CAPITAL LEASING

ANNUAL REPORT 2013

Contents

Vision Mission and Corporate Values

Vision

To be the most trusted admired and profitable financial institution in Sri Lanka.

Mission

Consistently deliver best-in-class service experiences to our clients. Attract and develop best-in-class professionals who are motivated to achieve the highest levels of service and performance. Provide a superior return for our shareholders and invest in the communities we serve.

Corporate Values

• Best-in-class client experience

We provide timely, personalized and comprehensive solutions that create unique service experiences and earn our clients' loyalty.

• Our people

We attract and develop a diverse workforce comprised of committed and driven individuals that have a sense of urgency and an inherent motivation to succeed.

• Teamwork

We collaborate as one team to achieve our strategic objectives and goals.

• Reliability

We are committed to carrying out all tasks with accuracy, efficiency, honesty and integrity every day. The communities we serve, our customers, employees and shareholders can depend on us to remain a strong, locally-owned and operated and independent finance company.

• Expertise

We are committed to continuous improvement and never stop learning and use our resources and expertise to encourage positive change in our customers, ourselves and our community.

• Embracing change

We embrace change to find the best ideas, and to continuously improve and grow.

• Adaptability

We are willing to capitalize on the opportunities that arise, tailor our services to fit our customers and anticipate future needs.

• A high performance company

We are committed to excellence and are individually accountable for the achievement of measurable outcomes.

Milestones of the Company

2006
- Obtained Leasing Company License
- Opened our First Branch in Kurunegala
- Opened Second Branch in Matara
- Opened Third Branch in Ratnapura

2007
- Two new branches opened in Negombo and Kandy

2008
- Received Finance Company License

2011
- Listed on the Diri Savi Board of Colombo Stock Exchange
- Three new branches opened in Badulla, Anuradhapura & Nugegoda
- Migrated to a sophisticated State of the Art Leasing System
- Introduced Operating Leases to the product portfolio

2012
- Two new branches opened in Kuliyapitiya and Gampaha
- New Service Center opened in Avissawella
- Shift in the Business Model by penetrating into Hire Purchase Segment

2013
- Total assets surpassed the Rs 5 Bn mark
- Opened a fully-fledged branch in Colombo
- Launching of Fixed Deposits Division
- Two New Service Centers opened in Kalutara and Kiribathgoda
- Setting up a Micro Finance unit
- Introducing Islamic Finance to the product portfolio
- Launching the company website

Chairman's Message

It is with great pleasure that I present to you the Annual Report and the Financial Statements of the company for the financial year ended 31st December 2013.

The Global Economy

The global economic conditions showed signs of recovery from the prevailing financial crisis and global recession. Countries in Euro area, United States and Japan had a hard hit from the recession and was able to accelerate their recovery speed in 2013 compared to the previous year. Emerging and developing countries such as India and China had growth rates of 5.7% and 7.6% respectively achieving a considerable growth pace. The growth is projected in GDP of emerging Asia increased to 7.1% due to the increase in domestic demand and recovery in external demand.

The Local Economy

Sri Lanka recorded a GDP growth of 7.3% in 2013 following the tight year which had a GDP of 6.4%, due to the tight monetary conditions. The year under review started with a high inflation rate of 9.2% and increased further upwards in the first quarter of 2013. Despite of the high inflation which prevailed in the economy the monetary authorities executed plans to ease the stringent monetary policy with a view of fueling the growth in 2013. CBSL exercised two rounds of benchmark interest rate cuts throughout the year to record the CBSL's policy rate as 8.5% at the end of the year. Further, Statutory Reserve Ratio (SRR) was also adjusted downward by considerable 200bp (2%) to reach at 6%, the 10 year lowest level while allowing to enhance the bank's lending capacity. However, the relaxed policies were unable to reap benefits over the year 2013 mainly due to the decreased private sector credit growth. On the other hand, the increased domestic borrowings from the government to bridge the fiscal deficit while keeping market interest at its relatively high level despite relaxed monetary tools. The inflation dropped to 4.7% at the end of the year from 9.8% in early 2013. This was mainly due to the low level of food price volatility which stemmed from the favorable weather conditions.

The trade deficit whith improved to USD 7.6 Bn by reducing a YOY deficit by 10%. This was primarily driven through rising exports experienced in latter part of the year in apparel industry and on the other hand coupled with a significant drop in oil import expenses. The rupee witnessed stability in the year 2013 with a slower depreciation pace of 3% against the 12% depreciation in previous year.

The Industry

The total asset base of NBFI industry recorded a 20.3% growth in 2013 compared to 21.8% in previous year. The growth rate in advance base decelerated to a 17.3% (21.4%-2012) implying the sluggish credit growth during the year under review. Low interest rates on deposits restrained the growth in deposits which depicts a 32.7% growth compared to 36.6% in the previous year. The industry Non-Performing Loan (NPL) ratio had a notable increase in 2013 which was 6.7% gross NPL and 2.5% net NPL.

As being one of the highly regulated industries in the economy, CBSL imposed a tight regulatory framework in terms of liquidity and penal interest rates which caused an impact on industry profitability. Further the significant increase in provisioning for bad debts resulted in considerable reduction in profitability.

Company Performance

Company achieved a steady and sustainable growth over the period under review. The main objective of the company was not merely to increase numbers but to attain sustainable development and add value to all stakeholders.

The total assets stood at Rs 5.5 Bn at the end of 2013 while advances amount to Rs 5.2 Bn achieving a growth rate of 17% over previous year. I'm pleased to inform that the company generated a net profit of Rs 189 Mn, recording a satisfactory growth of 47%. NPL ratio was commendable with a rate of 2.08% which is way below the industry average of 6.7%.

The Future

Company expects to increase its market share through organic growth by strengthening the existing network as well as expanding into new strategic locations.
Further, the reduction in policy interest rates and the statutory reserve ratio will expect to reap its desired benefits in 2014 and company is expecting to benefit through seeking favorable funding lines.
The technological advancement which is going to happen in the coming year will enable the company to increase its deposits franchise by creating a stable funding base.
Central Bank of Sri Lanka has introduced a consolidation programme to the banking & finance industry with a view of stabilizing the financial system. Therefore, number of mergers and acquisitions in the industry will expect to take place in 2014.

Appreciation

I would like to express my gratitude towards my fellow Directors, the Director/CEO and his team for their loyalty, dedication, hard work and numerous efforts in achieving the desired performance of the company. My deep gratitude extends to our founder Managing Director/CEO, Mr. E.C.S.R. Muttupulle, who is retiring in March 2014, for his continuous dedication in building the company strength to strength from its inception to its current stature. Also I would like to thank all our stakeholders for their loyalty and trust kept with us throughout the period.

Deshabandu Tilak De Zoysa
Chairman
27th February 2014

CEO's Message

It is with great pleasure that I present to you the Annual Report of the company for the year ended 31st December 2013.

Performance

Year 2013, proved to be another remarkable year for the company with a noteworthy performance achieved during the year. Company was able to strengthen its position as a stable finance company and achieved a sustainable growth in year 2013. The total assets surpassed the Rs 5 Bn mark reaching Rs 5.5 Bn at the end of the financial year. The earnings assets amount to Rs 5.2 Bn reflecting a growth rate of 17% against the previous year. Deposits base grew rapidly from Rs. 2.62 Mn to Rs 267.5 Mn as a result of the private deposit mobilization campaign carried out during the year under review. It enabled the company to have a stable funding portfolio comprising substantial time deposits.

Company recorded a PAT (Profit after Tax) of Rs 189 million at the end of the year achieving a commendable growth rate of 47% against the previous year. The net interest income and the other operating income were Rs 417 Mn and Rs 159 Mn respectively. The cost to income ratio was 43% which is well below with that of peers. The return on assets (ROA-after tax) stood at 3.7% compared to the industry average of 2.1%.

It is noteworthy that the company was able to maintain its Non-Performing Loan (NPL) rate at 2.08% against the industry average of 6.7%.
Company network increased to 16 outlets in 2013 with the addition of a new branch in Colombo and two new service centres in Kiribathgoda and Kalutara. Further we converted our Dambulla service centre to a fully-fledged branch increasing the total number of branches to 13.

Economic Environment

Country achieved a GDP growth of 7.3% rebounding from lower GDP of 6.4% in previous year. This was mainly derived from the growth in industry sector by 9.9% stemming from the development in infrastructure and double digit growth rate achieved in sub-sectors such as mining and quarrying, electricity, gas and water. The contribution of agriculture and service sector was 4.7% and 6.4% respectively.

Inflation stood at 4.7 % due to the softer international commodity prices and improved domestic supply.

Sri Lankan rupee depreciated approximately 2.34% against the US Dollar in 2013, compared to 12.28% depreciation in 2012 implying a reasonable stability during the year under review.
Monetary policy eased during the year with the repurchase rate and the reverse repurchase rates being revised downward in May and October by 50 bps. Market interest rates declined accordingly with both deposit and short term lending rates adjusting swiftly reflecting the downward trend.

The Industry

The NBFI sector posted a moderate growth in assets with a total asset growth rate of 20.3%. Accommodation grew by 17.3% reflecting the low credit growth prevailed in the sector. The growth in deposits base decelerated compared to the previous year which was 32.7% in 2013 (36.6%-2012). The NPLs increased across the industry which was 6.7% at the end of the year. Increased operational cost and provisioning for bad debts have resulted in declined profitability. Further, the directions issued by CBSL in maintaining liquid assets and reducing penal interest rates impacted in profitability.

Outlook

There are major changes to take place in 2014, with the consolidation programme initiated by the government in its budget proposal for 2014. The main intention behind the initiatives is to stabilize the financial system. Therefore company has started evaluating opportunities for investing in a business whose products/service will enable us to enhance our own position.

The risk presenting from the economy must be carefully monitored and managed. And new strategies are put in place to closely monitor the asset quality. Company is expecting to combat the rising NPLs through effective monitoring, focused recovery efforts and prudent lending.
In addition, another vital aspect is to mitigate the maturity and the interest rate gaps between assets and liabilities of the company through seeking favorable funding lines with lucrative rates. Company has put in place a strategic funding mechanism in effective management of assets and liabilities while maximizing the margins.

The proposed technology advancements in terms of deposits and other areas will enable the company to improve the productivity and ensure operational stability.

Appreciation

I would like to express my gratitude to the Chairman and Board of Directors for their valuable guidance and support during the period. It is with a deep sense of gratitude and appreciation that I acknowledge the contribution of Mr. E.C.S.R Muttupulle, the Managing Director of the company who is retiring in March 2014. My sincere gratitude extends to the Senior Management and staff for their hard work and dedication in achieving the desired performance. Also I would like to thank our valuable customers and other stakeholders for their confidence kept with us and looking forward for another successful year ahead.

Brandon Morris
Director/CEO
27th February 2014

Board of Directors

Mr. Tilak De Zoysa – Chairman

A well-known figure in the Sri Lankan business community, Tilak de Zoysa, FCMI (UK) FPRI (SL), Honorary Consul for Croatia and Global Ambassador for HelpAge International was conferred the title of "Deshabandu" by His Excellency the President of Sri Lanka in recognition of his services to the country and was the recipient of "The Order of the Rising Sun. Gold Rays with Neck Ribbon" conferred by His Majesty the Emperor of Japan.

In addition to being the Chairman of the Supervisory Board and Advisor to the Al-Futtaim Group of Companies in Sri Lanka, he Chairs Carsons Cumberbatch PLC, Jetwing Zinc Journey Lanka (Pvt) Ltd, Associated Ceat Holdings (Pvt) Ltd and HelpAge Sri Lanka.

He is also the Vice Chairman of Orient Insurance Ltd and serves on the Boards of several listed and private companies which include John Keells PLC, Taj Lanka Hotels PLC, Lanka Walltiles PLC, Nawaloka Hospitals PLC, Dutch Lanka Trailer Manufacturers (Tata Group), Eastern Merchants PLC, Associated Electrical Corporation Ltd., Inoac Polymer Lanka (Pvt) Ltd., GVR Lanka (Pvt) Ltd and Varun Beverages Lanka (Pvt) Ltd (Pepsi).

Mr. Tilak de Zoysa is a past Chairman of the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK) and served as Member of the Monetary Board of Sri Lanka (2003-2009).

Mr. Brandon Philip Morris – Director/ Chief Executive Officer

Experienced Marketer Brandon Morris has assumed duties as Director / CEO of AMW Capital Leasing & Finance PLC, with effect from 1st February 2014.

Mr. Morris counts over 25 years of Managerial experience of which 16 have been in the non-Banking Financial Sector (NBFI).

Prior to this, he has held key positions at L B Finance Ltd (Asst. Manager), LOLC (Asst. General Manager), Ceylease Financial Services Ltd (Chief Operating Officer) and TVS Automotives (Pvt) Ltd (CEO).

Educated at St. Joseph's College Colombo, he is a Chartered Marketer, holds a MBA from the Post Graduate Institute of Management (PIM), University of Sri Jayewardenapura and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK.

Having gained valuable experience in Sales, Branding, Credit Appraisal, Debtor Management, Distribution, Dealership Management, Logistics and International Trading, Brandon's diverse skills & experience in both the financial and Trading sectors would be useful to the Management Board of AMW Group as well.

Mr. Samantha Aruna Bandara Rajapaksa–Non-Executive 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 Jayawardenepura.

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.

Mr. Majumdar is the Finance Director of the 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 – Vehicle Rental & Leasing for the Al- Futtaim Group overseeing operations in the UAE, Qatar and Oman. In addition to these operations he also has responsibility for the UAE used car retail operations.

He joined the organisation in April 2008 and is responsible for circa USD 200 million turnover across its' business responsibilities. There are currently in excess of 500 employees managing the portfolio, with a combined rental and lease operating fleet of 12,500 vehicles in service and over 9,000 vehicles sold per annum within the used car business.

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. Nihal Welikala is also a Director of Bartleet Transcapital Ltd.

Mr. Angelo Maharajah Patrick - Non Executive Independent Director

Angelo M. Patrick holds an MBA from the University of Colombo and is a Fellow Member of the Chartered Institute of Management Accountants (UK) and a Member of the Institute of Marketing (UK). He has held Directorates and Senior Management positions over the past 40 years in Sri Lanka, Indonesia and Canada. Some of the positions he held are Group Director Capital Maharaja Organisation Limited, Managing Director NDBS Stock Brokers Limited, Director (per pro) Carson Cumberbatch Limited, Senior Management Consultant, Bank of Ceylon, Finance Manager, P T CondongGarut, Jakarta, Indonesia.

