivable	1,426,670,561	1,096,641,345	682,950,149
Unearned Income	(508,765,000)	(370,167,817)	(228,639,186)
	917,905,561	726,473,528	454,310,963
Overdue Rentals Receivable			
Rentals Receivable	47,803,358	24,660,294	11,363,279
	47,803,358	24,660,295	11,363,279
Total			
Future Rentals Receivable	4,231,898,937	3,308,326,655	1,808,157,296
Overdue Rentals Receivable	47,803,358	24,660,294	11,363,279
Total Rentals Receivable	4,279,702,295	3,332,986,950	1,819,520,575
Unearned Income	(1,095,092,223)	(807,054,697)	(459,075,684)
	3,184,610,072	2,525,932,253	1,360,444,891
Less : Provision for Impairment Losses	(8,635,802)	(3,364,384)	(878,105)
Balance as at 31 December	3,175,974,270	2,522,567,869	1,359,566,786

Notes to the Financial Statements

Year Ended 31 December

6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS (Contd...)

6.2 Rentals Receivable on Hire Purchase Assets	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Receivable after five years			
Rentals Receivable	816,756	525,605	97,615
Unearned Income	(77,670)	(17,396)	(3,525)
	<u>739,086</u>	<u>508,209</u>	<u>94,090</u>
Receivable from one to five years			
Rentals Receivable	888,279,198	584,437,535	540,639,298
Unearned Income	(200,628,051)	(106,660,447)	(105,710,254)
	<u>687,651,147</u>	<u>477,777,088</u>	<u>434,929,044</u>
Receivable within one year			
Rentals Receivable	506,039,991	364,795,730	359,987,180
Unearned Income	(184,203,680)	(115,558,715)	(128,611,951)
	<u>321,836,311</u>	<u>249,237,015</u>	<u>231,375,229</u>
Overdue Rental Receivable			
Rentals Receivable	30,604,292	16,139,036	9,445,320
	<u>30,604,292</u>	<u>16,139,036</u>	<u>9,445,320</u>
Total			
Future Rentals Receivable	1,395,135,945	949,758,870	900,724,093
Overdue Rentals Receivable	30,604,292	16,139,036	9,445,320
Total Rentals Receivable	1,425,740,237	965,897,906	910,169,413
Unearned Income	(384,909,401)	(222,236,558)	(234,325,730)
	<u>1,040,830,836</u>	<u>743,661,348</u>	<u>675,843,683</u>
Less: Provision for Impairment Losses	(11,929,668)	(3,267,808)	(2,148,709)
Balance as at 31 December	<u>1,028,901,168</u>	<u>740,393,540</u>	<u>673,694,974</u>
Total Rentals Receivable on Lease Assets and Hire Purchase Assets			
Future Rentals Receivable	5,627,034,881	4,258,085,525	2,708,881,389
Overdue Rental Receivable	78,407,650	40,799,331	20,808,598
Total Rentals Receivable	5,705,442,531	4,298,884,856	2,729,689,987
Unearned Income	(1,480,001,625)	(1,029,291,255)	(693,401,414)
	<u>4,225,440,906</u>	<u>3,269,593,601</u>	<u>2,036,288,573</u>
Less: Provision for Impairment losses	(20,565,470)	(6,632,192)	(3,026,814)
Balance as at 31 December	<u>4,204,875,436</u>	<u>3,262,961,409</u>	<u>2,033,261,759</u>

6.3 Capital Outstanding on Non Performing Assets as at 31.12.2012 amounts to Rs.21,233,318/- (As at 31.12.2011- Rs.3,473,017/-, As at 01.01.2011 - Rs.1,957,157/-).

Notes to the Financial Statements

Year Ended 31 December

7. LOANS AND ADVANCES

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Term Loans	259,096,844	41,639,816	-
Less: Provision for Impairment Losses	(955,006)	(34,956)	-
	258,141,838	41,604,860	-

8. FINANCIAL INVESTMENTS

Available-for-sale Investments

Unquoted Investments

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Equities	80,400	80,400	80,400
	80,400	80,400	80,400

Unquoted Equity investment includes shares at Credit Information Bureau of Sri Lanka which is carried at cost. There is no market value for this investment.

Held-to-maturity Investments

Quoted Investments

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Government Debt Securities	32,838,016	-	-
Treasury Bills	5,497,259	16,830,000	500,000
	38,335,275	16,830,000	500,000

9. PROPERTY, PLANT & EQUIPMENT

Cost

	As at 01.01.2012 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2012 Rs.
Computer Equipments	10,442,654	4,982,297	-	15,424,951
Office Equipment	3,321,648	3,091,544	-	6,413,192
Furniture & Fittings	1,993,952	1,444,707	-	3,438,659
Motor Vehicles	1,660,000	-	-	1,660,000
Motor Vehicles on Hire	52,048,839	13,294,644	6,250,000	59,093,483
Fixtures	2,278,950	2,181,848	-	4,460,798
	71,746,043	24,995,040	6,250,000	90,491,083

Depreciation

	As at 01.01.2012 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2012 Rs.
Computer Equipments	3,936,960	2,399,667	-	6,336,627
Office Equipment	946,511	998,397	-	1,944,908
Furniture & Fittings	754,306	551,266	-	1,305,572
Motor Vehicles	661,916	332,001	-	993,917
Motor Vehicles on Hire	2,628,270	12,112,832	833,124	13,907,978
Fixtures	112,443	764,015	-	876,458
	9,040,406	17,158,179	833,124	25,365,460

