

AMW Capital Leasing & Finance PLC

Annual Report 2014



RS. 8 Bn

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Vision

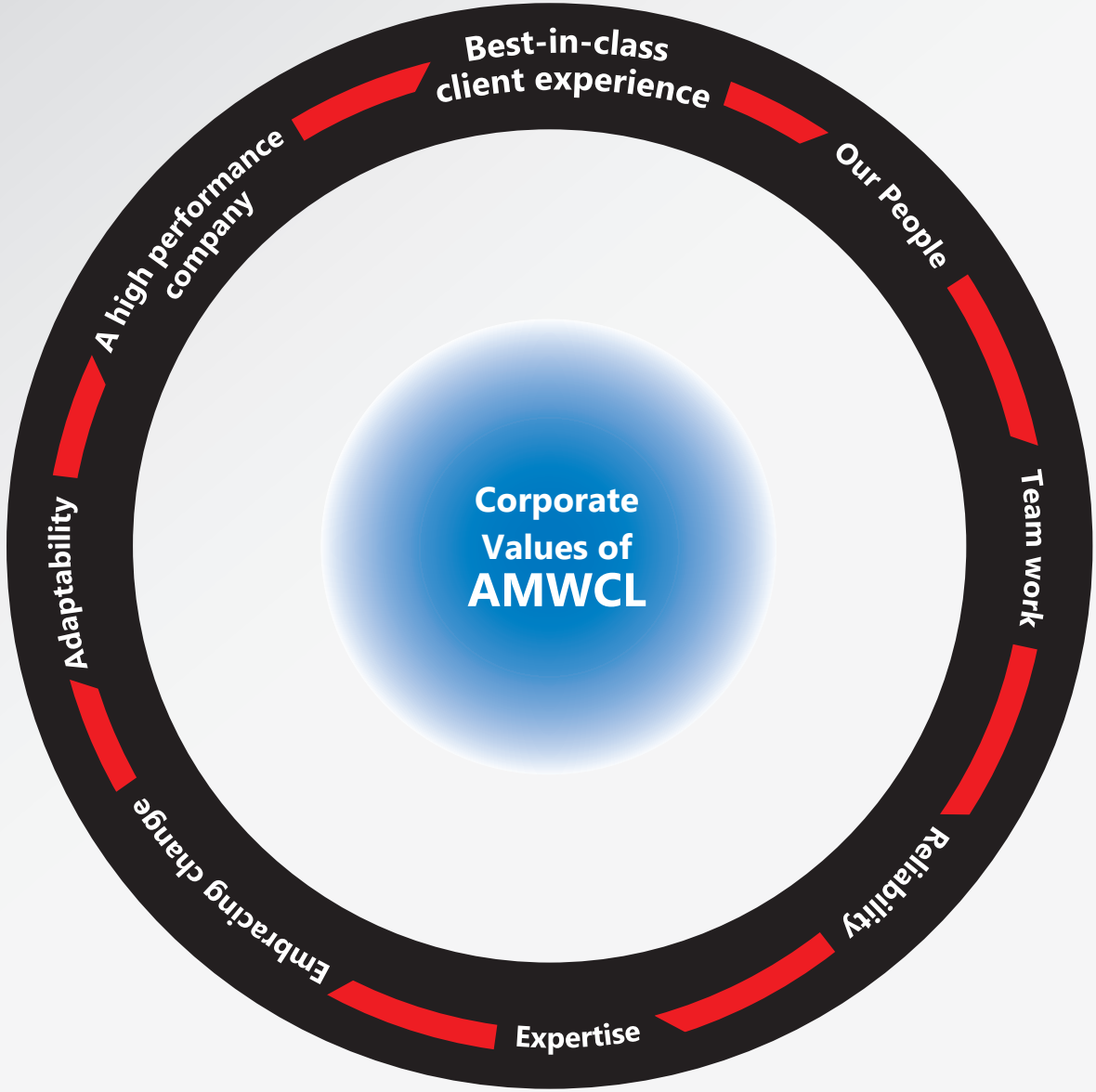
To be the most trusted admired and profitable financial institution in Sri Lanka.

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, 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 license
Opened principal place of business in Borella
Opened first branch in Kurunegala
Second branch in Matara and third branch in Rathnapura

2007

Opened new branches in Negombo and Kandy

2008

Received Finance Company License

2011

Listed on the Diri Savi Board of the CSE
Opened new branches in Badulla, Anuradhapura and Nugegoda
Migrated into a sophisticated state of the art leasing system
Introduced operating lease to the product portfolio

2012

Opened branches in Gampaha and Kuliyaipitiya
Opened a new service center in Avissawella
Shifted the business model further by penetrating in to financing used vehicle segment
Integration with SAP ERP System

2013

Assets surpassed the Rs. 5 Bn mark
Opened a fully fledged Branch in Colombo
Opened a new branch in Dambulla
Opened two new service centers in Kalutara and Kiribathgoda
Setting a Micro- Finance unit
Launched company Web-site

2014

Opened a New Branch in Galle
Relocated Rathnapura, Nugegoda, Avissawella and Dambulla Branches
Became Tier "A" NBFi surpassing Rs. 8 Bn assets
Implementation of the Fixed Deposit Module

CHAIRMAN'S MESSAGE

“The total assets surpassed Rs.8Bn, whilst loans and advances achieved a YOY growth of 20%”



CHAIRMAN'S MESSAGE (Contd.)