He was the President of the Chartered Institute of Management Accountants, Sri Lanka Division in 1993-94 and represented Sri Lanka on the Global Council of CIMA in the United Kingdom for 3 years. He is a Lecturer and Examiner for the Postgraduate Diploma in Manufacturing Management in the University of Colombo. He was a Member of the Sri Lanka Accounting Standards Committee and the Corporate Governance Committee of The Institute of Chartered Accountants of Sri Lanka.
He is also a Non-Executive, Independent Director of Amana Bank PLC, AMW Capital Leasing & Finance PLC and Richard Pieris Exports PLC.

Mr. Asoka Wilfred Wickremesinghe– Non- Executive Independent Director

Mr. Asoka Wickremesinghe is a Fellow of the Institute of Chartered Accounts 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.

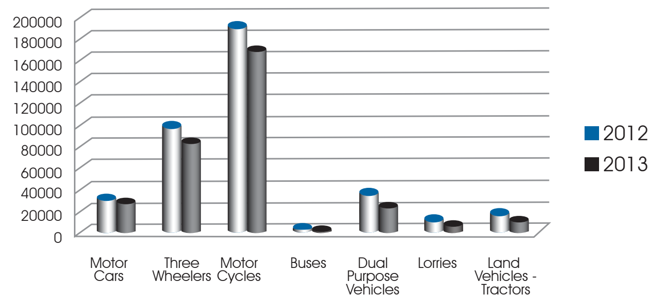
Mrs. Dilani Cornelia Yatawaka – Executive Director

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 and Associated Universal (Pvt) Ltd.

Operational Review

The year 2013 was full of challenges for the Non-Banking Financial Institutions (NBFI) sector in many ways. Although many NBFIs expected Government to reduce the import duty on motor vehicles, the high duty structure introduced in April 2012 remained unchanged leaving very dull movement in the vehicle registrations. According to RMV statistics, the total new vehicle registrations in all vehicle categories decreased significantly in 2013 compared with the year 2012 (refer graph below). However, unprecedented growth was witnessed in the importation of luxury vehicles and SUVs due to the availability of duty free permits in abundance. Unfortunately it hardly created any leasing opportunity for NBFIs due to the non-transferability clause in these permits. During mid-year these permits were made transferable, but the import of vehicles through duty free permits too experienced a drop in the latter part of the year, due to drop in demand. As a result many finance companies were compelled to look at alternatives such as refinancing and providing term loans to achieve their ambitious top line.

Motor Vehicle New Registration 2013 Vs 2012:



Source: RMV

Market interest rates which were at its peak experienced a downward trend from the beginning of 2013 and it continually reduced. The T- Bill (90 days) which was as high as 10% came down to around 7.75% at the time of closing the year. Further, change in the method of arriving at the cap on the interest rate offered on FDs too assisted NBFIs to reduce the cost of funds (COF), enabling them to substantially reduce their lending rates. Rate reduction was the most significant positive thing that took place in the finance / leasing industry. However the demand boost expected due to the sharp reduction in market rates was not experienced to the surprise of many.

Due to the sluggish demand for commercial and other category of vehicles many NBFIs were compelled to look at small trucks and Three Wheeler segment to fill the gap by redrawing their business strategies. The market competition was at its peak throughout the year and various kinds of promotional tactics were seen in the market to attract customers, as companies wanted to pursue with their original business plans, irrespective of the changes that took place in the macro environment. Increasing Non Performing Loans (NPLs) is seen as one of the outcomes of this exercise. This situation aggravated further due to the crash in the second hand market for motor vehicles.

Besides some of the negative factors and various challenges, the company managed to record a decent growth in top line and commendable growth in bottom line. The company opened one new branch in Union Place, two service centres at Kiribathgoda and Kalutara and also upgraded the Dambulla service center to a branch.

A higher percentage of the total funding which had been borrowed during the high interest regime on short term variable rates was replaced with funds at lower rates. Besides a reduction in interest rates favouring the company, prudent management of lending and other overheads enabled the company to increase the portfolio yield thereby closing the year extremely successfully with 47% growth in PAT.

47%Growth in Profit After Tax (PAT)

Company reported a 47% growth in its PAT in 2013 compared with the previous year. Finance cost to interest income ratio reduced from 62% in 2012 to 57% in 2013 due to reduction in borrowing interest rates in the market together with prudent treasury management decisions implemented. This together with the increase in interest income and other operating income mainly assisted the company to achieve this profound growth.

26%Growth in Interest Income

The company reported a 26% growth in Interest Income over the previous year. Interest income of Leasing, Hire Purchase and Term Loans grew by 10%, 25% and 400% respectively. Term loans are fixed rental loans offered to customers backed by a vehicle as security. Term Loans recorded an unusually high growth when compared with the previous year since the product was aggressively promoted during 2013. The overall disbursements increased marginally by 3% over the previous year.
A nine percent increase in other operating income was recorded in 2013 compared to the previous year. The company recognized the late fee income based on the new direction issued by the CBSL which decelerated the growth percentage in other operating income.

46%Growth in Net Interest Income

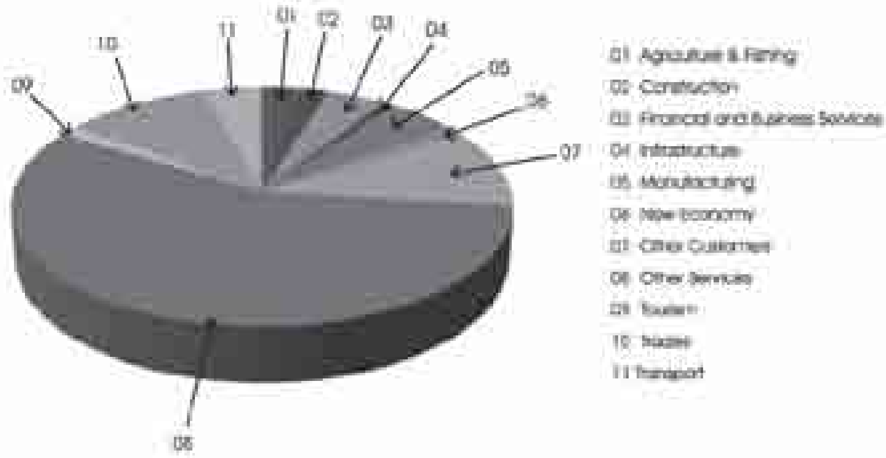
Company's net interest income increased to Rs 417 million in 2013 from Rs 286 million in the previous year showing a 46% growth over the previous year. The 26% growth reported in interest income and substantial reduction in finance cost as a result of taking advantage of the lowering market interest rates helped the company to achieve this remarkable growth.

17%Growth in Income Earning Assets

A moderate growth in company's income earning assets was reported due to slower pace of new disbursements reported during the year. This moderate growth was supported by the substantial increase reported in the disbursement of term loans during the year. Finance leases consist of 60% of the total income earning assets and Hire Purchase and Term Loans has an equal share of 20% of the assets in 2013.

Disbursements Based on Economic Sectors

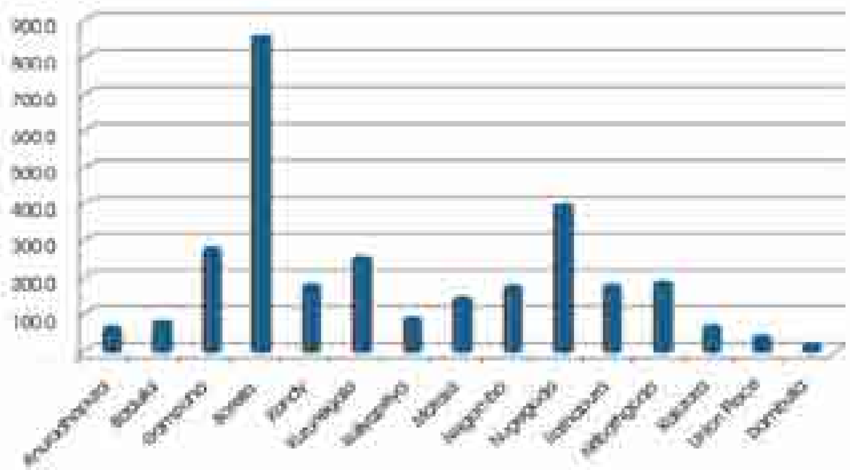
There is no significant change reported in disbursements to economic sectors during the year when compared to the previous year. The disbursements to professionals and working employees remained strong which is represented under "other services" in the chart below.



Branch Performance

The total disbursement during the year 2013 showed a marginal growth mainly due to the lack of momentum in the vehicle sales due to high duty on motor vehicles. However, the newly opened branches / service centres in Kiribathgoda, Kalutara and Union Place assisted the company to maintain a growth. Disbursement in Borella branch reported a 29% drop in 2013 when compared with the previous year. Borella Branch mainly focuses on Maruti/ Suzuki financing and a substantial drop in Maruti/ Suzuki sales contributed to this.

Disbursement 2013 – Branch wise



Human Resource Engagement

To succeed in environments that demand both immediate results and long-term performance, employees relentlessly and continually need to improve their skills, increase their knowledge, and enhance their capabilities.

With this view in mind, our human resources are provided with the required technical and soft skills and on the job exposure. Continuous training programmes are aimed at impacting employees in all areas and training initiatives reached far across several disciplines and levels.

Given below are some of the training and development programmes conducted during the year.

- A customized Certificate in Credit Management Course accredited by the Sri Lanka Institute of Credit Management was conducted for front line marketing & credit staff. The program had a span of 5 ½ months (50 hours).

- A Leadership Development program named 'M-Power', tailor-made and designed, to prepare the next line of leaders by deepening the understanding of business fundamentals, leadership and cross-functional knowledge was successfully implemented with the support of an external consultancy company. The program aimed at developing high-impacting leaders among senior and middle level managers.

- A Business English Certificate Course customized to improve oral and written skills of employees. The duration of the program was 36 hours and was conducted for a series of batches.

- Regular Induction programmes are conducted for new staff members of all grades. These programmes consists of presentations providing in-depth knowledge of the entire group and its' brands and services, followed by location visits.

- A workshop on "Leadership for Branch Managers" was successfully conducted with the objectives of improving the managerial efficiency, outstanding customer service and inculcate positive attitude that promotes team work.

- An interactive workshop on Effective Presentation Skills
  Employees are sent for selected external training programmes and seminars that will assist them in carrying out their duties effectively. A few such programmes attended by employees are given below:

    - Sustainability and Governance for Non-Bank Finance Companies organized by the Sri Lanka Institute of Directors.

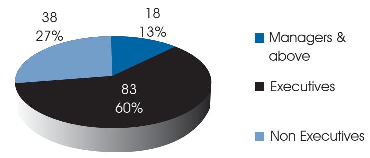
    - CIMA Master course on SLFRS and tax implications.

    - Compliance for Financial Institutions conducted by Central Bank of Sri Lanka, Centre for Banking Studies.

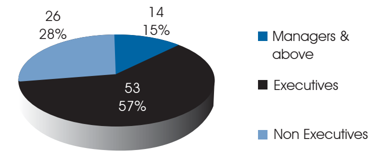
Man Power Statistics

As at 31.12.2013, AMW Capital Leasing & Finance PLC's total cadre stood at 139 up from 93 as at 01.01.2013.

Staff Strength as at 31.12.2013

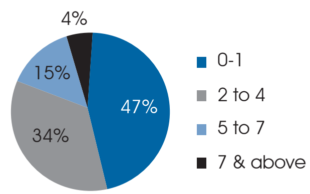


Staff Strength as at 31.12.2012

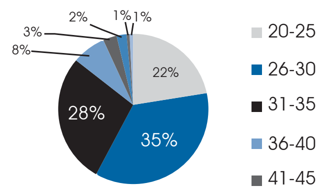


As at 31.12.2013 employees' service and age analysis.

Service Analysis



Age Analysis



Employee Relations & Welfare Activities

AMWCL considers work-life balance as an important facet in maintaining high level of productivity and organized events such as the Annual Bowling Championship, Cricket Tournament and Carrom Tournament.

All these initiatives motivated employees to carry out their duties with confidence and trust in the workplace.

The company also creates opportunities for social interaction amongst colleagues and their families by organizing events such as Annual Family Get-togethers, and religious festival celebrations, charity programs during Vesak, Ramadan and Christmas seasons.
Employees' children who have excelled in their education and who have received special achievements in various fields such as sports, arts etc. are awarded scholarships by the company to further encourage and assist them in their education/specialized field of interests.

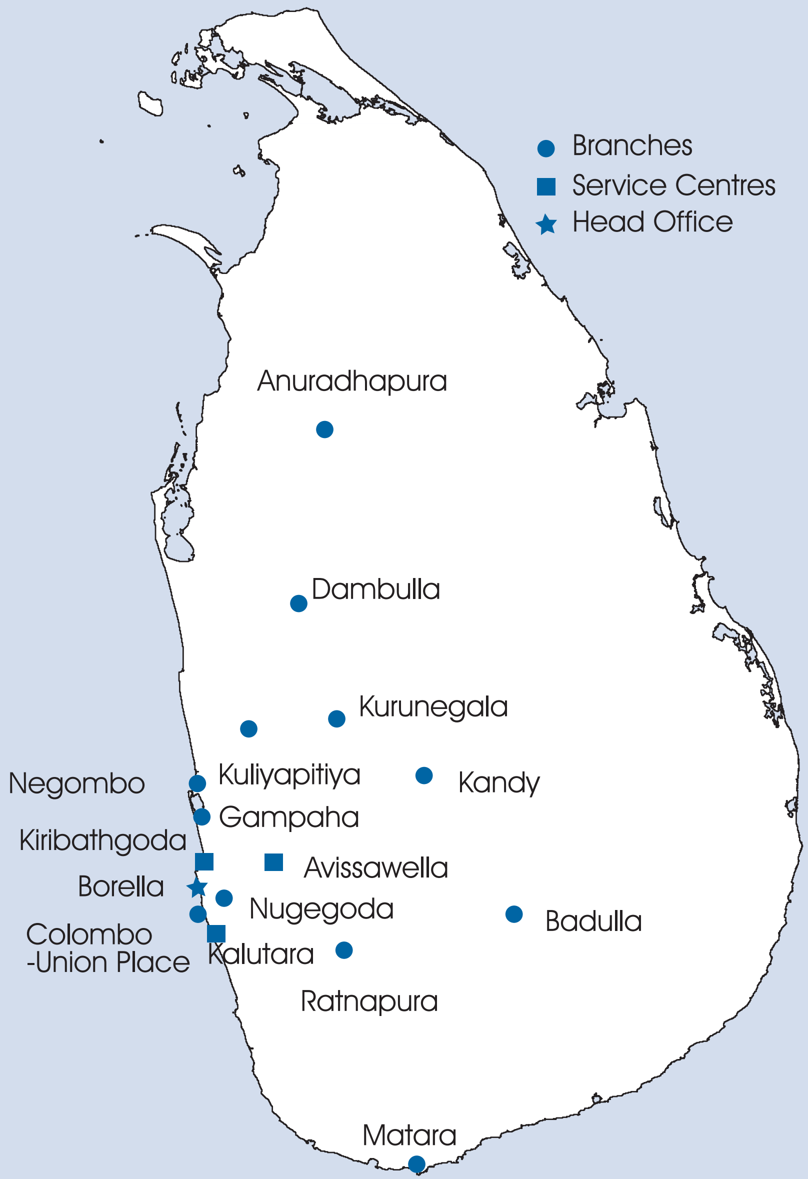
Branch Network
Information of Company Branch Network and Service Centres