Notes to the Financial Statements

Year Ended 31 December

9. PROPERTY, PLANT & EQUIPMENT Contd...

Capital Work In Progress

	As at 01.01.2012 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2012 Rs.
Capital Work In Progress	-	1,665,268	-	1,665,268
	-	1,665,268	-	1,665,268

Written Down Value

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Computer Equipments	9,088,324	6,505,694	2,833,010
Office Equipment	4,468,284	2,375,137	714,382
Furniture & Fittings	2,133,087	1,239,646	624,589
Motor Vehicles	666,083	998,084	1,233,750
Motor Vehicles on Hire	45,185,505	49,420,569	-
Fixtures	3,584,340	2,166,507	-
	65,125,623	62,705,637	5,405,731
Capital Work In Progress	1,665,268	-	-
	66,790,891	62,705,637	5,405,731

9.1 During the financial year, Company acquired Plant & Equipment to the aggregate value of Rs.26,660,309/- (2011-Rs.62,896,649/-, 2010 - Rs.2,274,944/-). Cash payments amounting to Rs.26,660,309/- (2011-Rs.62,896,649/-, 2010 - Rs.2,274,944/-) were made during the year for purchase of Plant & Equipment.

9.2 Operating lease assets are classified under Motor Vehicle on Hire. Rental receivable on operating lease assets are given below.

Rental receivable on Operating Leases,	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Within one year	15,639,094	14,667,097	-
From 1 - 5 years	33,972,453	43,712,814	-
After 5 years	-	-	-
Total	49,611,547	58,379,911	-

Notes to the Financial Statements

Year Ended 31 December

10. INTANGIBLE ASSETS

	As at 01.01.2012 Rs.	Additions during the year Rs.	Transfers during the year Rs.	As at 31.12.2012 Rs.
Cost/Carrying Value				
Computer Software	40,511,329	3,553,620	-	44,064,949
	<u>40,511,329</u>	<u>3,553,620</u>	<u>-</u>	<u>44,064,949</u>
Amortization				
Computer Software	10,626,224	7,841,348	-	18,467,572
	<u>10,626,224</u>	<u>7,841,348</u>	<u>-</u>	<u>18,467,572</u>
		2012	2011	1/1/2011
		Rs.	Rs.	Rs.
Written Down Value		25,597,377	29,885,105	1,199,889
Computer Software		<u>25,597,377</u>	<u>29,885,105</u>	<u>1,199,889</u>

10.1 Software with a finite life is amortized over the period of the expected economic benefit.

10.2 During the financial year, Company acquired Intangible Assets to the value of Rs.3,553,620/- (2011- Rs.36,184,408/-). Cash Payments amounting to Rs.3,553,620/- (2011- Rs.35,133,598/-) were made during the year for purchase of Intangible Assets.

Notes to the Financial Statements

Year Ended 31 December

11. TRADE & OTHER PAYABLES

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Trade Creditors - Related (11.1)	96,924,779	236,248,791	13,572,073
- Non Related	9,832,404	7,889,701	1,729,173
Other Payables - Related (11.2)	50,804,733	-	-
- Non Related	136,110,745	120,488,877	115,374,951
	293,672,661	364,627,369	130,676,197

11.1 Trade Creditors - Related Parties

	Relationship	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Associated Motorways (Pvt) Limited	Parent	96,924,779	236,248,791	13,572,073
		96,924,779	236,248,791	13,572,073

11.2 Other Payables - Related

	Relationship	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Interest Payable - Associated Motorways (Pvt) Limited	Parent	24,460,695	-	-
Insurance Payable - Orient Insurance Limited	Related Company	26,344,038	-	-
		50,804,733	-	-

12. AMOUNT DUE TO RELATED PARTIES

	Relationship	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Associated Motorways (Pvt) Limited	Parent	367,872,274	317,362,512	518,158,920
		367,872,274	317,362,512	518,158,920

Notes to the Financial Statements

Year Ended 31 December

13. INTEREST BEARING BORROWINGS

	2012 Within One Year	2012 After One Year	2012 Total	2011 Total	1/1/2011 Total	Security Offered
	Rs.	Rs.	Rs.	Rs.	Rs.	
Securitization Loan (13.1)	241,175,000	226,641,000	467,816,000	791,266,000	-	
Term Loan (13.2)	250,000,000	445,833,333	695,833,333	645,550,000	158,250,000	Lease Portfolio
Money Market Loan (13.3)	592,520,000	-	592,520,000	742,520,000	-	Lease Portfolio
Inter Company Loan (13.4)	375,000,000	1,031,250,000	1,406,250,000	-	-	
	1,458,695,000	1,703,724,333	3,162,419,333	2,179,336,000	900,770,000	
13.1 Securitization Loan	As at 01.01.2012	Loans Obtained	Repayment	As at 31.12.2012	Term of the Loan	Interest Rate
	Rs.	Rs.	Rs.	Rs.		
Deutsche Bank Securitization 250 M	167,800,000	-	(86,700,000)	81,100,000	48 months	IRR at 11.85%
Deutsche Bank Securitization 250 M	193,750,000	-	(60,000,000)	133,750,000	48 months	AWPLR + 1.6%
Deutsche Bank Securitization 500 M	429,716,000	-	(176,750,000)	252,966,000	48 months	IRR at 11.5%
	791,266,000	-	(323,450,000)	467,816,000		
13.2 Term Loan	As at 01.01.2012	Loans Obtained	Repayment	As at 31.12.2012	Term of the Loan	Interest Rate
	Rs.	Rs.	Rs.	Rs.		
Nations Trust Bank Term Loan 200M	58,050,000	-	(58,050,000)	-	24 months	Average 4 weeks AWPLR + 1.0% p.a (re-priced monthly)
HSBC Term Loan 600 M	587,500,000	-	(150,000,000)	437,500,000	48 months	Overnight SLIBOR + 2.75%
HSBC Term Loan 300 M	-	300,000,000	(41,666,667)	258,333,333		
	645,550,000	300,000,000	(249,716,667)	695,833,333		
13.3 Money Market Loan	As at 01.01.2012	Loans Obtained	Repayment	As at 31.12.2012	Term of the Loan	Interest Rate
	Rs.	Rs.	Rs.	Rs.		
HSBC Money Market Loan 592.5M	592,520,000	-	-	592,520,000	12 months	Based on Money Market Rates
Commercial Money Market Loan 150M	150,000,000	-	(150,000,000)	-	12 months	Based on Money Market Rates
	742,520,000	-	(150,000,000)	592,520,000		
13.4 Inter Company Loan	As at 01.01.2012	Loans Obtained	Repayment	As at 31.12.2012	Term of the Loan	Interest Rate
	Rs.	Rs.	Rs.	Rs.		
Associated Motorways (Pvt) Ltd	-	1,500,000,000	(93,750,000)	1,406,250,000	48 months	Fixed Interest Rate 16%
	-	1,500,000,000	(93,750,000)	1,406,250,000		

Notes to the Financial Statements

Year Ended 31 December

14. PROVISION FOR INCOME TAX

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Balance as at 01 January	26,191,154	67,581,958	36,419,088
Provision for the year	68,312,955	78,065,753	87,102,367
Under provision in respect of previous year	4,631,746	3,434,882	-
	99,135,855	149,082,593	123,521,455
Payments made during the year	(68,753,551)	(103,905,449)	(42,854,305)
WHT on Treasury Bill Interest	(362,123)	(25,666)	(30,270)
WHT on Insurance Commission	-	(71,646)	(193,497)
SRL Paid	-	(1,054,794)	(830,740)
WHT on Dividends	-	(1,500)	(500)
ESC setoff against Income Tax	(4,128,012)	(17,832,384)	(12,030,185)
Balance as at 31 December	25,892,169	26,191,154	67,581,958

15. DEFERRED TAX LIABILITY

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Balance as at 01 January	82,288,177	68,708,827	83,589,550
Provision/ (Reversal) made during the year	(978,375)	13,579,350	(14,880,723)
Balance as at 31 December	81,309,802	82,288,177	68,708,827
The closing Deferred Tax Liability balance relates to the following			
Accelerated Depreciation for tax purposes	4,431,535	3,912,948	1,026,648
Future Rentals Receivable - Lease	78,988,031	79,675,080	68,307,930
Retirement Benefits - Gratuity	(2,109,764)	(1,299,851)	(625,751)
	81,309,802	82,288,177	68,708,827

16. RETIREMENT BENEFIT OBLIGATION

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Balance as at 01 January	4,642,324	2,234,826	1,318,379
Current Service Cost	1,871,170	1,289,048	784,610
Interest for the Year	464,232	223,483	131,837
Benefits Paid	(181,931)	-	-
Actuarial (Gain)/Loss	920,978	894,967	-
Balance as at 31 December	7,716,773	4,642,324	2,234,826

The principal assumptions used in determining the post employment benefit liability were as follows.

	2012	2011
Discount rate	10%	10%
Future Salary Increment	11%	11%

Notes to the Financial Statements

Year Ended 31 December

17. STATED CAPITAL

	2012	2011	1/1/2011
Number of Ordinary Shares issued & fully paid	20,000,000	20,000,000	20,000,000
	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Balance as at 01 January	200,000,000	200,000,000	200,000,000
Balance as at 31 December	200,000,000	200,000,000	200,000,000

18. STATUTORY RESERVE FUND

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Balance as at 01 January	22,543,923	12,827,772	5,178,326
Transfers during the year	6,411,879	9,716,151	7,649,446
Balance as at 31 December	28,955,802	22,543,923	12,827,772

The Company's Statutory Reserve fund is maintained in accordance with Direction No. 9 of 1991 as amended by Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka under Section 9 of the Finance Companies Act No.78 of 1988.

19. INVESTMENT FUND RESERVE

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Balance as at 01 January	13,228,079	-	-
Transfers during the year	22,213,272	13,228,079	-
Balance as at 31 December	35,441,351	13,228,079	-

The reserve is created in accordance with the Central Bank guidelines issued to create an Investment Fund Reserve.

20. GENERAL RESERVE FUND

	2012 Rs.	2011 Rs.	1/1/2011 Rs.
Balance as at 01 January	7,823,196	7,823,196	7,823,196
Balance as at 31 December	7,823,196	7,823,196	7,823,196

General Reserve represents the amounts set aside by the Directors for general application.