Location	District	Province	Address	Contact Person	Telephone	Fax
Borella	Colombo	Western	AMW Capital Leasing & Finance PLC, 445, Bauddhaloka Mawatha, 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

Branch Network
Information of Company Branch Network and Service Centres

Location	District	Province	Address	Contact Person	Telephone	Fax
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	033-7609640	033-7609644
Kuliyapitiya	Kuliyapitiya	North Western	AMW Capital Leasing & Finance PLC, 463/A, Madampe Road, Kuliyapitiya	Dilan Liyanage	037-7609650-7	037-7609658
Dambulla	Dambulla	Central	AMW Capital Leasing & Finance PLC, No 661, Anuradhapura Road, Dambulla	Udana Galgamuwa	066-7609611	066-7609615
Union Place	Colombo	Western	AMW Capital Leasing & Finance PLC, 185, Union Place, Colombo 2	Uma Maheshwaran	011-2307739	011-2307749
Kalutara	Kalutara	Western	AMW Capital Leasing & Finance PLC, 380D, Galle Road, Kalutara North (Service Centre)	Kasun Wakista	037-7609650	037-7609658
Kiribathgoda	Colombo	Western	AMW Capital Leasing & Finance PLC, 101, Kandy Road, Kiribathgoda (Service Centre)	Pio Perera	011-2098916	011-2908914
Avissawella	Colombo	Western	AMW Capital Leasing & Finance PLC, No 8, Colombo Road, Ukwatta, Avissawella (Service Centre)	Manoj Perera	036-2231113	036-2231116

Our Branch Network

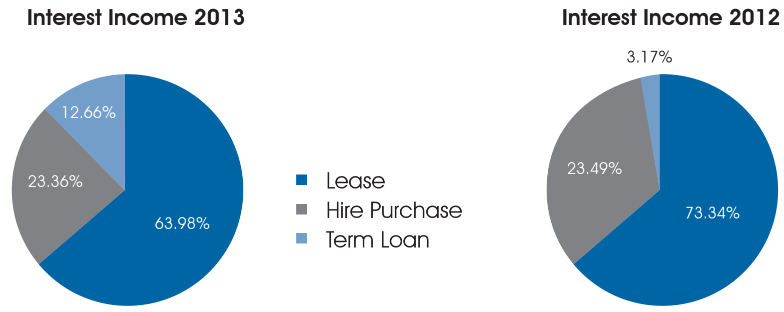


Financial Review

The company has recorded a significant growth in 2013 amidst fierce competition from industry rivals. Assets increased by 15% whilst the profit after tax recorded an increase of 47%.

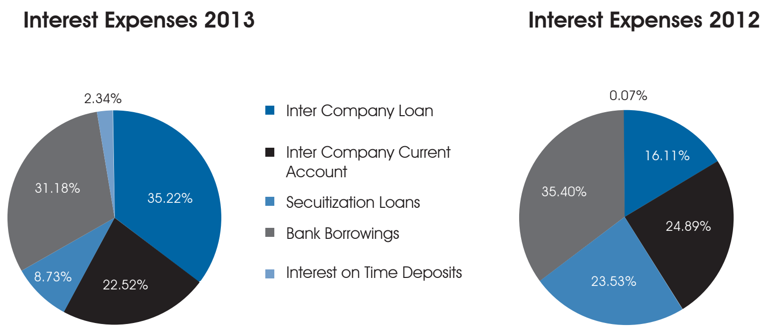
Interest Income

Due to innovative business strategies and increased volumes the Company achieved 26% growth in interest income. Interest income from the lease portfolio grew by 10% to Rs.617Mn from Rs.562 Mn in last year. Interest income from hire purchase portfolio grew by 25% to Rs.225 Mn whilst Interest income from the auto loan portfolio recorded a massive growth of 402% to reach Rs.122Mn from Rs.24 Mn last year.



Interest Expenses

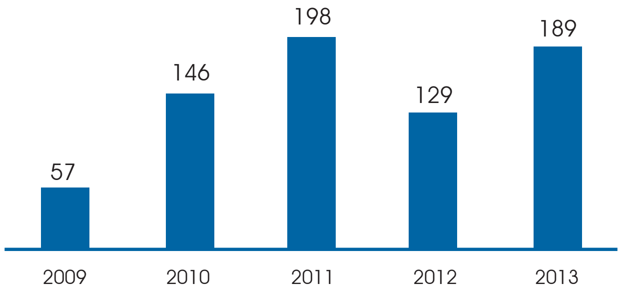
Although a declining trend of interests rates prevailed in 2013 interest expense increased by 14% due to increase in borrowings in line with the growth in the asset portfolio.



Profitability

Amidst unfavourable macro-economic conditions and adverse industry conditions the company was able to record a promising growth in profit after tax. The company bottom line grew by 47% from Rs.128Mn in 2012 to Rs.189Mn in 2013. The company achieved this through innovative business strategies, increase in volumes,establishing new branches and increasing number of marketing staff.

Profitability - PAT (Rs. Mn)



Lending Portfolio

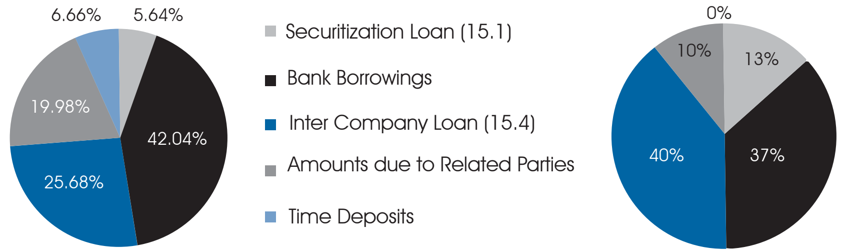
The company surpassed Rs.5 Bn in its lending portfolio compared to Rs.4.5 Bn in 2012.Auto loans being the major contributor of growth recorded a growth of 301% compared to the previous year. The Hire purchase portfolio has recorded a modest growth of 2% to Rs.1.1 Bn in 2013.Lease portfolio marginally contracted in 2013 by 1% to Rs.3.1Bn. However lease portfolio still represents 60% of total portfolio value.

Lending Portfolio 2013 **Lending Portfolio 2012**

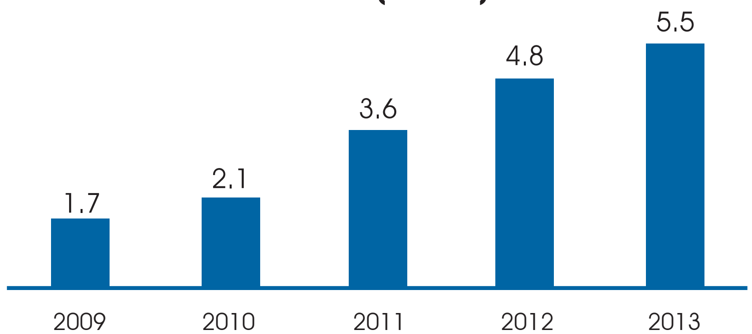
Borrowings

Borrowings primarily consist of bank borrowings, securitizations and borrowing from the parent company. The Company established a separate fixed deposit division during the year and aggressively promoted fixed deposit products. As a result fixed deposits balance increased from Rs.2.6 Mn In 2012 to Rs.268 Mn in 2013.

Borrowings 2013 **Borrowings 2012**



Total Assets (Rs.Bn)



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 havingin 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 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

The company has an independent risk management function with the 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:

- 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 has moved into a more standardized lending structure where the risk management function is responsible for agreeing and formalization of lending policies/ guidelines. Additionally, the credit approving authorities other than the Chief Executive Officer is independent of business units thereby segregation of business volumes from the approving authorities is achieved. 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 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 macroeconomic 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 60% based on the product class with cars dominating with over 51% exposure based on the asset class, which could be classified as low risk.

Product wise exposure (Rs. 'million)

Product	As at Dec 31, 2013		As at Dec 31, 2012	
	Exposure	%	Exposure	%
Finance Leasing	3,164.17	60.1%	3,184.60	71.0%
Hire Purchase	1,064.45	20.2%	1,040.80	23.2%
Auto Loans	1,039.16	19.7%	259.1	5.8%
Total	**5,267.79**	**100.0%**	**4,484.50**	**100.0%**

Exposure based on asset class as at Dec 31, 2013

Asset	(LKR 'Million)	%
Motor Cars	2,713.12	51.49%
Two Wheeler	249.65	4.73%
Three Wheeler	438.05	8.33%
Dual Purpose vehicles	520.52	9.88%
Commercial vehicles	254.96	4.83%
Auto Loans	1,031.77	19.59%
Equipment	42.32	0.81%
Agricultural Tractors	17.39	0.33%
Total	5,267.79	100.00%

Despite an expansion in the lending portfolio by 18% and shift from AMW brands to non-AMW and commercial segment, our NPL ratio was kept at a comparatively low level of 2.08% as at December 2013, as compared to the industry standard of 5-6% and maintained healthy capitalization of over 16%. The low non-performing ratio and the capital cushion reflects our credit policies and processes.

(Rs.'000)	2013	2012
Total Risk Weighted Assets	5,372,077	4,717,812
Capital	881,541	722,711
Capital Adequacy Ratio- Tier-I	16.4%	15.3%
Capital Adequacy Ratio- Total	16.4%	15.3%
Gross NPA	109,547.4	21,233.3
Gross NPA Ratio	2.08%	0.47%

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.

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.

Static Maturity Gap Analysis as at December 31, 2013 (LKR 'Thousands)

Rs.'000	Less than 1 month	1-3 months	3-12 months	1-3 Years	3-5 Years	Over 5 years	Total
Assets							
Interest Earning Assets	215,639	277,087	1,251,309	2,672,456	775,938	70,105	5,262,534
Non-Interest Earning Assets	91,084	–	32,938	–	–	97,504	221,526
Total Assets	**306,723**	**277,087**	**1,284,247**	**2,672,456**	**775,938**	**167,609**	**5,484,060**
Liabilities							
Interest Bearing Liabilities	360,583	674,377	2,074,372	974,309	24,250	–	4,107,891
Non-Interest Bearing Liabilities	271,863	67,843	–	–	–	100,195	439,902
Shareholders' Funds	–	–	–	–	–	936,267	936,267
Total Liabilities & Equity	**632,446**	**742,220**	**2,074,372**	**974,309**	**24,250**	**1,036,462**	**5,484,060**
Gap	**(325,723)**	**(465,133)**	**(790,125)**	**1,698,146**	**751,688**	**(868,853)**	
Cumulative Gap	**(325,723)**	**(790,856)**	**(1,580,981)**	**117,165**	**868,853**	**–**	

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.

Interest Rate Sensitivity Gaps as at 31 December 2013 (LKR 'Thousands)

	Less than 7 days	8- 30 days	1 - 3 months	3-6 months	6-12 months	Over 1 year	Total
Sensitive Assets	23,569	192,070	271,665	429,030	822,279	3,523,921	5,262,534
Sensitive Liabilities	96,359	2,005,665	611,268	17,584	113,002	1,264,013	4,107,891
Gap	**(72,790)**	**(1,813,595)**	**(339,603)**	**411,446**	**709,277**	**2,259,908**	
Cumulative gap	**(72,790)**	**(1,886,385)**	**(2,225,988)**	**(1,814,542)**	**(1,105,265)**	**1,154,643**	

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

We at AMW Capital Leasing & Finance PLC (AMWCL) are committed to supporting a diverse customer base, surpassing all barriers, to provide sound financial services island wide.

In doing so, it is considered essential that compliance is met with the regulatory requirements of the Central Bank of Sri Lanka (CBSL), the Listing Rules of the Colombo Stock Exchange (CSE) and the Companies Act No 7 of 2007.

The tabulation below details the extent to which the company strives to ensure good corporate governance.