Notes to the Financial Statements

Year Ended 31 December

21. INTEREST INCOME

	2012 Rs.	2011 Rs.
Lease	562,798,590	385,658,322
Hire Purchase	180,259,597	148,972,923
Term Loan	24,312,916	3,764,909
	767,371,103	538,396,154

22. OTHER OPERATING INCOME

	2012 Rs.	2011 Rs.
Overdue Interest Income - Lease	27,551,493	17,245,699
Overdue Interest Income -Hire Purchases	14,723,494	11,104,583
Overdue Interest Income -Term Loan	1,067,382	106,718
Profit from Pre-Termination of Leases	23,135,740	21,060,745
Profit from Pre- Termination of Hire Purchases	14,483,758	21,519,763
Profit from Pre- Termination of Term Loans	863,959	110,899
Service Charges	-	1,926,640
Income from Reshedulement	-	66,211
Dividend income	18,000	15,000
Commission from Insurance	26,779,597	10,952,863
Income from additional charges - Leases	8,990,113	13,494,098
Income from additional charges - Hire purchases	2,683,272	2,199,362
Income from additional charges - Term Loan	926,230	164,227
Trading Income	-	-
Transfer Fee Income	-	1,084,477
Sundry Income	-	119,246
Bank Charges Claimed on cheque returns	349,104	213,926
Asset Replacement Charges	-	-
Insurance Claim Receipt	4,500,000	-
Miscellaneous Income	5,164,617	-
Gain on Fixed Asset Disposal	235,119	-
	131,471,878	101,384,457

23. FINANCE COST

	2012 Rs.	2011 Rs.
Inter Company Loan	77,500,000	-
Inter Company Current Account	119,746,484	43,458,533
Securitization Loan	113,164,404	28,168,853
Bank Borrowings	170,293,484	85,864,842
Interest on Time Deposits	322,245	213,202
	481,026,617	157,705,430

24. FINANCE INCOME

	2012 Rs.	2011 Rs.
Interest Income on Held to Maturity Investments	3,686,457	430,113
	3,686,457	430,113

Notes to the Financial Statements

Year Ended 31 December

25. PROFIT BEFORE TAXATION

	2012 Rs.	2011 Rs.
is stated after charging :		
Staff Salaries	54,528,436	48,276,407
Defined Contribution Plan Cost - E.P.F & E.T.F	8,937,218	6,075,470
Directors Emoluments	8,852,080	7,016,720
Auditors' Remuneration		
- Audit	675,832	588,670
- Non Audit	325,800	380,980
Management Fee	1,208,160	1,216,000
Defined Benefit Plan - Expense	3,256,380	2,407,498
Provision for Impairment losses	14,853,327	3,640,334
Depreciation & Amortization	24,999,527	13,095,935

26. INCOME TAX

The major components of income tax expense for the years ended 31 December are as follows :

	2012 Rs.	2011 Rs.
Current Income Tax		
Current Income Tax Charge (26.1)	72,944,703	81,500,635
Deferred Income Tax		
Deferred Taxation Charge / Reversal (26.2)	(978,374)	13,579,350
Income tax expense reported in the Income Statement	71,966,328	95,079,985

26.1 A reconciliation between tax expense and the product of accounting profit

	2012 Rs.	2011 Rs.
Profit Before Tax	200,203,918	292,817,020
Aggregate Accounting Profit	200,203,918	292,817,020
Aggregated Disallowed Expenses	1,141,385,633	808,071,075
Aggregated Allowed Expenses	(1,075,818,095)	(791,749,847)
Adjusted Profit/(Loss)	265,771,456	309,138,248
Royalty Paid	(21,796,611)	(30,331,988)
Taxable Income	243,974,845	278,806,260
Income Tax at the rate of 28% on Taxable Income (2011-28%)	68,312,957	78,065,753
Under / Over provision in respect of previous year	4,631,746	3,434,882
	72,944,703	81,500,635
At the Effective Income Tax Rate of 36% (2011- 28%)	72,944,703	81,500,635

Notes to the Financial Statements

Year Ended 31 December

26.2 Deferred Tax	2012	2011
	Rs.	Rs.
Deferred Tax arising from		
Accelerated Depreciation for tax purposes	518,589	2,886,299
Future Rental Receivable	(687,050)	11,367,150
Retirement Benefits - Gratuity	(809,914)	(674,099)
	(978,375)	13,579,350

Deferred Tax has been computed using the current Effective Tax Rate of 28%.

27. BASIC EARNINGS PER SHARE

27.1 Basic Earnings Per Share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

27.2 The following reflects the Income & Share data used in the Basic Earnings Per Share computation.

	2012	2011
	Rs.	Rs.
Amounts Used as the Numerators:		
Net Profit Attributable to Ordinary Shareholders	128,237,590	197,737,035
Number of Ordinary Shares Used as Denominators for Basic Earnings per share		
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings Per Share	20,000,000	20,000,000
27.3 Basic Earnings Per Share	6.41	9.89

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these Financial Statements.

28. DIVIDEND PER SHARE	2012	2011
	Rs.	Rs.
Declared and Paid during the year	12,000,000	13,000,000
Dividend Per Share	0.60	0.65

29. CAPITAL COMMITMENTS AND CONTINGENCIES

There are no significant commitments or contingencies at the reporting date.

30. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

Notes to the Financial Statements

Year Ended 31 December

31. RELATED PARTY DISCLOSURES

31.1 Amounts Due to Related Parties

	2012 Rs.	2011 Rs.
Associated Motorways (Pvt) Limited - Parent		
Trade Creditors	96,924,779	236,248,791
Loans Payable	1,593,750,000	-
Current Account with parent	367,872,274	317,362,512
Interest Payable	24,460,695	-
	2,083,007,748	553,611,303
Orient Insurance Limited - Related Company	26,344,038	-

31.2 Transactions with Related Parties

	2012 Rs.	2011 Rs.
Parent - Associated Motorways (Pvt) Limited		
Management fees paid	1,208,160	1,200,000
Rent Paid	7,944,688	4,680,000
Interest Paid	197,246,484	43,194,178
Fees paid for repair services	201,765	397,427
Royalty Paid	19,976,162	30,331,988
Expense Reimbursements	9,111,033	13,553,689
Salary Reimbursements	6,040,800	6,000,000
Inter Company Loans Obtained	1,500,000,000	-
Loan Capital Repayment	93,750,000	-
Inter Company Settlements for Vehicle Purchases	1,589,608,016	1,993,110,729
	3,425,087,108	2,092,468,011
Related Company - Orient Insurance Limited		
Vehicle Hire Charges	4,087,817	223,211
Insurance Commission Income	4,493,627	-
Insurance Premiums Paid on Fixed Assets Insured	318,885	-
Insurance Premiums Paid on behalf of the Customers	72,884,072	-
	81,784,401	223,211

31.3 Associated Motorways (Pvt) Limited has given following corporate guarantees on behalf of AMW Capital Leasing and Finance PLC as at 31.12.2012.

- (i) Hongkong and Shanghai Banking Incorporation an overdraft / money market loan facility amounting to Rs. 1200 mn.
- (ii) Commercial Bank of PLC an overdraft / short term / money market loan facility amounting to Rs. 200 mn.

31.4 Transactions with Key Management Personnel

	2012 Rs.	2011 Rs.
Key Managerial Persons' Remuneration	8,852,080	7,016,720
Directors Fees	2,302,500	490,000
Services provided for Key Managerial Persons	706,435	706,435

Key Management Personnel include members of the Board of Directors and key employees of the Company.

31.5 Terms and Conditions of Transactions with Related Parties

Transactions with related parties have been conducted under normal commercial terms. The interest on amount due to Associated Motorways (Pvt) Limited has been computed applying Average Weighted Prime Lending Rate plus 1% premium.

Notes to the Financial Statements

32. FINANCIAL REPORTING BY SEGMENT

For management purposes, the Company is organized into four operating segments as follows.

Finance Lease – Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership other than legal title (absolute ownership).

Hire Purchase – Assets hired to customers under Hire Purchase agreements, which transfer all the risks and rewards incidental to ownership as well as the legal title at the end of such contractual period.

Term Loans – Loans given to individual and institutional customers.

Operating Lease – Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the leased term.

Unallocated – Operations that cannot be specifically identified into above classifications.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income Taxes are managed on a group basis and are not allocated to operating segments.

	Finance Lease		Hire Purchase		Term Loans		Operating Lease		Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	562,798,590	385,658,322	180,259,597	148,972,923	24,312,916	3,764,909	-	-	-	-	767,371,103	538,396,154
Other Operating Income	59,677,346	51,800,542	31,890,524	34,823,708	2,857,572	381,844	-	-	-	-	94,425,441	87,006,094
Rental Income	-	-	-	-	-	-	15,730,593	2,967,014	-	-	15,730,593	2,967,014
Unallocated Revenue	-	-	-	-	-	-	-	-	40,732,894	14,808,476	40,732,894	14,808,476
Total Revenue	622,475,935	437,458,864	212,150,121	183,796,631	27,170,488	4,146,753	15,730,593	2,967,014	40,732,894	14,808,476	918,260,031	643,177,738
Unallocated Expenses	-	-	-	-	-	-	-	-	-	-	(718,056,113)	(350,360,718)
Profit Before Tax	3,327,299,141	2,717,500,977	1,029,734,587	741,866,334	258,190,932	41,648,019	45,185,505	49,420,569	-	-	200,203,918	292,817,020
Taxation	-	-	-	-	-	-	-	-	-	-	(71,966,328)	(95,079,985)
Profit After Tax	3,327,299,141	2,717,500,977	1,029,734,587	741,866,334	258,190,932	41,648,019	45,185,505	49,420,569	-	-	128,237,590	197,737,035
Segment Assets	-	-	-	-	-	-	-	-	-	-	4,660,410,164	3,550,435,898
Unallocated Assets	-	-	-	-	-	-	-	-	124,641,929	98,455,045	124,641,929	98,455,045
Total Assets	3,327,299,141	2,717,500,977	1,029,734,587	741,866,334	258,190,932	41,648,019	45,185,505	49,420,569	124,641,929	98,455,045	4,785,052,093	3,648,890,943
Segment Liabilities	2,787,446,021	2,338,745,651	758,312,228	479,119,243	188,947,081	30,706,448	-	35,141,700	-	-	3,734,705,330	2,883,713,042
Unallocated Liabilities	-	-	-	-	-	-	-	-	292,194,240	123,262,968	292,194,240	123,262,968
Total Liabilities	2,787,446,021	2,338,745,651	758,312,228	479,119,243	188,947,081	30,706,448	-	35,141,700	292,194,240	123,262,968	4,026,899,570	3,006,976,010