Corporate Governance Principle	Level of Compliance
(In accordance with the Corporate Governance Direction No 3 of 2008)	
2. The Responsibilities of the Board of Directors	
2.1 The Board of Directors shall strengthen the safety and soundness of the finance company by –	The Board of Directors of AMW Capital Leasing & 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.
a) Approving and overseeing the finance company's strategic and corporate values and ensuring such values are communicated throughout the company.	As such the Directors take responsibility in directing and approving the company's strategic objectives and corporate values and ensure such values are communicated throughout the company.
b) Approving the overall business strategy of the finance company including the overall risk policy and risk management procedures and mechanisms with measurable goals for at least 3 yrs.	A Strategic Plan incorporating the core values of the company has been formulated. A Business Plan outlining the market and other strategies were approved by the Board
c) Identifying Risks and ensuring implementation of appropriate systems to manage risks prudently.	A Risk Management Policy document has been approved by the Board and Risk Management procedures are regularly reviewed.
d) Approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers.	Procedures and Systems are in place.
e) Reviewing the adequacy and integrity of the company's internal control systems and management information system.	This function is delegated to the Audit Committee of the company. The Report of the Audit Committee is tabled each month at the Board Meeting.
f) Identifying and designating key management personnel, who are in a position to- **(i)** influence policy **(ii)** direct activities **(iii)**exercise control over business activities operations and risk management	Board Members including the CEO and Functional Heads have been appointed and identified as KMPs to effectively manage and control these functions.
g) Defining the areas of authority and key responsibility for the Board and for key management personnel.	Articles 95 - 103 of the Articles of Association defines the powers and duties of the Board of Directors.
h) Ensuring that there is appropriate oversight of the affairs of the company by key management personnel (which is consistent with the finance company's policy)	The Credit Policy delegates credit approval limits approved by the Board.
i) Periodically assessing the effectiveness of its governance practices including – **(i)** The selection, nomination and election of directors and appointment of key management personnel; **(ii)** The management of conflicts of interests and **(iii)** The determination of weakness and implementation of changes where necessary.	CBSL approval is sought prior to appointment of Directors and KMP's. Directors are selected and nominated to the Board according to skills and experience in order to bring about an objective judgment on issues of strategy, performance and resources. Election of Directors is effected in accordance with the requirements of the directions issued by CBSL and Companies Act in force. Effectiveness of this process is ascertained by their contribution at board meeting in their respective fields. Self-Assessment of Directors is carried out annually. KMP also declare their interest annually.
j) Ensuring that the company has an appropriate succession plan for key management personnel.	In place.
k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	Evaluations done periodically.
l) Understanding the regulatory environment	All Directions from Regulatory Authorities are circulated to the Board and all key management personnel. Contents are noted and where applicable appropriate decisions taken. A compliance report is tabled at monthly Board Meetings All weekly, monthly and annual submissions are made to CBSL and other statutory authorities.
m)Exercising due diligence in the hiring and oversight of external auditors	In accordance with Group Policy. Re-appointment is at the AGM of the company.
2.2 The Board shall appoint the Chairman and the Chief Executive Officer and define and approve functions and responsibilities of the Chairman and the CEO in line with requirements of this Direction.	The roles of Chairman and Chief Executive Officer have been separate from the inception of the Company. The Chairman is a non-executive Director. In compliance with CBSL regulation 7(2) of the Corporate Governance Direction, Mr Angelo Patrick was appointed as the Senior Independent Director.
2.3 There shall be a procedure determined by the Board to enable Directors, upon reasonable request to seek independent professional advice in appropriate circumstances, at the company's expense.	The Board Directors in performance of their duties, are permitted to obtain independent professional advice from third parties whenever deemed necessary at the company's expense if considered appropriate.
2.4A director shall abstain from voting on any Board Resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested and he shall not be counted in the quorum for the relevant agenda item at the Board Meeting.	All Directors exercise their independent and objective judgment on issues of strategy, policy, resources and standards of conduct. 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.
2.5 The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly under its authority.	The Board has put in place systems and controls to facilitate the effective discharge of Board functions. Pre-set agendas for all meetings ensure the direction and control of the company is firmly under Board control and authority. The agenda of the monthly Board Meetings includes reports on the performance and on compliance with relevant regulations. This ensures full compliance and optimum performance of the company.
2.6 The Board shall, if it considers that the company is likely to be unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Department of Supervision of Non-Bank Financial Institutions of the situation of the company prior to taking any decision or action.	No such situation has arisen. If such a situation arises recommended action would be taken.
2.7 The Board shall include in the company's Annual Report, an annual corporate governance report complying with this Direction.	This report serves the said requirement.
2.8 The Board shall adopt a scheme of self-assessment to be undertaken by each director annually and maintain records of such assessments.	The directors carry out a self-evaluation annually. This information is available to the Board and records are kept.
3.Meetings of the Board	
3.1 The Board Shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board consent through the circulation of written or electronic resolutions shall be avoided as far as possible.	Meetings are held by the Board every month, at which the Company's performance is monitored on a regular basis, business strategies are planned, current market conditions are reviewed. In the alternative, all other operational requirements which needs the approval of the Board on an urgent basis are passed by Circular Resolution as and when required.
3.2 The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board Meetings where such matters and proposals relate to the promotion of business and the management of risks of the company.	In addition to the regular meetings, formal and informal communication between the Board Members take place on an ongoing basis in the discharge of duty. • 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.

3.3 Notice of at least 7 days shall be given of a regular Board Meeting to provide all Directors an opportunity to attend. For all other Board Meetings, reasonable notice shall be given.	Date convenient to all directors is decided on early and meetings are convened electronically giving due notice.
3.4 A Director who has not attended at least two thirds of the meetings in the period of 12 months immediately preceding or has not attended immediately preceding three consecutive meetings held, shall cease to be a Director. Provided that participation at the Directors meetings through an alternate director shall however, be acceptable as attendance.	Such a situation did not arise during the year.
3.5 The Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	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.
3.6 If the Chairman has delegated to the Company Secretary the function of preparing the agenda for a Board Meeting, the Company Secretary shall be responsible for carrying out such function.	Board Meetings are conducted based on formal agenda, covering the main responsibilities of the Board. This function is delegated to the Company Secretary. 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.
3.7 All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring that Board Procedures and all applicable laws, directions, rules and regulations are followed.	As confirmed above.
3.8 The Company Secretary shall maintain the minutes of Board Meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	This provision is complied with.
3.9 Minutes of Board Meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of the Board Meeting shall clearly contain or refer to the following: **(a)** A summary of data and information used by the Board in its deliberations. **(b)** The matters considered by the Board. **(c)** The fact finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence. **(d)** The explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations.	Detailed minutes are recorded covering the given criteria.

(e) The Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and **(f)** The decisions and Board resolutions.	

4. Composition of the Board

4.1 The number of directors on the Board shall not be less than 5 and not more than 13.	The Board of AMWCL comprise of Ten Directors of whom Three Directors are Independent Non-Executive Directors.
4.2 The total period of service of a director other than a director who holds the position of Chief Executive Officer or Executive Director shall not exceed nine years. The total period in office of a non-executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	None of the non-executive directors have completed 9 years of service as at end of the financial year.
4.3 Subject to the transitional period, an employee of a finance company may be appointed, elected or nominated as a director of a finance company (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one half of the number of directors of the Board. In such an event, one of the executive directors shall be the Chief Executive Officer of the company.	The Board comprises of 3 executive directors (including the CEO) and 7 non-executive directors (of whom 3 are independent).
4.4 Subject to the transitional period the number of independent non-executive directors of the Board shall be at least one fourth of the total number of directors. A non-executive director shall not be considered independent if such a director **a)** Has shares exceeding 2% of the paid up capital of the company or 10% of the paid up capital of another finance company; **b)** Has or had during the period of two years immediately preceding his appointment as a director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet; **c)** Has been employed by the finance company during the two year period immediately preceding the appointment as a director; **d)** Has a relative who is a Director or Chief Executive Officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company;	The Board has 3 independent non-executive directors, thereby complying with this requirement. Mr Angelo Patrick - Senior Independent Director Mr Nihal Welikala - Independent Non-Executive Director Mr Asoka Wickremasinghe - Independent Non Executive Director The Directors or their families or connected parties do not hold any shares in the Company.

e) Represents a shareholder, debtor, or such other similar stakeholder of the finance company; **f)** Is an employee or a director or has a shareholding of 10% or more of the paid up capital in a company or business organization; (i) Which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company or; (ii) In which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance company or; (iii) In which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.	
4.5 In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	No alternate directors appointed.
4.6 Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	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.
4.7 A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	As per Article 109 of the Articles of Association, this requirement is complied with.
4.8 The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the name of directors of the finance company. The Finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and Independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	The Directorate for the year under review: Mr. T. De Zoysa (Non-Executive Chairman) Mr. E. C. S. R. Muttupulle (MD/CEO) Mr. S. A. B. Rajapaksa (Non-Executive Director) Mr. A. Majumdar (Non-Executive Director) Mr. N. D. Johnson (Non-Executive Director) Ms. D. C. Yatawaka (Executive Director) Mr. A. M. Patrick (Independent Non-Executive Director) Mr. N. S. Welikala (Independent Non-Executive Director) Mr. A. W. Wickremesinghe (Independent Non-Executive Director) Mr. B. P. Morris (Executive Director) Directors profiles are given on pages 8 - 10

4.9 There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the ordinary succession of appointments to the Board.	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.
4.10 All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Article 94 of the Company's Articles of Association provides that directors appointed shall be subject to election by shareholders at the first AGM.
4.11 If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board if any.	Changes in directorate are informed to the relevant authorities and also given in the Annual Report.
5.Criteria to assess the fitness and propriety of directors	
5.1 Subject to the transitional provisions contained herein, a person over 70 years shall not serve as a director of a finance company.	The Board of Directors have been assessed as fit and proper in terms of section 3(3) and (4) of the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No 3 of 2011
5.2 A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies / societies / bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of Sri Lanka Accounting and Auditing Standards Act No 15 of 1955.	No director holds directorships of more than 20 companies / entities / institutions inclusive of subsidiaries or associate companies or any other equivalent position in more than 10 companies that are classified as Specialized Business Entities.
6. Delegation of Functions	
6.1 The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such a delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Company's Articles empowers the Board to delegate its powers to committees upon such terms and conditions as the Board may deem fit.
6.2 The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Specific tasks delegated are reviewed by audit/risk committees and thereafter approved by the Board.
7. The Chairman and the Chief Executive Officer	
7.1 The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by one and the same person.	Roles of Chairman and CEO are separate and held by two individuals appointed by the Board.
7.2 The Chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate and independent non-executive	To bring in a greater element of independence, the Board has appointed Mr Angelo Patrick as the Senior Independent Director.

director as a Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the company's Annual Report.	
7.3 The Board shall disclose in its Corporate Governance Report, which forms an integral part of the Annual Report, the names of the Chairman and the Chief Executive Officer and the nature of any relationship (including financial, business, family or other material/relevant relationships if any between the Chairman and the Chief Executive Officer and the relationships among members of the Board).	The Company as a practice discloses relationships in the Corporate Governance Report. There is no financial, business, family or other relationships with related parties between Chairman, Chief Executive Officer and any other member of the Board. The Directors or their families or connected parties do not hold any shares in the Company.
7.4 The Chairman shall: **(a)** Provide leadership to the Board; **(b)** Ensure that the Board works effectively and discharges its responsibilities; and **(c)** Ensure that all key issues are discussed by the Board in a timely manner.	The Board has a self-assessment process for the directors which will be further strengthened to comply with all the requirements of the direction.
7.5 The Chairman shall be primarily responsible for the preparation of the agenda for each Board Meeting. The Chairman may delegate the function of preparing the agenda to the Company Secretary.	The Chairman has delegated this function to the Secretary.
7.6 The Chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board Meeting.	The Board Papers are circulated to the Directors in a timely manner, prior to Board Meetings. The minutes of the previous meeting is circulated for review and approval at the subsequent Board Meeting.
7.7 The Chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the company.	Active participation is encouraged, Reports on performance along with financials, audit and risk reports are presented at each Board Meeting to encourage a cross section of opinions and for sound decision making.
7.8 The Chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied with.
7.9 Subject to the transitional provisions contained herein, the Chairman shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	The Chairman does not play an executive role.
7.10 The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and the views of shareholders are communicated to the Board.	Periodic announcements made to the Colombo Stock Exchange contribute towards this process.

7.11 The Chief Executive Officer shall function as the apex executive-in-charge of the day-to-day management of the finance company's operations and business.	The CEO is entrusted with the smooth operation of the day to day management of the business.
8. Board appointed Committees	
8.1 Every finance company shall have at least the two Board committees set out in paragraph 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a Secretary to arrange its meetings, maintain minutes, record and carry out such other secretarial functions under the supervision of the Chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee at the annual general meeting of the company.	The Company has established and Audit Committee and an Integrated Risk Management Committee. Reports of such committees are presented to the Board at each Board Meeting. A report from both committees for the year under review will be included in the Annual Report of the company.
8.2 Audit Committee	
a) The Chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit. **b)** The Board members appointed to the committee shall be non-executive directors. **c)** The Committee shall make recommendations on matters in connection with:	The Audit Committee comprises of 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.
(i) The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;	The Committee meets with External Auditors, discuss the scope of Audit and Management Letter, review Internal Audit functions including any investigations.
(ii) The implementation of the CBSL guidelines issued to the auditors from time to time; **(iii)** The application of the relevant accounting standards; and **(iv)** The service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of completion of the previous term.	The implementation of CBSL guidelines and relevant accounting standards, and the evaluation of the service period, fees and rotation of external auditors are carried out by the Audit Committee in consultation with the CEO.
d) The committee shall review and monitor the external auditors independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	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.

e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditors independence or objectivity in relation to the provision of non-audit services, the committee shall consider: **(i)** Whether the skills and experience of the auditor make it a suitable provider of the non-audit services; **(ii)** Whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and **(iii)** Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/ or independence of the external auditor.	The Audit Committee obtains quotations for such services from different auditing firms and evaluates same prior to obtaining Board approval.
f) The Committee shall before the audit commences discuss and finalize with the external auditors the nature and scope of the audit including: **(i)** An assessment of the finance company's compliance with the Directions issued under the Act and the management's internal controls over financial reporting. **(ii)** The preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and **(iii)** The co-ordination between auditors where more than one auditor is involved.	
g) The Committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: **(i)** Major judgmental areas; **(ii)** Any changes in accounting policies and practices; **(iii)** Significant adjustments arising from the audit;	The Committee has reviewed the financial information of the quarterly financials and annual audited accounts, prior to any disclosure requirements.