Notes to the Financial Statements

Year Ended 31 December

33. MATURITY OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Assets	2012		2011		Total
	Less than 12 months	Over 12 months	Less than 12 months	Over 12 months	
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank	28,904,809	-	29,303,010	-	29,303,010
Short Term Receivables	19,156,553	-	19,640,100	-	19,640,100
Other Non Financial Assets	131,489,514	-	152,239,422	-	152,239,422
Rentals Receivable on Lease and Hire Purchase Assets	1,297,584,052	2,907,291,384	1,009,877,683	2,253,083,726	3,262,961,409
Loans and Advances	88,249,327	169,892,511	10,410,799	31,194,061	41,604,860
Vehicle Stock	11,680,000	-	33,641,000	-	33,641,000
Financial Investments - Available for Sale	80,400	-	80,400	-	80,400
Financial Investments - Held-to-Maturity	5,497,259	32,838,016	16,830,000	-	16,830,000
Property, Plant & Equipment	-	66,790,891	-	62,705,637	62,705,637
Intangible Assets	-	25,597,377	-	29,885,105	29,885,105
As at 31 December	1,582,641,914	3,202,410,179	1,272,022,414	2,376,868,529	3,648,890,943
Liabilities					
Bank Overdraft	85,393,558	-	28,744,099	-	28,744,099
Trade & Other Payables	293,672,661	-	364,627,369	-	364,627,369
Time Deposits	2,623,000	-	3,784,375	-	3,784,375
Amounts Due to Related Parties	367,872,274	-	317,362,512	-	317,362,512
Interest Bearing Borrowings	1,458,695,000	1,703,724,333	1,274,020,000	905,316,000	2,179,336,000
Provision for Income Tax	23,892,169	-	26,191,154	-	26,191,154
Deferred Tax Liability	-	81,309,802	-	82,288,177	82,288,177
Retirement Benefit Obligation	-	7,716,773	-	4,642,324	4,642,324
As at 31 December	2,234,148,662	1,792,750,908	2,014,729,509	992,246,501	3,006,976,010

34. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Carrying Amount Pledged 2012	Carrying Amount Pledged 2011	Included Under
	Rs.	Rs.	
Rentals Receivables	840,299,859	1,408,901,568	Rentals Receivable on Lease and Hire Purchase Assets
Securitization Loan	-	-	-

Notes to the Financial Statements

Year Ended 31 December

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Risk Management

The company is primarily exposed to credit risk, interest rate risk, liquidity risk and operational risk on its day to day business activities while being exposed to business and strategic risk on its strategic direction formulation and execution.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The company has set up an Integrated Risk Management Committee (IRMC), appointed by the Board of Directors as per the CBSL Direction No.3 of 2008 on Corporate Governance with the broad objective of assessing all risks, including credit risks to the company. The IRMC has the following objectives;

- ★ Ensure that risk management policies are in place which are appropriate to the implementation of the business plan and that organizational structure and staffing support the implementation of those policies.
- ★ Assess all risks, i.e., credit, market, liquidity, operational and strategic risks on a monthly basis through appropriate risk indicators and management information.
- ★ Review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- ★ Take prompt corrective action to mitigate the effects of specific risks.
- ★ Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee.

Submit risk assessment report to the Board of Directors seeking the Board's views, concurrence and/or specific directions.

The IRMC comprises of the Independent Directors, Chief Executive Officer, Executive Directors, General Manager, Head of Risk Management, Group Internal Auditor, Senior Manager-Finance, Compliance Officer and the Group Treasurer and any other executive invited by the CEO.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the IRMC to ensure that procedures are compliant with the overall framework.

Notes to the Financial Statements

Year Ended 31 December

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.2 Credit Risk

35.2.1 Overview

Credit risk is the risks that the Company will incur a loss due to its borrowers failing to discharge their contractual obligations. Credit risk is managed through a properly defined credit procedure manual which considers target market norms, specific credit selection criteria (both financial and non-financial), concentration limits, delegation of approval authority, credit pricing, segregation of marketing and credit administration and active portfolio monitoring.

35.2.2 Portfolio analysis: Product wise

The lending portfolio is primarily made up of finance leasing with 71.0% of exposure, with hire purchase and auto loans being 23.2% and 5.8% respectively as at 31 December 2012.

35.2.2.1 Exposure based on Product class.

Product	Dec-12	
	Exposure (LKR 'Million)	%
Finance Leasing	3,184.60	71.00%
Hire Purchase	1,040.80	23.20%
Auto Loans	259.10	5.80%
Total	4,484.50	100.00%

The below table indicate the granting of new facilities during the year based on the product class.

35.2.2.2 Granting during the year: Product class.

Product	FY 2012	
	Amount (LKR 'Million)	%
Finance Leasing	1,908.50	66.29%
Hire Purchase	717.30	24.92%
Auto Loans	253.10	8.79%
Total	2,878.90	100.00%

35.2.3 Portfolio analysis: Exposure based on Asset type

The profile of new granting based on the asset class is monitored each month to identify trends in the type of assets financed and the impact on the risk profile of the lending portfolio. Certain types of assets are more sensitive to general macroeconomic and business cycles in addition to borrower risk profile and hence monitored to gauge to future impact on the risk profile and expectations of stress to the quality of the portfolio.