(iv) The going concern assumption; and (v) The compliance with relevant accounting standards and other legal requirements.	
h) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters that the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel if necessary.	The Committee met the external auditors in relation to the audit in the absence of the executive management on 11th December 2013.
i) The Committee shall review the external auditor's management letter and the management response thereto.	The Committee reviewed the external auditor's management letter for the financial year ended 31.12.2013 and the management responses thereto.
j) The Committee shall take the following steps with regard to the internal audit function of the finance company.	
(i) Review the adequacy of the scope, functions and resources of the internal audit department, and safely itself that the department has the necessary authority to carry out its work.	The Committee has considered the scope of the internal audit function, necessary authority and resources allocated to carry out its work.
(ii) Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department	In order to ensure that a sound system of internal control is maintained, the Board ensures that- • 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.
(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	Complied as per Group Policy.
(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	Did not arise.
(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.	Did not arise.
(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	
k) The Committee shall consider the major findings of internal investigations and management's responses thereto;	

l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the external auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	
m) The Committee shall have: (i) Explicit authority to investigate into any matter within its terms of reference; (ii) The resources which it needs to do so; (iii) Full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	
n) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	During financial year ended 31st December 2013, the Committee held 12 meetings and an Audit Report on the issues discussed at each meeting was presented to the Board.
o) The Board shall, in the Annual Report, disclose in an informative way (i) Details of the activities of the audit committee (ii) The number of audit committee meetings held in the year; and (iii) Details of attendance of each individual member at such meetings.	Reference Page 45.
p) The Secretary to the Committee (either the Company Secretary or the Head of the Internal Audit function) shall record and keep detailed minutes of the committee meetings.	The Compliance Officer serves as the Secretary to the Audit Committee.
q) The Committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	
8.3 Integrated Risk Management Committee: a) This Committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories i.e. credit, market, liquidity, operational and strategic risks. The Committee shall work with key management personnel closely and make decisions on behalf of the	The Integrated Risk Management Committee comprises of : Mr. Nihal Welikala Mr. Angelo Patrick Mr. Asoka Wickremesinghe Mr. Emmanuel Muttupulle Mr. Samantha Rajapaksa Ms. Dilani Yatawaka Mr. B P Morris (attended by Invitation)

Board within the framework of the authority and responsibility assigned to the committee.	Mr. Pramuditha Mendis Mr. Ramendra Boteju Ms. Ivon Brohier Mr. Lasantha Perera Mr. Neluka Perera Mr. Udana Fernando
b) The Committee shall assess all risks, i.e. credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	
c) The Committee shall 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	The committee reviews the risk assumed by the company and monitors these risk factors.
d) The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	
e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	11 meetings held for the financial year ended 31/12/2013.
f) The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	
g) The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Approved Committee Minutes are tabled at the subsequent Board Meeting seeking the Board's views and specific direction.
h) The Committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls, and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	The Compliance Officer reports to the Audit Committee on the compliance of regulatory requirement and internal controls
9. Related Party Transactions	
9.1 The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction No 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction No 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time. **9.2** The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person and particularly with the following categories of persons who shall be considered as "related parties" for the purpose of this Direction. **a)** A subsidiary of the finance company; **b)** Any associate company of the finance company; **c)** A director of the finance company; **d)** A key management personnel of the finance company; **e)** A relative of a director or a key management personnel of the finance company; **f)** A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; **g)** A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest. **9.3** The transactions with a related party that are covered in this Direction shall be the following: **a)** Granting accommodation, **b)** Creating liabilities to the finance company in the form of deposits, borrowings and investments. **c)** Providing financial or non-financial services to the finance company or obtaining those services from the finance company, **d)** Creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party. **9.4** The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, "more favourable treatment" shall mean:	

a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the finance company's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company's share capital and debt instruments with a remaining maturity of years or more. **b)** Charging of a lower rate of interest than the finance company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. **c)** Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties. **d)** Providing or obtaining services to or from a related party without a proper evaluation procedure; **e)** Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	
10. Disclosures	
10.1 The Board shall ensure that (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	The financial statements are prepared in accordance with the new Sri Lanka Accounting Standards (SLFRSs / LKASs) and the formats prescribed by the regulators. Annual financial statements are disclosed in the Annual Report, quarterly (unaudited) financial statements are sent to the CSE and posted on the CSE website.
10.2 The Board shall ensure that at least the following disclosures are made in the Annual Report: **a)** A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	
b) A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	Reference – Directors Statement on Internal Controls over financial reporting.

e) The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31st 2010.	Ernst & Young certification given on the effectiveness of the internal controls over financial reporting.
Details of directors, including names, transactions with the finance company.	Details of transactions with directors during the year. Deposits with the company Rs.16,533,502. Interest paid on the deposits Rs.530,165.33
Fees/ remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after Jan 1st 2010.	Reference page 84.
f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Reference page 88.
g) The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Reference page 88.
h) A report setting out details of the compliancewith prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	
j) A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	
j) The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1,2011.	Ernst & Young certification given on the effectiveness of the internal controls over financial reporting.

Sec. No	Rules of the Colombo Stock Exchange	Level of Compliance
7.10	**Corporate Governance**	
7.10	Statement confirming that at the date of the annual report that the company is in compliance with these rules.	The Company is in compliance with the Listing Rules of the Colombo Stock Exchange, as explained below.
7.10.1	**Non-Executive Directors**	
	The Board of Directors of a listed entity shall include at least two non-executive directors; or such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	As at 31st December 2013 the Board comprised 10 Directors of whom 7were non-executive directors.
7.10.2	**Independent Directors**	
	Where the constitution of the Board of Directors includes only two non-executive directors in terms of **7.10.1,** both such non-executive directors shall be independent. In all other instances two or 1/3rd of the non-executive directors appointed to the Board, whichever is higher shall be independent.	As at 31st December 2013, the Board comprised 3 independent directors from whom signed declaration of independence were obtained.
7.10.3.4	**Directors disclosures**	
	Annual determination as to the independence or non-independence of each non-executive director.	The Board has determined the independent/non independent status based on the criteria set out by the CSE.
7.10.5	**Remuneration Committee**	
	Shall comprise of a minimum of two independent non-executive directors of or non-executive directors a majority of whom shall be independent, which ever shall be higher.	Adopts the methodology of the Parent Company.
7.10.6	**Audit Committee**	
	Shall comprise of a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, which ever shall be higher.	As at 31st December 2013, the Committee comprised 4 non-executive directors of whom 3 were independent.

Meetings

The number of meetings of the Board, Board appointed sub-committees and individual attendance by members for the Financial Year Ended 31st December 2013 are given below.

Board Meetings

Names	Directorship Status	Number of Meetings
Number of meetings held		12
T De Zoysa	Chairman	11
E C S R Muttupulle (Resigned w.e.f 31/03/2014)	MD/CEO	12
B F Morris (Appointed w.e.f 18/12/2013)	Director/CEO	01
S A B Rajapaksa	Director	10
A Majumdar	Non-Executive Director	09
N D Johnson	Non-Executive Director	08
N S Welikala	Independent Non-Executive Director	09
A M Patrick	Independent Non-Executive Director	11
A W Wickremesinghe	Independent Non-Executive Director	12
Ms. D C Yatawala	Director	12

Audit Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		12
A M Patrick	Chairman	12
N S Welikala	Member	10
A W Wickremesinghe	Member	12
S A B Rajapaksa	Member	08

Integrated Risk Management Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		11
N S Welikala	Chairman	09
A M Patrick	Member	11
E C S R Muttupulle	Member	11
A W Wickremesinghe	Member	11
S A B Rajapaksa	Member	07
Ms. D C Yatawala	Member	06
B F Morris	Attended by invitation	01
U Fernando	Member	10
D P V Mendis	Member	09
R Balaju	Member	11
L R Perera	Member	10
Ms. D I Brohier	Member	11
H N N K Perera	Member	10

Report of the Directors

The Directors are pleased to present their Report for the Financial Year Ended 31st December 2013 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 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 54 to 95 in this Annual Report.

Independent Auditors' Report

The Auditors' Report on the financial statements is given on page 53 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements is given on pages 58 to 73.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 51.

Stated Capital

The Stated Capital of the Company on 31st December 2013 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 Reporting Date

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

Mr. Brandon Morris was appointed as a Director to the Board since the last Annual General Meeting.
In accordance with the Articles of Association Ms. D C Yatawaka and Mr. S A B Rajapaksa 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 27 to the Financial Statements on page 84.

Auditors

Messrs. Ernst & Young have expressed their willingness to continue in office as Auditors of the Company for the year ending 31st December 2014. 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

COMPANY SECRETARY

Dated 27th February 2014

Directors' Statement On Internal Control Over Financial Reporting

Responsibility

In line with the Finance Companies Corporate Governance Direction No. 03 of 2008section 10(2) (b), the Board of Directors present 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. ("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 Control over Financial Reporting in place, is 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 has started the process of documenting the system of Internal Control over 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 Group for suitability of design and effectiveness on an on-going basis.

Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS. Processes applied to adopt the said accounting standards were strengthened during the year 2013 based on the feedback received from the external auditors, group internal audit department, regulators and the Board Audit Committee.

Progressive improvements on processes to comply with new Sri Lanka Accounting Standards requirements of recognition measurement, classification and disclosure are being made whilst some processes were not fully completed at the reporting date. In particular, due to time constraints, areas with respect to the related party transactions, monthly impairment computation and IT controls were being implemented as at the reporting date. Company was also in the process of updating relevant procedure manuals pertaining to the new Sri Lanka Accounting Standards requirements.

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 adopted by the Directors on the system of internal controls over financial reporting.The matters addressed by the External Auditors in this respect, are being looked into.
By order of the Board

Angelo M. Patrick
Chairman – Audit Committee

Brandon Morris
Director/CEO

Samantha Rajapaksa
Director

27 February 2014
Colombo

Report of the Board Audit Committee

The Board Audit Committee currently comprises of three Independent Non-Executive Directors, Angelo Patrick as Chairman, Nihal Welikala and Asoka Wickremasinghe and one Non-Executive Director, Samantha Rajapaksa. All four 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 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 a Non-Executive Director who is the Group Finance Director, 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 & Business procedures. In addition to the above, the quarterly Internal Audit reports also includes a Balance Sheet audit. A sample of major Branches is selected for annual review of the Operational and Business procedures. In addition, the Finance department too conducts surprise Branch audits and reports are tabled at the Committee meetings. All audit reports from the Internal Audit Division and the Finance Department are tabled together with the Management responses. The Committee also monitors the submissions of the mandatory reports to the Regulator. Positions and movements in Non-Performance Loans and Arrears are brought to the attention of the Board by the Committee.

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 Twelve occasions during the financial year and the attendance at the meetings was:

Angelo Patrick	12
Nihal Welikala	10
Asoka Wickremesinghe	12
Samantha Rajapaksa	08

Angelo M. Patrick
Chairman
Audit Committee
27th February 2014

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, Mr. Emmanuel Muttupulle (MD/CEO), Ms. DilaniYatawaka- Director and Key management personnel dealing with the management of credit, market and liquidity risks, operations and technology, finance and internal audit.

The IRMC met 11 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, credit, market, liquidity and interest rate mismatch risks and operational risks were reviewed by the committee. The credit risk of the company remained relatively low during the year despite aggressive portfolio expansion of over 17% as demonstrated by a NPL ratio of 2.08%. Capitalization is relatively high at 16.4% (Tier-I of 16.4%). Liquidity, interest rate risks and operational risks were adequately mitigated.

N S Welikala
Chairman
Integrated Risk Management Committee
27th February 2014

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 2013 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

27th February 2014

Financial Reports

INDEPENDENT AUDITORS' REPORT

EY

INDEPENDENT AUDITORS' 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 2013, 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 2013 and the Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2013 and its financial performance 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

27 February 2014
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2013 Rs.	2012 Rs.
ASSETS			
Cash and Bank	3	**53,076,979**	28,904,809
Short Term Receivables	4	**37,466,807**	18,411,328
Other Non Financial Assets	5	**32,937,890**	131,489,514
Rentals Receivable on Lease and Hire Purchase Assets	6	**4,169,265,212**	4,205,620,661
Loans and Advances	7	**1,034,363,795**	258,141,838
Vehicle Stock	8	**540,000**	11,680,000
Financial Investments - Available for Sale	9	**80,400**	80,400
Financial Investments - Held-to-Maturity	9	**58,905,446**	38,335,275
Property, Plant and Equipment	10	**73,759,422**	66,790,891
Intangible Assets	11	**23,663,595**	25,597,377
Total Assets		**5,484,059,546**	**4,785,052,093**
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	3	**91,442,076**	85,393,558
Trade and Other payables	12	**293,732,084**	293,672,661
Time Deposits	13	**267,576,093**	2,623,000
Amounts due to Related Parties	14	**802,628,700**	367,872,274
Interest Bearing Borrowings	15	**2,946,244,337**	3,162,419,333
Provision for Income Tax	16	**45,974,689**	25,892,169
Deferred Tax Liability	17	**89,284,269**	81,309,802
Retirement Benefit Obligation	18	**10,910,623**	7,716,773
Total Liabilities		**4,547,792,871**	**4,026,899,570**
Equity			
Stated Capital	19	**200,000,000**	200,000,000
Retained Profit		**635,305,898**	485,932,174
Statutory Reserve Fund	20	**38,411,510**	28,955,802
Investment Fund Reserve	21	**54,726,071**	35,441,351
General Reserve Fund	22	**7,823,196**	7,823,196
Total Equity		**936,266,675**	**758,152,523**
Total Equity and Liabilities		**5,484,059,546**	**4,785,052,093**

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

....
Ivon 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.

....
Brandon Morris
Director

....
Samantha Rajapaksa
Director

Accounting Policies and Notes on pages 58 to 95 form an integral part of these Financial Statements.

27 February 2014
Colombo

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year Ended 31 December

	Note	2013 Rs.	2012 Rs.
Interest Income	23	**963,999,313**	767,371,103
Rental Income from Operating Leases		**16,502,827**	15,730,593
Other Operating Income	24	**142,881,928**	131,471,878
Total Operating Income		**1,123,384,068**	**914,573,574**
Less: Expenses			
Administration Cost		**(108,108,341)**	(109,427,319)
Personnel Cost		**(115,393,490)**	(89,084,301)
Distribution Cost		**(26,249,818)**	(12,180,553)
Provision for Impairment Losses		**(43,412,531)**	(14,853,327)
Finance Cost	25	**(546,554,936)**	(481,026,617)
Finance Income	26	**6,830,320**	3,686,457
Profit from Operations		**290,495,272**	**211,687,914**
Less: Value Added Tax on Financial Services		**(12,563,156)**	(10,563,018)
Profit Before Tax	27	**277,932,116**	201,124,896
Taxation	28	**(88,525,397)**	(71,966,329)
Profit for the year		**189,406,719**	**129,158,568**
Other Comprehensive Income net of tax			
Actuarial Gain/Loss on Employee Benefit Obligation		**(292,567)**	(920,978)
Total Comprehensive Income for the year net of tax		**189,114,152**	**128,237,590**
Earnings Per Share - Basic	29	9.47	6.46
Dividend Per Share	30	0.55	0.60

Accounting Policies and Notes on pages 58 to 95 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 2011	200,000,000	398,319,735	22,543,923	13,228,079	7,823,196	641,914,933
Profit for the year	–	129,158,568	–	–	–	129,158,568
Other Comprehensive Income net of tax	–	(920,978)	–	–	–	(920,978)
Dividend Paid	–	(12,000,000)	–	–	–	(12,000,000)
Transfers	–	(28,625,151)	6,411,879	22,213,272	–	–
Balance as at 31 December 2012	**200,000,000**	**485,932,174**	**28,955,802**	**35,441,351**	**7,823,196**	**758,152,523**
Profit for the year	–	189,406,719	–	–	–	189,406,719
Other Comprehensive Income net of tax	–	(292,567)	–	–	–	(292,567)
Dividend Paid	–	(11,000,000)	–	–	–	(11,000,000)
Transfers	–	(28,740,428)	9,455,708	19,284,720	–	–
Balance as at 31December 2013	**200,000,000**	**635,305,898**	**38,411,510**	**54,726,071**	**7,823,196**	**936,266,675**

Accounting Policies and Notes on pages 58 to 95 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS
Year ended 31 December

	Note	2013 Rs.	2012 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net Profit before Income Tax		**277,932,116**	201,124,896
Adjustments for :			
Interest Income on Held to Maturity Investments	26	**(6,830,320)**	(3,686,457)
Dividend Income	24	**(20,000)**	(18,000)
Retiring Gratuity - Charge for the year	18	**3,133,419**	2,335,402
Gain on disposal of fixed assets		**(608,487)**	(4,735,119)
Loss on disposal of fixed assets		**–**	3,482,145
Depreciation & Amortization	10 & 11	**29,506,409**	24,999,527
Operating Profit Before Changes in Working Capital		**303,113,137**	**223,502,394**
Increase / (Decrease) in Related Party Payable	14	**434,756,426**	50,509,762
Increase / (Decrease) in Trade & Other Payables	12	**59,423**	(70,954,709)
(Increase) / Decrease in Other Receivables		**79,496,145**	21,233,454
(Increase) / Decrease in Inventories		**11,140,000**	21,961,000
Net Investment in Lease, Hire Purchase and Loans and Advances	6 & 7	**(739,866,508)**	(1,158,451,006)
Increase /(Decrease) in Deposits from customers	13	**264,953,093**	(1,161,375)
Net Cash generated from /(used in) Operations		**353,651,716**	**(913,360,480)**
Gratuity Paid	18	**(232,137)**	(181,931)
Income Tax Paid	16	**(59,785,379)**	(72,881,563)
WHT Paid	16	**(683,032)**	(362,123)
Net Cash generated from/ (used in) Operating Activities		**292,951,168**	**(986,786,097)**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	24	**20,000**	18,000
Acquisition of Plant, Equipment and Intangible Assets	10 & 11	**(35,579,773)**	(30,213,928)
Disposal of Plant, Equipment		**1,647,104**	6,669,850
Investments made during the Year	9	**(20,570,171)**	(21,505,275)
Interest Received from Held to Maturity Investments	26	**6,830,320**	3,686,457
Net Cash generated from/ (used in) Investing Activities		**(47,652,520)**	**(41,344,896)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Dividends Paid	30	**(11,000,000)**	(12,000,000)
Loans Obtained	15	**650,000,000**	1,800,000,000
Loan Settlements made	15	**(866,174,996)**	(816,916,667)
Net Cash generated from/ (used in) Financing Activities		**(227,174,996)**	**971,083,333**
Net Increase / (Decrease) in Cash & Cash Equivalents		**18,123,652**	(57,047,660)
Cash & Cash Equivalents at the beginning of the year		**(56,488,749)**	558,911
Cash & Cash Equivalents at the end of the year	3	**(38,365,097)**	**(56,488,749)**

Accounting Policies and Notes on pages 58 to 95 form an integral part of these Financial Statements.

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 Numberof 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 2013 were authorised for issue by the Directors on 27 February 2014.

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 18 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), and the requirements of the companies Act No. 7 of 2007.

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-35. 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.

Judgements

2.2.1 Taxes

The Company is subject to income taxes and other taxes including VAT on financial services. 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 tax and deferred 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 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 18.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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.

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 Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified asavailable for sale, interest income 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 financal instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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.

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.

• 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 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 Lease and Hire Purchase Receivables

Finance and Operating 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.

Finance Leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title are classified as finance leases. When the Company is the lessor under finance leases, the amounts due under the leases, after deduction of unearned income are included in Lease Receivables. The finance income receivable is recognized in Interest Income over the period of the leases so as to give a constant rate of return on the net investment in the leases.

Operating Leases

All other leases are classified as operating leases. When acting as lessor, the Company includes the assets subject to operating leases in "Property, Plant and Equipment" and accounts for them accordingly. Rentals receivable under operating leases are accounted for on a straight-line basis over the period of the leases.

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 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.

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Year ended 31 December 2013

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 amortised cost using the effective interest rate method (EIR), less impairment. Amortised 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 amortisation 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 amortised cost using the effective interest method, less impairment. Amortised 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 amortisation 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 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 amortised cost

For financial assets carried at amortised 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, 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 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.

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 Reporting Date using the projected unit credit method, All actuarial gains and losses are recognized in the year they occur in the Statement of Comprehensive Income.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 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 2013 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.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However effective date has been deferred subsequently.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRS.

This standard will be effective for the financial period beginning on or after 01 January 2014.

However use of fair value measurement principles contained in this standards are currently recommended.

The company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of the publication of these financial statements.

3.CASH & CASH EQUIVALENTS

	2013 Rs.	2012 Rs.
Cash in Hand	16,230,797	14,061,922
Cash at Bank	36,846,182	14,842,887
	53,076,979	28,904,809
Bank Overdraft	(91,442,076)	(85,393,558)
	(38,365,097)	(56,488,749)

4.SHORT TERM RECEIVABLES

	2013 Rs.	2012 Rs.
Other Receivables	37,466,807	28,854,057
	37,466,807	28,854,057
Less: Provision for Receivables	-	(10,442,729)
	37,466,807	18,411,328

5.OTHER NON FINANCIAL ASSETS

	2013 Rs.	2012 Rs.
VAT Recoverable	30,302,538	128,013,258
Prepayment	2,635,352	3,476,256
	32,937,890	131,489,514

6.RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS

6.1Rentals Receivable on Lease Assets

	2013 Rs.	2012 Rs.
Receivable after five years		
Rentals Receivable	10,107,635	12,257,067
Unearned Income	(633,055)	(874,766)
	9,474,580	11,382,301
Receivable from one to five years		
Rentals Receivable	2,543,385,307	2,792,971,309
Unearned Income	(517,491,209)	(585,452,457)
	2,025,894,098	2,207,518,852
Receivable within one year		
Rentals Receivable	1,573,771,540	1,426,670,561
Unearned Income	(522,768,426)	(508,765,000)
	1,051,003,114	917,905,561
Overdue Rental Receivable		
Rentals Receivable	77,800,962	48,183,268
	77,800,962	48,183,268
Total		
Future Rentals Receivable	4,127,264,482	4,231,898,937
Overdue Rentals Receivable	77,800,962	48,183,268
Total Rentals Receivable	4,205,065,444	4,280,082,206
Unearned Income	(1,040,892,690)	(1,095,092,223)
	3,164,172,754	3,184,989,983
Less : Provision for Impairment Losses	(28,435,706)	(8,635,802)
Balance as at 31 December	3,135,737,048	3,176,354,181

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

6.2 Rentals Receivable on Hire Purchase Assets

	2013 Rs.	2012 Rs.
Receivable after five years		
Rentals Receivable	769,002	816,756
Unearned Income	(70,321)	(77,670)
	698,681	739,086
Receivable from one to five years		
Rentals Receivable	859,184,420	888,279,198
Unearned Income	(188,019,101)	(200,628,051)
	671,165,319	687,651,147
Receivable within one year		
Rentals Receivable	539,341,251	506,039,991
Unearned Income	(191,068,001)	(184,203,680)
	348,273,250	321,836,311
Overdue Rental Receivable		
Rentals Receivable	44,315,348	30,969,606
	44,315,348	30,969,606
Total		
Future Rentals Receivable	1,399,294,673	1,395,135,945
Overdue Rentals Receivable	44,315,348	30,969,606
Total Rentals Receivable	1,443,610,021	1,426,105,551
Unearned Income	(379,157,423)	(384,909,401)
	1,064,452,598	1,041,196,150
Less: Provision for Impairment Losses	(30,924,434)	(11,929,668)
Balance as at 31 December	1,033,528,164	1,029,266,482
Total Rentals Receivable on Lease Assets and Hire Purchase Assets		
Future Rentals Receivable	5,526,559,155	5,627,034,881
Overdue Rental Receivable	122,116,310	79,152,874
Total Rentals Receivable	5,648,675,465	5,706,187,756
Unearned Income	(1,420,050,113)	(1,480,001,625)
	4,228,625,352	4,226,186,131
Less: Provision for Impairment losses (6.3)	(59,360,140)	(20,565,470)
Balance as at 31 December	4,169,265,212	4,205,620,661

6.3 Provision for Impairment Losses

	2013 Rs.	2012 Rs.
Balance as at 01 January	20,565,470	6,632,192
Provisions made during the year	39,568,653	13,933,278
Reversals made during the year	(773,983)	-
Balance as at 31 December	59,360,140	20,565,470

6.4 Capital Outstanding on Non Performing Assets as at 31.12.2013 amounts to Rs.109,547,369/- (As at 31.12.2012-Rs.21,233,318/-).

6.5 Motor Vehicles and Equipments are held as collaterals against Lease and Hire Purchase Receivables.

7.LOANS AND ADVANCES

	2013 Rs.	2012 Rs.
Receivable after five years		
Installments Receivable	6,972,374	2,167,514
Unearned Income	(442,250)	(197,540)
	6,530,124	1,969,974
Receivable from one to five years		
Installments Receivable	1,012,668,837	228,307,373
Unearned Income	(261,334,207)	(60,384,836)
	751,334,630	167,922,537
Receivable within one year		
Installments Receivable	457,008,656	134,510,280
Unearned Income	(192,694,871)	(50,062,514)
	264,313,785	84,447,766
Overdue Rental Receivable		
Rentals Receivable	16,984,140	4,756,567
	16,984,140	4,756,567
Total		
Installments Receivable	1,476,649,867	364,985,166
Overdue Installments Receivable	16,984,140	4,756,567
Total Installments Receivable	1,493,634,007	369,741,734
Unearned Income	(454,471,328)	(110,644,890)
	1,039,162,679	259,096,844
Less: Provision for Impairment Losses (7.1)	(4,798,884)	(955,006)
Balance as at 31 December	1,034,363,795	258,141,838

7.1 Provision for Impairment Losses

	2013 Rs.	2012 Rs.
Balance as at 01 January	955,006	34,956
Provisions made during the year	3,843,878	920,050
Reversals made during the year	-	-
Balance as at 31 December	4,798,884	955,006

7.2 Motor Vehicles and Equipments are held as collaterals against Loans and Advances.

8. VEHICLE STOCK

	2013 Rs.	2012 Rs.
Vehicle Stock	1,080,000	11,680,000
Less: Provision for Inventory	(540,000)	-
	540,000	11,680,000

9. FINANCIAL INVESTMENTS

	2013 Rs.	2012 Rs.
Available-for-sale Investments		
Unquoted Investments		
Equities	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.

	2013 Rs.	2012 Rs.
Held-to-maturity Investments		
Quoted Investments		
Government Debt Securities	53,402,625	32,838,016
Treasury Bills	5,502,821	5,497,259
	58,905,446	38,335,275

10. PROPERTY, PLANT & EQUIPMENT

Cost	As at 01.01.2013 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2013 Rs.
Computer Equipments	15,424,951	6,021,971	–	**21,446,922**
Office Equipment	6,413,192	5,335,818	–	**11,749,010**
Furniture & Fittings	3,438,659	5,463,711	–	**8,902,370**
Motor Vehicles	1,660,000	–	–	**1,660,000**
Motor Vehicles on Hire	59,093,483	8,035,713	(1,888,392)	**65,240,804**
Fixtures	4,460,798	5,660,939	–	**10,121,737**
	90,491,083	30,518,152	(1,888,392)	**119,120,843**

Depreciation	As at 01.01.2013 Rs.	Charge for the year Rs.	On Disposals Rs.	As at 31.12.2013 Rs.
Computer Equipments	6,336,627	3,299,800	–	**9,636,427**
Office Equipment	1,944,908	1,667,327	–	**3,612,234**
Furniture & Fittings	1,305,572	1,242,487	–	**2,548,059**
Motor Vehicles	993,917	332,000	–	**1,325,917**
Motor Vehicles on Hire	13,907,978	12,948,348	(849,777)	**26,006,549**
Fixtures	876,458	1,369,776	–	**2,246,235**
	25,365,460	20,859,738	(849,777)	**45,375,421**

Capital Work In Progress	As at 01.01.2013 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2013 Rs.
Capital Work In Progress	1,665,268	11,639,179	(13,290,447)	**14,000**
	1,665,268	11,639,179	(13,290,447)	**14,000**

Written Down Value	2013 Rs.	2012 Rs.
Computer Equipments	**11,810,495**	9,088,324
Office Equipment	**8,136,776**	4,468,284
Furniture & Fittings	**6,354,311**	2,133,087
Motor Vehicles	**334,083**	666,083
Motor Vehicles on Hire	**39,234,255**	45,185,505
Fixtures	**7,875,502**	3,584,340
	73,745,422	65,125,623
Capital Work In Progress	**14,000**	1,665,268
	73,759,422	66,790,891

10.1 During the financial year, Company acquired Plant & Equipment to the aggregate value of Rs.28,866,884/- (2012-Rs.26,660,309/-). Cash payments amounting to Rs.28,866,884/- (2012- Rs.26,660,309/-) were made during the year for purchase of Plant & Equipment.

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

Rental receivable on Operating Leases	2013 Rs.	2012 Rs.
Within one year	**14,403,366**	15,639,094
From 1 - 5 years	**25,098,303**	33,972,453
Total	**39,501,669**	49,611,547

11. INTANGIBLE ASSETS

Cost/Carrying Value	As at 01.01.2013 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2013 Rs.
Computer Software	44,064,949	1,930,068	–	**45,995,017**
	44,064,949	1,930,068	–	**45,995,017**

Amortization	As at 01.01.2013 Rs.	Additions during the year Rs.	Transfers Rs.	As at 31.12.2013 Rs.
Computer Software	18,467,572	8,646,671	–	**27,114,243**
	18,467,572	8,646,671	–	**27,114,243**

Capital Work In Progress	As at 01.01.2013 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2013 Rs.
Capital Work In Progress	–	4,782,821	–	**4,782,821**
	–	4,782,821	–	**4,782,821**

Written Down Value	2013 Rs.	2012 Rs.
Computer Software	**18,880,774**	25,597,377
	18,880,774	25,597,377
Capital Work In Progress	**4,782,821**	–
	23,663,595	25,597,377

11.1 Software is amortized over a period of five years.

11.2 During the financial year, Company acquired Intangible Assets to the value of Rs.6,712,889/- (2012-Rs.3,553,620/-). Cash Payments amounting to Rs..6,712,889/-(2012- Rs.3,553,620/-) were made during the year for purchase of Intangible Assets.