Notes to the Financial Statements

Year Ended 31 December

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.2.3.1 Exposure based on Asset Class

Product	Exposure as at Dec 31, 2012 (LKR 'Million)	%
Motor Cars	3,178.25	70.87%
Motor Tricycle	324.74	7.24%
Dual Purpose	383.58	8.55%
Auto Loans	259.10	5.78%
Motor Lorry	178.94	3.99%
Motor Cycle	72.86	1.62%
Motor Coach	49.73	1.11%
Equipment	17.65	0.39%
Agri Tractors	19.66	0.44%
Total	4,484.50	100.00%

35.2.3.2 Granting during the year: Assets class

Product	FY 2012 (LKR 'Million)	%
Motor Cars	1,606.43	55.80%
Motor Tricycle	378.75	13.16%
Dual Purpose	319.75	11.11%
Auto Loans	253.10	8.79%
Motor Lorry	139.35	4.84%
Motor Cycle	92.73	3.22%
Motor Coach	50.96	1.77%
Equipment	22.44	0.78%
Agri tractors	15.39	0.53%
Total	2,878.90	100.00%

Notes to the Financial Statements

Year Ended 31 December

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.2.4 Collections and Recovery

The tables below segregate the age analysis of the arrears and the capital outstanding as at 31 December 2012 based on the product class.

35.2.4.1 Age Analysis of past due based on Product Class (LKR 'Thousands)

As at Dec 31, 2012	Leases		Hire Purchase		Auto Loans		Total	
	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1- 29 days	9,077.20	521,401.00	4,219.00	202,403.30	1,050.50	46,000.80	14,346.70	769,805.10
30- 59 days	15,611.20	378,131.50	7,067.90	137,432.00	1,504.40	41,064.70	24,183.50	556,628.20
60- 89 days	10,781.80	139,976.40	8,306.30	85,930.20	1,453.40	18,721.40	20,541.50	244,628.00
90- 179 days	10,259.10	81,330.70	10,195.20	61,009.20	748.20	4,367.80	21,202.50	146,707.70
180- 365 days	1,850.50	6,368.00	2,664.50	10,269.60	-	-	4,515.00	16,637.60
Over 365 days	1,392.70	931.20	-	-	-	-	1,392.70	931.20

35.2.4.2 Non Performing Portfolio

As at (Rs. '000)	(LKR 'Million) Dec 31, 2012
Non-Performing Portfolio	21.2
Total Advances	4484.5
Non-Performing %	0.47%
Loan Loss Provisions	21.5

35.2.5 Impairment Assessment

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the customer.
- A breach of contract such as a default of payment.
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation.
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

Individually Assessed Allowances

The Company determines the allowances appropriate for each individually significant loan or advance on an individual basis, include any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Notes to the Financial Statements

Year Ended 31 December

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

Collectively Assessed Allowances

Loans and Advances that have been assessed individually and found not to be impaired, all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups)

Such provision for Impairment made at the end of reporting period 31 December 2012 amounts to Rs. 21.5mn.

35.3 Liquidity Risk

35.3.1 Overview

Liquidity risk is the risk that the Company may not be able to generate sufficient cash flow at reasonable cost to meet expected and or unexpected claims. It arises in the functions of lending, trading and investment activities. It includes both the risk of unexpected increases in the cost of funding assets due to unanticipated funding requirements and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

35.3.1.1 Maturity Gap Analysis as at December 31, 2012 (LKR 'Thousands)

Rs. '000	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 years	Total
Assets						
Int. earning	192,642	215,976	977,216	3,063,093	14,091	4,463,018
Non-int. earning	64,822	497	131,490	-	125,226	322,035
Total Assets	257,463	216,473	1,108,706	3,063,093	139,318	4,785,053
Liabilities						
Int. bearing	526,849	147,907	1,239,828	1,703,724	-	3,618,308
Non-int. bearing	221,003	98,448	113	-	89,027	408,591
Shareholders' funds	-	-	-	-	758,153	758,153
Total Liabilities & Equity	747,853	246,355	1,239,941	1,703,724	847,180	4,785,053
Gap	-490,390	-29,882	-131,235	1,359,369	-707,862	
Cumulative Gap	-490,390	-520,272	-651,507	707,862	-	

The Company has certain committed funding lines from commercial banks and the parent Company, which could be drawn upon at short notice.

The Asset and Liability Committee (ALCO) meet on a regular basis and discusses the liquidity profile of the operations and considers the dynamic liquidity impact based on the future funding requirements of the Company's operations.

Notes to the Financial Statements

Year Ended 31 December

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.4 Interest Rate Risk

35.4.1 Overview

Interest rate risk is the risk that changes in market interest rates might adversely affect the Company's financial condition. It is the risk of potential variability in earnings and capital value resulting from changes in market interest rates. The risk can be classified as:

- ★ Mismatch risk
 - Refinance risk
 - Reinvestment risk
- ★ Basis risk
- ★ Yield curve risk

The table below analyses the Company's interest rate risk exposure on its non-traded assets and liabilities. The assets and liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing or residual maturity dates.

35.4.1.1 Interest Rate Sensitivity Gaps as at 31 December 2012 (LKR 'Thousands)

	Less than 7 days"	8 - 30 days	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 yr.	Total
Sensitive assets	21,230	171,452	221,473	329,132	648,083	3,110,063	4,501,433
Sensitive liabilities	85,394	1,789,976	440	893	1,290	1,740,316	3,618,309
Gap	-64,164	-1,618,524	221,033	328,239	646,793	1,369,747	
Cumulative gap	-64,164	-1,682,688	-1,461,655	-1,133,416	-486,623	883,124	

In arriving at Interest Rate Sensitivity Gaps, Assets and Liabilities are bucketed based on the earlier of their time to residual maturity or next repricing date.

35.5 Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems, or from external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Controls include effective segregation of duties, access, authorization and reconciliation procedures and assessment processes, such as the use of internal audit.