12. TRADE & OTHER PAYABLES

	2013 Rs.	2012 Rs.
Trade Creditors - Related (12.1)	**54,118,533**	96,924,779
- Non Related	**40,749,211**	9,832,404
Other Payables - Related (12.2)	**39,611,792**	50,804,733
- Non Related	**159,252,548**	136,110,745
	293,732,084	293,672,661

12.1 Trade Creditors - Related Parties

	Relationship	2013 Rs.	2012 Rs.
Associated Motorways (Pvt) Limited	Parent	**54,118,533**	96,924,779
		54,118,533	96,924,779

12.2 Other Payables - Related

	Relationship	2013 Rs.	2012 Rs.
Interest Payable - Associated Motorways (Pvt) Ltd	Parent	**22,514,284**	24,460,695
Other Payable - Associated Motorways (Pvt) Ltd	Parent	**4,496,000**	—
Insurance Payable - Orient Insurance Limited	Related Company	**12,601,508**	26,344,038
		39,611,792	50,804,733

13. TIME DEPOSITS

	2013 Rs.	2012 Rs.
Balance as at 01 January	**2,623,000**	3,784,375
Fixed Deposits during the year	**292,959,485**	781,667
Interest capitalized for renewals	**1,416,640**	—
Top up's (additions by customer to original deposit)	**1,115,410**	—
Withdrawals during the period	**(30,538,442)**	(1,943,042)
Balance as at 31 December	**267,576,093**	2,623,000

14. AMOUNT DUE TO RELATED PARTIES

	Relationship	2013 Rs.	2012 Rs.
Associated Motorways (Pvt) Limited	Parent	**802,628,700**	367,872,274
		802,628,700	367,872,274

15. INTEREST BEARING BORROWINGS

	2013 Within One Year Rs.	2013 After One Year Rs.	2013 Total Rs.	2012 Total Rs.
Securitization Loan (15.1)	174,641,000	52,000,000	226,641,000	467,816,000
Term Loan (15.2)	250,000,000	195,833,337	445,833,337	695,833,333
Money Market Loan (15.3)	1,242,520,000	—	1,242,520,000	592,520,000
Inter Company Loan (15.4)	375,000,000	656,250,000	1,031,250,000	1,406,250,000
	2,042,161,000	904,083,337	2,946,244,337	3,162,419,333

15.1 Securitization Loan

	As at 01.01.2013 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2013 Rs.	Term of the Loan	Interest Rate	Security Offered
Deutsche Bank Securitization 250 M	81,100,000	—	(67,000,000)	14,100,000	48 months	IRR at 11.85%	Lease Portfolio
Deutsche Bank Securitization 250 M	133,750,000	—	(59,500,000)	74,250,000	48 months	AWPLR+1.6%	Lease Portfolio
Deutsche Bank Securitization 500 M	252,966,000	—	(114,675,000)	138,291,000	48 months	IRR at 11.5%	Lease Portfolio
	467,816,000	—	(241,175,000)	226,641,000			

15.2 Term Loan

	As at 01.01.2013 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2013 Rs.	Term of the Loan	Interest Rate	Security Offered
HSBC Term Loan 600 M	437,500,000	—	(150,000,000)	287,500,000	48 months	One Month SLIBOR +2.75%	Corporate Guarantee from AMW
HSBC Term Loan 300 M	258,333,333	—	(99,999,996)	158,333,337			
	695,833,333	—	(249,999,996)	445,833,337			

15.3 Money Market Loan

	As at 01.01.2013 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2013 Rs.	Term of the Loan	Interest Rate	Security Offered
HSBC Money Market Loan 592.5M	592,520,000	—	—	592,520,000	12 months	Based on Money Market Rates	Corporate Guarantee from AMW
Commercial Money Market Loan 150M	—	150,000,000	—	150,000,000	12 months	Based on Money Market Rates	Corporate Guarantee from AMW
Sampath Bank	—	500,000,000	—	500,000,000	3 months	12.25%	Lease Portfolio and Corporate Guarantee from AMW
	592,520,000	650,000,000	—	1,242,520,000			

15.4 Inter Company Loan

	As at 01.01.2013 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2013 Rs.	Term of the Loan	Interest Rate
Associated Motorways (Pvt) Ltd	1,406,250,000	—	(375,000,000)	1,031,250,000	48 months	Fixed Interest Rate 16%
	1,406,250,000	—	(375,000,000)	1,031,250,000		

16. PROVISION FOR INCOME TAX

	2013 Rs.	2012 Rs.
Balance as at 01 January	25,892,169	26,191,154
Provision for the year	81,954,849	68,312,955
Under/(Over) provision in respect of previous year	(1,403,918)	4,631,746
	106,443,100	99,135,855
Payments made during the year	(59,785,379)	(68,753,551)
WHT on Treasury Bill Interest	(683,032)	(362,123)
ESC setoff against Income Tax	–	(4,128,012)
Balance as at 31 December	45,974,689	25,892,169

17. DEFERRED TAX LIABILITY

	2013 Rs.	2012 Rs.
Balance as at 01 January	81,309,802	82,288,177
Provision/ (reversal) made during the year	7,974,467	(978,375)
Balance as at 31 December	89,284,269	81,309,802
The closing Deferred Tax Liability balance relates to the following		
Accelerated Depreciation for tax purposes	6,596,708	4,431,535
Future Rentals Receivable - Lease	89,008,481	78,988,031
Retirement Benefits - Gratuity	(2,989,927)	(2,109,764)
Provision for Impairment	(3,330,993)	–
	89,284,269	81,309,802

18. RETIREMENT BENEFIT OBLIGATION

	2013 Rs.	2012 Rs.
Balance as at 01 January	7,716,773	4,642,324
Current Service Cost	2,361,742	1,871,170
Interest for the Year	771,677	464,232
Benefits Paid	(232,137)	(181,931)
Actuarial (Gain)/Loss	292,567	920,978
Balance as at 31 December	10,910,623	7,716,773

The Employee Benefit Liability is based on the actuarial valuation carried out as at 31 December 2013 by Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries. The principal assumptions used in determining the cost of employee benefits were:

	2013	2012
Discount rate	10%	10%
Future Salary Increment	11%	11%

Staff Turnover Rate & Average Future Working Life Time

Age Group	20-24	25-29	30-34	35-39	40-44	45-49
Probability of Staff Turnover	0.30	0.20	0.16	0.07	0.04	0.03
Average Future Working Life Time - Years	4.6	6.75	9.8	11.67	10.08	6.87

Age Group	50-54	55-59	60-64	65-69	70-74
Probability of Staff Turnover	-	-	-	-	-
Average Future Working Life Time - Years	2.61	0.89	0.54	0.12	0.37

Sensitivity Analysis - Salary/Discount Rate

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used.
A sensitivity was carried out as follows.

Effect on the present value of Defined Benefit Obligation	+1%	-1%
One percentage point change in the discount rate	10,105,477	11,847,941
One percentage point change in the salary escalation rate	11,872,538	10,070,777

Assumptions

Financial Assumptions - Rate of discount, Salary increment rate
Demographic Assumptions - Mortality, Staff turnover, Disability, Retirement age

19. STATED CAPITAL

	2013	2012
Number of Ordinary Shares issued & fully paid	20,000,000	20,000,000
	2013 Rs.	**2012 Rs.**
Balance as at 01 January	200,000,000	200,000,000
Balance as at 31 December	200,000,000	200,000,000

20. STATUTORY RESERVE FUND

	2013 Rs.	2012 Rs.
Balance as at 01 January	28,955,802	22,543,923
Transfers during the year	9,455,708	6,411,879
Balance as at 31 December	38,411,510	28,955,802

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.

21. INVESTMENT FUND RESERVE

21.1 The reserve is created in accordance with the Central Bank guidelines issued to create an Investment Fund Reserve. 8% of the profits liable for VAT on Financial Services and 5% of the profits before tax calculated for payment of income taxes are transferred to this reserve when the payment of VAT on Financial Services and the self assessment payment of income tax for the period become due.

	2013 Rs.	2012 Rs.
Balance as at 01 January	35,441,351	13,228,079
Transfers during the year	19,284,720	22,213,272
Balance as at 31 December	54,726,071	35,441,351

21.2 Utilisation of Investment Fund Account (IFA)

	2013 Rs.	2012 Rs.
Total Approved Loan Granted	–	–
Total Investments in Government Securities (21.3)	54,726,071	35,441,351
	54,726,071	35,441,351

21.3 Investments in Government Securities

Treasury Bonds Over 7 years	Face Value Rs.	Date of Maturity	Interest Rate	Cost of Investment Rs.
	31,400,000	Nov-19	14.00%	23,022,606
	12,542,111	Nov-19	13.40%	10,000,000
	9,000,000	Nov-19	11.68%	8,159,922
	14,000,000	Jan-22	11.20%	11,978,260
	66,942,111			53,160,788
Repos		Jan-14	6.50%	1,565,283
				54,726,071

22. GENERAL RESERVE FUND

	2013 Rs.	2012 Rs.
Balance as at 01 January	7,823,196	7,823,196
Balance as at 31 December	7,823,196	7,823,196

23. INTEREST INCOME

	2013 Rs.	2012 Rs.
Lease	616,768,788	562,798,590
Hire Purchase	225,208,285	180,259,597
Term Loan	122,022,240	24,312,916
	963,999,313	767,371,103

24. OTHER OPERATING INCOME

	2013 Rs.	2012 Rs.
Overdue Interest Income - Lease	33,432,444	27,551,493
Overdue Interest Income -Hire Purchases	16,174,136	14,723,494
Overdue Interest Income -Term Loan	3,879,653	1,067,382
Profit from Pre-Termination of Leases	25,931,073	23,135,740
Profit from Pre- Termination of Hire Purchases	14,905,380	14,483,758
Profit from Pre- Termination of Term Loans	6,441,039	863,959
Dividend income	20,000	18,000
Commission from Insurance	22,729,984	26,779,597
Income from additional charges - Leases	8,262,698	8,990,113
Income from additional charges - Hire purchases	2,198,940	2,683,272
Income from additional charges - Term Loan	3,887,358	926,230
Income from additional charges - Islamic Finance	4,464	–
Bank Charges Claimed on cheque returns	566,067	349,104
Insurance Claim Receipt	–	4,500,000
Miscellaneous Income	3,840,205	5,164,617
Gain on Fixed Asset Disposal	608,487	235,119
	142,881,928	131,471,878

25. FINANCE COST

	2013 Rs.	2012 Rs.
Inter Company Loan	192,500,000	77,500,000
Inter Company Current Account	123,100,751	119,746,484
Securitization Loan	47,714,666	113,164,404
Bank Borrowings	170,425,750	170,293,484
Interest on Time Deposits	12,813,769	322,245
	546,554,936	481,026,617

26. FINANCE INCOME

	2013 Rs.	2012 Rs.
Interest Income on Held to Maturity Investments	6,830,320	3,686,457
	6,830,320	3,686,457

27.PROFIT BEFORE TAXATION

is stated after charging :

	2013 Rs.	2012 Rs.
Staff Salaries	77,465,641	54,528,436
Defined Contribution Plan Cost - E.P.F & E.T.F	12,782,454	8,937,218
Directors Emoluments	9,830,219	8,852,080
Auditors' Remuneration		
- Audit	651,750	592,500
- Non Audit	1,830,018	325,800
Management Fee	1,224,480	1,208,160
Defined Benefit Plan - Expense	3,133,419	2,335,402
Provision for Impairment losses	43,412,531	14,853,327
Depreciation & Amortization	29,506,409	24,999,527

28. INCOME TAX

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

	2013 Rs.	2012 Rs.
Current Income Tax		
Current Income Tax Charge (28.1)	80,550,931	72,944,703
Deferred Income Tax		
Deferred Taxation Charge / Reversal (28.2)	7,974,466	(978,374)
Income tax expense reported in the Income Statement	88,525,397	71,966,329

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

	2013 Rs.	2012 Rs.
Profit Before Tax	277,932,116	201,124,896
Aggregate Accounting Profit	277,932,116	201,124,896
Aggregated Disallowed Expenses	1,224,025,578	1,140,464,655
Aggregated Allowed Expenses	(1,209,261,806)	(1,075,818,095)
Adjusted Profit	292,695,888	265,771,456
Royalty Paid	–	(21,796,611)
Taxable Income	292,695,888	243,974,845
Income Tax at the rate of 28% on Taxable Income (2012-28%)	81,954,849	68,312,957
Under / Over provision in respect of previous year	(1,403,918)	4,631,746
	80,550,931	72,944,703
At the effective Income Tax Rate of 29% (2012- 36%)	80,550,931	72,944,703

28.2 Deferred Tax

	2013 Rs.	2012 Rs.
Deferred Tax arising from		
Accelerated Depreciation for tax purposes	2,165,173	518,589
Future Rental Receivable	10,020,450	(687,051)
Retirement Benefits - Gratuity	(880,164)	(809,914)
Provision for Impairment	(3,330,993)	–
	7,974,466	(978,374)

Deferred Tax has been computed using the current tax rate of 28%.

29. BASIC EARNINGS PER SHARE

29.1 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.

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

	2013 Rs.	2012 Rs.
Amounts Used as the Numerators:		
Net Profit Attributable to Ordinary Shareholders	**189,406,719**	129,158,568
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
29.3 Basic Earnings Per Share	**9.47**	6.46

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.

30. DIVIDEND PER SHARE

	2013 Rs.	2012 Rs.
Declared and Paid during the year	**11,000,000**	12,000,000
Dividend Per Share	**0.55**	0.60

31. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2013, the Company had commitments of Rs.4,782,821 relating to a New Software for Fixed Deposits.

32. 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.

33. RELATED PARTY DISCLOSURES

33.1 The interests in contracts of each Director, direct or indirect in all financing and other arrangements are as indicated below.

Messrs.T.de Zoysa, E C S R Muttupulle, N.Johnson, A.Majumdar, S.A.B.Rajapaksa, N.S.Welikala, A.M.Patrick, A.W. Wickramasinghe, B P Morris and Mrs. D.C.Yatawaka were Directors of the Company during the financial year ended 31 December 2013.

Mr. B P Morris was appointed as a Director of the Company w.e.f. 18.12.2013.

Directors of AMW Capital Leasing and Finance PLC who held office as described above were also Directors of the Parent Company as indicated below.

33. RELATED PARTY DISCLOSURES (Contd...)

Associated Motorways (Pvt) Ltd -Parent
Transactions during the period

				2013 Rs.	2012 Rs.
T De Zoysa	President	Resigned w.e.f: 21/06/2013	Management fees paid	**1,224,480**	1,208,160
S A B Rajapaksa	Managing Director		Rent Paid	**7,920,141**	7,944,688
A Majumdar	Director		Interest Paid	**315,600,751**	197,246,484
			Fees paid for repair services	**357,474**	201,765
			Royalty Paid	**–**	19,976,162
			Expense Reimbursements	**6,785,830**	9,111,033
			Salary Reimbursements	**6,122,400**	6,040,800
			Inter Company Loans Obtained	**–**	1,500,000,000
			Loan Capital Repayment	**375,000,000**	93,750,000
			Inter Company Settlements for Vehicle Purchases	**802,798,800**	1,589,608,016
				1,515,809,876	3,425,087,108

Amounts Due to	31.12.2013 Rs.	31.12.2012 Rs.
Trade Creditors	**54,118,533**	96,924,779
Loans Payable	**1,031,250,000**	1,406,250,000
Current Account with parent	**802,628,700**	367,872,274
Interest Payable	**22,514,284**	24,460,695
Other Payable	**4,496,000**	–
	1,915,007,517	1,895,507,748

Associated Motorways (Pvt) Ltd has given following corporate guarantees on behalf of AMW Capital Leasing & Finance PLC as at 31.12.2013.