Share Information

Stock Exchange

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange.

Ordinary Shares as at 31st December 2012 - 20,000,000
(Stated Capital of the Company solely represents voting ordinary shares.)

Distribution of Shareholders

There were 3 registered shareholders as at 31st December 2012, distributed as follows.

Distribution of shareholders	As at 31st December 2012				As at 31st December 2011			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Shares								
1 - 1,000	1	0.01	1	0.01	1	0.01	1	0.01
Over 1,000,000	2	99.99	19,999,999	99.99	2	99.99	19,999,999	99.99
Total	3	100	20,000,000	100	3	100	20,000,000	100

Analysis of Shareholders Resident/ Non-Resident

Resident/ Non-Resident								
Distribution of shareholders	As at 31st December 2012				As at 31st December 2011			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Category								
Resident	2	90	18,000,001	90	2	90	18,000,001	90
Non-Resident	1	10	1,999,999	10	1	10	1,999,999	10
Total	3	100	20,000,000	100	3	100	20,000,000	100

Shareholders of the Company

Shareholders	As at 31.12.2012		As at 31.12.2011	
	No. of Shares	%	No. of Shares	%
Associated Motorways (Pvt) Limited	18,000,000	90.01	18,000,000	90.01
Trading Enterprises Company LLC	1,999,999	9.99	1,999,999	9.99
A A De Silva	1	0.01	1	0.01

Share Information Contd...

Public Shareholding

Shareholding	As at 31.12.2012		As at 31.12.2011	
	No. of Shares	%	No. of Shares	%
Public	2,000,000	10	2,000,000	10
Controlled Companies	18,000,000	90	18,000,000	90
Total	20,000,000	100	20,000,000	100

Directors and CEO's Share Holding as at 31st December 2012

Nil

Share Prices for the Year

31.12.2012

Rs.

Market price per share

Highest

*Not Traded

Lowest

*Not Traded

As at end

*Not Traded

Key Ratios

	31.12.2012	31.12.2011
Dividend Per Share (Rs.)	0.60	0.65
Dividend Payout Ratio	9%	7%
Net Asset Value Per Share (Rs.)	37.91	32.10

CORPORATE INFORMATION

DATE OF INCORPORATION	:	23rd February 2006
DATE OF RE-REGISTRATION	:	27th June 2007
COMPANY REGISTRATION NO	:	PB14PQ
IMPORTANT DATES	:	<ul style="list-style-type: none">Formed as a Leasing Establishment in July 2006Obtained Finance Company Licence in November 2008Listed on the Diri Savi Board of the Colombo Stock Exchange w.e.f. 08th June 2011.
PRINCIPAL ACTIVITY	:	Hire Purchase Leasing Auto Loans Operating Leases Acceptance of Deposits
STATED CAPITAL	:	Rs. 200,000,000/- (20,000,000 shares)
LEGAL FORM	:	Quoted on the Diri Savi Board of the CSE with Limited Liability
BOARD OF DIRECTORS	:	T De Zoysa - Chairman E C S R Muttupulle - MD/CEO A Majumdar N D Johnson N S Welikala A M Patrick A W Wickremesinghe D C Yatawaka S A B Rajapaksa - appointed w.e.f. 20/04/2012
COMPANY SECRETARY	:	Mrs. S. D. De Silva FCIS, FCCS
AUDITORS	:	M/s. Ernst & Young, Chartered Accountants
BANKERS :		Bank of Ceylon Commercial Bank of Ceylon PLC Hongkong & Shanghai Banking Corporation PLC Nations Trust Bank PLC Peoples Bank
REGISTERED OFFICE	:	No. 185, Union Place, Colombo 2
AUDIT COMMITTEE	:	The Audit Committee of the Company was formed on 10.02.2011 as a pre-requisite to Listing the Company on the CSE. A M Patrick - Chairman N S Welikala A W Wickremesinghe S A B Rajapaksa - appointed w.e.f. 30.04.2012

CORPORATE INFORMATION *contd...*

INTEGRATED RISK MANAGEMENT

COMMITTEE

- : The Integrated Risk Management Committee of the Company was formed on 02.08.2011.
- N S Welikala - Chairman
 - A M Patrick
 - A W Wickremesinghe
 - E C S R Muttupulle
 - S A B Rajapaksa - appointed w.e.f: 30.04.2012
 - D C Yatawaka - appointed w.e.f: 22.05.2012
 - U Fernando - appointed w.e.f: 22.05.2012
 - D P V Mendis - appointed w.e.f: 22.05.2012
 - R Boteju - appointed w.e.f: 22.05.2012
 - L R Perera - appointed w.e.f: 22.05.2012
 - D I Brohier - appointed w.e.f: 22.05.2012
 - H N N K Perera - appointed w.e.f: 22.05.2012
 - I Wanniarachchi - appointed : 22.05.2012 & resigned :18.08.2012

REMUNERATION

COMMITTEE

- : The Remuneration Committee of the Company was formed on 10.02.2011
- A W Wickremesinghe - Chairman (appointed w.e.f. 26.01.2012)
 - A M Patrick
 - N S Welikala
 - S A B Rajapaksa - appointed w.e.f. 30.04. 2012



AMW Capital Leasing and Finance PLC

No. 185, Union Place, Colombo 2, Sri Lanka.

Tel : +94 11 2671371, +94 11 2671171

Fax : +94 11 2671272