(i) Hongkong and Shanghai Banking Incorporation an overdraft / money market loan facility amounting to Rs. 1500 mn.
(ii) Commercial Bank of PLC an overdraft / short term / money market loan facility amounting to Rs. 200 mn.
(iii) Sampath Bank PLC a Overdraft / Short Term loan (money) facility amounting to Rs. 625 mn.

Orient Insurance Limited - Related Company
Transactions during the period

	2013 Rs.	2012 Rs.
Vehicle Hire Charges	**6,334,789**	4,087,817
Insurance Commission Income	**17,484,141**	4,493,627
Insurance Premiums Paid on Fixed Assets Insured	**1,032,312**	318,885
	24,851,242	8,900,329

Amounts Due to	31.12.2013 Rs.	31.12.2012 Rs.
Insurance Payable	**12,601,508**	26,344,038
	12,601,508	26,344,038

33.2 Transactions with Key Management Personnel and Close Family Members of Key Managerial Personnel

Transactions with Key Management Personnel	2013 Rs.	2012 Rs.
Key Managerial Persons' Remuneration	9,830,219	8,852,080
Directors Fees	2,347,500	2,302,500

Amounts Due To Key Management Personnel	31.12.2013 Rs.	31.12.2012 Rs.
Fixed Deposits	16,533,502	–

Transactions with Close Family Members of the Key Management Personnel	2013 Rs.	2012 Rs.
Lease Rentals Received	706,440	706,435

Amounts Due From Close Family Members of the Key Management Personnel	31.12.2013 Rs.	31.12.2012 Rs.
Leases Outstanding Excluding Taxes	824,180	1,530,620

Key management personnel include members of the Board of Directors and that of the Parent Company and ultimate parent company.

33.3 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) Ltd has been computed applying Average Weighted Prime Lending Rate plus 1% premium.

34. 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	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Interest Income	616,768,788	562,798,590	225,208,285	180,259,597	122,022,240	24,312,916	-	-	-	-	963,999,313	767,371,103
Other Operating Income	67,626,216	59,677,346	33,282,920	31,890,524	14,208,050	2,857,572	-	-	-	-	115,117,186	94,425,441
Rental Income	-	-	-	-	-	-	16,502,827	15,730,593	-	-	16,502,827	15,730,593
Unallocated Revenue	-	-	-	-	-	-	-	-	34,595,062	40,732,894	34,595,062	40,732,894
Total Revenue	684,395,004	622,475,935	258,491,205	212,150,121	136,230,290	27,170,488	16,502,827	15,730,593	34,595,062	40,732,894	1,130,214,388	918,260,031
Unallocated Expenses											(852,282,272)	(717,135,135)
Profit Before Tax											277,932,116	201,124,896
Taxation											(88,525,397)	(71,966,328)
Profit After Tax											189,406,719	129,158,568
Segment Assets	3,181,863,829	3,327,299,141	1,035,280,984	1,029,734,587	1,035,569,785	258,190,932	39,234,255	45,185,505	-	-	5,291,948,854	4,660,410,164
Unallocated Assets	-	-	-	-	-	-	-	-	192,110,692	124,641,929	192,110,692	124,641,929
Total Assets	3,181,863,829	3,327,299,141	1,035,280,984	1,029,734,587	1,035,569,785	258,190,932	39,234,255	45,185,505	192,110,692	124,641,929	5,484,059,546	4,785,052,093
Segment Liabilities	3,044,926,960	2,976,441,448	683,864,191	756,617,715	690,180,162	188,455,442	-	-	-	-	4,418,971,313	3,921,514,605
Unallocated Liabilities	-	-	-	-	-	-	-	-	128,821,558	105,384,965	128,821,558	105,384,965
Total Liabilities	3,044,926,960	2,976,441,448	683,864,191	756,617,715	690,180,162	188,455,442	-	-	128,821,558	105,384,965	4,547,792,871	4,026,899,570

35. 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.

	2013			2012		
	Less than 12 months Rs.	Over12 months Rs.	Total Rs.	Less than 12 months Rs.	Over12 months Rs.	Total Rs.
Assets						
Cash and Bank	53,076,979	–	53,076,979	28,904,809	–	28,904,809
Short Term Receivables	37,466,807	–	37,466,807	18,411,328	–	18,411,328
Other Non Financial Assets	32,937,890	–	32,937,890	131,489,514	–	131,489,514
Rentals Receivable on Lease and Hire Purchase Assets	1,462,032,535	2,707,232,677	4,169,265,212	1,298,329,277	2,907,291,384	4,205,620,661
Loans and Advances	276,499,042	757,864,754	1,034,363,795	88,249,327	169,892,511	258,141,838
Vehicle Stock	540,000	–	540,000	11,680,000	–	11,680,000
Financial Investments - Available for Sale	–	80,400	80,400	80,400	–	80,400
Financial Investments - Held-to-Maturity	5,502,821	53,402,625	58,905,446	5,497,259	32,838,016	38,335,275
Property, Plant & Equipment	–	73,759,422	73,759,422	–	66,790,891	66,790,891
Intangible Assets	–	23,663,595	23,663,595	–	25,597,377	25,597,377
As at 31 December	1,868,056,073	3,616,003,473	5,484,059,546	1,582,641,914	3,202,410,179	4,785,052,093
Liabilities						
Bank Overdraft	91,442,076	–	91,442,076	85,393,558	–	85,393,558
Trade & Other payables	293,732,084	–	293,732,084	293,672,661	–	293,672,661
Time Deposits	156,098,841	111,477,252	267,576,093	2,623,000	–	2,623,000
Amounts due to Related Parties	802,628,700	–	802,628,700	367,872,274	–	367,872,274
Interest Bearing Borrowings	2,042,161,000	904,083,337	2,946,244,337	1,458,695,000	1,703,724,333	3,162,419,333
Provision for Income Tax	45,974,689	–	45,974,689	25,892,169	–	25,892,169
Deferred Tax Liability	–	89,284,269	89,284,269	–	81,309,802	81,309,802
Retirement Benefit Obligation	–	10,910,623	10,910,623	–	7,716,773	7,716,773
As at 31 December	3,432,037,390	1,115,755,481	4,547,792,871	2,234,148,662	1,792,750,908	4,026,899,570

36. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2013 Rs.	Carrying Amount Pledged 2012 Rs.	Included Under
Rentals Receivables	Securitization Loan	394,925,726	840,299,859	Rentals Receivable on Lease and Hire Purchase Assets
Rentals Receivables	Short Term Loan	680,618,986	–	Rentals Receivable on Lease and Hire Purchase Assets

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 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.

37.2 Credit Risk

37.2.1 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.

37.2.2 Portfolio analysis: Product wise

The lending portfolio is primarily made up of finance leasing with 60.1% of exposure, with hire purchase and auto loans being 20.1% and 19.8% respectively as at 31 December 2013.

37.2.2.1 Exposure based on Product class.

Product	Dec-13	
	Exposure (LKR 'Million)	%
Finance Leasing	3,164.17	60.07%
Hire Purchase	1,064.45	20.21%
Auto Loans	1,039.16	19.73%
Total	**5,267.79**	**100.00%**

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

37.2.2.2 Granting during the year: Product class.

Product	FY 2013	
	Amount (LKR 'Million)	%
Finance Leasing	1,391.57	46.87%
Hire Purchase	531.32	17.90%
Auto Loans	1,046.21	35.24%
Total	**2,969.11**	**100.00%**

37.2.3 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.

37.2.3.1 Exposure based on Asset Class

Product	Exposure as at Dec 31, 2013(LKR 'Million)	%
Motor Cars	2,713.12	51.49%
Two Wheeler	249.65	4.73%
Three Wheeler	438.05	8.33%
Dual Purpose vehicles	520.52	9.88%
Commercial vehicles	254.96	4.83%
Auto Loans	1,031.77	19.59%
Equipment	42.32	0.81%
Agricultural Tractors	17.39	0.33%
Total	**5,267.79**	**100.00%**

37.2.3.2 Granting during the year: Asset Type Wise.

Product	Amount (LKR 'Million)	%
Motor Cars	842.88	28.39%
Two Wheeler	282.46	9.51%
Three Wheeler	333.99	11.25%
Dual Purpose vehicles	311.82	10.50%
Commercial vehicles	119.45	4.02%
Auto Loans	1,046.21	35.24%
Equipment	31.13	1.05%
Agricultural Tractors	1.17	0.04%
Grand Total	**2,969.11**	**100.00%**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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

37.2.4 Collections and recovery

The tables below segregates the age analysis of the arrears and the capital outstanding as at 31 December 2013 based on the product class.

37.2.4.1 Age analysis of past due based on product class (LKR Thousands)

As at December 31, 2013	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Future Capital Outstanding	Arrears	Future Capital Outstanding	Arrears	Future Capital Outstanding	Arrears	Future Capital Outstanding
1- 29 days	13,124	601,100	3,926	186,134	4,861	217,954	21,911	1,005,188
30- 59 days	20,317	419,702	7,185	129,194	4,476	94,063	31,978	642,959
60- 89 days	17,192	179,004	7,233	69,424	4,298	49,482	28,723	297,910
90- 179 days	14,086	88,208	14,084	72,502	3,762	23,665	31,932	184,375
180- 365 days	13,545	37,247	7,620	17,884	426	1,712	21,591	56,842
Over365 days	3,950	4,059	10,611	13,161	374	624	14,935	17,845

37.2.4.2 Non Performing Portfolio

As at 31 Dec 2013	(LKR 'Million) 31 Dec 2013
Non-Performing Portfolio	110
Total advances	5,268
Non-performing %	2.08%
Loan loss provisions	64

37.2.5 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 reorganization.
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

Such provision for Impairment made at the end of reporting period, 31 December 2013 amounts to Rs.64.2 Mn. (2012- Rs.21.5 Mn)

37.3 Liquidity Risk

37.3.1 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.

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

37.3.1.1 Maturity Gap Analysis as at December 31, 2013 (LKR 'Thousands)

Rs.'000	Less than 1 month	1-3 months	3-12 months	1-3 Years	3-5 Years	Over 5 years	Total
Assets							
Interest Earning Assets	215,639	277,087	1,251,309	2,672,456	775,938	70,105	5,262,534
Non-Interest Earning Assets	91,084	–	32,938	–	–	97,504	221,526
Total Assets	**306,723**	**277,087**	**1,284,247**	**2,672,456**	**775,938**	**167,609**	**5,484,060**
Liabilities							
Interest Bearing Liabilities	360,583	674,377	2,074,372	974,309	24,250		4,107,891
Non-Interest Bearing Liabilities	271,863	67,843	–	–	–	100,195	439,902
Shareholders' Funds	–	–	–	–	–	936,267	936,267
Total Liabilities & Equity	**632,446**	**742,220**	**2,074,372**	**974,309**	**24,250**	**1,036,462**	**5,484,060**
Gap	**(325,723)**	**(465,133)**	**(790,125)**	**1,698,146**	**751,688**	**(868,853)**	
Cumulative Gap	**(325,723)**	**(790,856)**	**(1,580,981)**	**117,165**	**868,853**	**–**	

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.

37.4 Interest Rate Risk

37.4.1 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.

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

37.4.1.1 Interest Rate Sensitivity Gaps as at 31 December 2013 (LKR 'Thousands)

	Less than 7 days	8- 30 days	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
Sensitive Assets	23,569	192,070	271,665	429,030	822,279	3,523,921	5,262,534
Sensitive Liabilities	96,359	2,005,665	611,268	17,584	113,002	1,264,013	4,107,891
Gap	**(72,790)**	**(1,813,595)**	**(339,603)**	**411,446**	**709,277**	**2,259,908**	
Cumulative gap	**(72,790)**	**(1,886,385)**	**(2,225,988)**	**(1,814,542)**	**(1,105,265)**	**1,154,643**	

37.4.1.2 Income impact from change in interest rates within one month

(LKR 'Thousands)	Increase in funding cost	
	10 bps	25 bps
P&L impact (Monthly)	(1,886)	(4,716)

37.5 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 Diri Savi Board of the Colombo Stock Exchange.

Ordinary Shares as at 31st December 2013: 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 2013, distributed as follows.

Distribution of shareholders	As at 31st December 2013				As at 31st December 2012			
	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	As at 31st December 2013				As at 31st December 2012			
	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

	As at 31st December 2013		As at 31st December 2012	
Shareholders	No. of Shares	%	No. of Shares	%
Associated Motorways (Private) 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

Public Shareholding

Shareholding	As at 31st December 2013		As at 31st December 2012	
	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 2013

NIL

SHARE PRICES FOR THE YEAR

	31.12.2013 Rs.
Market price per share	
Highest	*Not Traded
Lowest	*Not Traded
As at end	*Not Traded

KEY RATIOS

	31.12.2013	31.12.2012
Dividend Per Share (Rs.)	0.55	0.60
Dividend Payout Ratio	0.06	0.09
Net Asset Value Per Share (Rs.)	46.81	37.91

Corporate Information

DATE OF INCORPORATION	: 23rd February 2006
DATE OF RE-REGISTRATION	: 27th June 2007
COMPANY REGISTRATION NO	: PB14PQ

IMPORTANT DATES:

- Formed as a Leasing Establishment in July 2006
- Obtained Finance Company Licence in November 2008
- Listed 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 (resigned w.e.f.:31/03/2014)
A Majumdar	
N D Johnson	
N S Welikala	
A M Patrick	
A W Wickremesinghe	
D C Yatawaka	
S A B Rajapaksa	
B P Morris	- Director/CEO (Appointed w.e.f:18/12/2013)

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 Ltd
Nations Trust Bank PLC
Peoples Bank PLC
Sampath Bank PLC

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	

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	- resigned w.ef.:31.03.2014
S A B Rajapaksa	
D C Yatawaka	
U Fernando	
P Mendis	
R Boteju	
L R Perera	
D I Brohier	
H N N K Perera	
B P Morris	- attended by Invitation

REMUNERATION COMMITTEE

: The Remuneration Committee of the Company was formed on 10.02.2011

A W Wickremesinghe	- Chairman
A M Patrick	
N S Welikala	
S A B Rajapaksa	

CAPITAL LEASING

AMW Capital Leasing and Finance PLC
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