It is with great pleasure that I present to you the Annual Report and Audited Financial Statement for the year ended 31st December 2014 of AMW Capital Leasing & Finance PLC. I am happy to report that your company performed strongly in a very challenging environment as discussed below:

Global Economy

The global economic recovery after the financial crisis of 2008, continues to be weak and uneven. The massive monetary stimulus or quantitative easing (QE) in the US, has resulted in stronger growth momentum in that country. QE, has therefore been discontinued and interest rates are expected to rise. The timing of the increase is still uncertain as economic data supporting the recovery is patchy. In anticipation of a rate hike, the U.S. dollar has strengthened greatly against most currencies.

The recovery in the rest of the world is generally weak. Economic problems in Europe and Japan and a weakening Chinese economy have resulted in a moderation of export led growth in the emerging markets. Weak global demand has also resulted in a sharp decline in oil prices, which has helped keep inflation muted globally and also in a surplus of capital, which banks are unwilling or unable to lend. Sri Lanka is not isolated from these trends in the global economic environment.

Environment

In 2014, the Sri Lankan Economy continued to grow at a robust pace of 7% with single digit inflation driving interest rates to historic low levels. The economy was also benefited from the rapid fall in oil prices.

However, private sector credit growth was slow during the year, exacerbating the problem of overcapacity in a

fragmented finance company and leasing industry. The Central Bank of Sri Lanka therefore initiated a consolidation programme for the industry in 2014, in order to build scale and sustainability. This was supported by a policy of systematic increases in capital adequacy. However it is unclear whether this programme will be followed through and fully implemented.

Although GDP is likely to continue to grow strongly, 2015 may be a more challenging year for the economy and the industry, especially in the context of changing political and policy environment. Management of the budget and external deficits in this context may prove to be more difficult than previously. Uncertainty about the changes of direction of fiscal, monetary, exchange and regulatory policies will make management of the Company's business more complex in the coming year.

Performance and Outlook

As described in detail, in the report of the Director/CEO, the Company performed very creditably in 2014.

Balance sheet scale was built aggressively as the Company sought to widen its customer base and market share, a policy, which it intends to sustain in the future too. In doing so, it will continue to increase its synergies Associated Motorways (Pvt) Ltd with the parent. By year end the Company had also complied with the interim Asset Target and Core Capital Requirement, prescribed by the Central Bank of Sri Lanka, under its Consolidation Programme.

Despite aggressive asset growth, the Company managed its three major risks, namely credit, operational and funding risks. As a result, our portfolio

quality indicators are far better than the industry, while funding and interest rate mismatches have been narrowed to acceptable levels. The Company continues to be strongly capitalised, well in excess of the minimum capital requirements. Return on shareholder's funds of 21.7% continues to be very strong, despite rising overheads which support the expansion programme.

I'm pleased to inform that the Company recorded a Profit after Tax (PAT) of Rs. 225.86Mn, achieving a growth rate of 19.2%. The loans and advances achieved a YOY growth of 20% which is well above the industry averages.

For 2015, the Company intends to continue on the path of sustained growth. The need for continuing vigilance and enhanced professionalism in the management of risks is recognised by both Board and Senior Management as we strive to build scale and market share. I am confident that together we can achieve our ambitious targets.

Appreciation

In concluding, I would like to express my gratitude towards my fellow Directors, Director/CEO and his team for their loyalty, dedication and hard work in delivering these excellent results. I would also like to thank our stakeholder groups, and business partners who contributed to your Company's achievement in 2014 and very specially to the valued customers for their confidence placed with us.



Deshabandu Tilak De Zoysa
Chairman

25th February 2015

DIRECTOR / CEO'S MESSAGE



“While growing the company's lending portfolio at a considerable pace we were successfully able to retain the quality of our portfolio”

CEO'S MESSAGE (Contd.)

It is my pleasure to present to you the Annual Report and Financial Statements for the year ended 31st December 2014, which encompasses noteworthy performance of another successful year for AMW Capital Leasing & Finance PLC.

Performance

The company surpassed number of landmarks during the year with the total asset base exceeding Rs 8 Bn and the capital base exceeding Rs 1 Bn at the end of FY 2014. The accommodations grew at a healthy rate of 20%, to Rs 6.23 Bn amidst an extremely intensely competitive and a less conducive environment with a weak credit demand from the private sector. While growing the company's lending portfolio at a considerable pace we were successfully able to retain the quality of our portfolio which reflects from the low Non Performing Loan (NPL) ratio of 2.64%. This is amongst the lowest in the industry and also well below the industry average of 7% which is supported by the prudent lending and strong recovery strategies pursued by the company.

Amidst a compression in industry margins due to the excess liquidity, we were able to achieve a 9.7% of Net Interest Margin (NIM) with a growth in the Net Interest Income of 55%. Although the low interest rate regime failed to achieve the anticipated credit demand, it facilitated the company to optimize the benefit of low cost funds through mitigating its liquidity and interest sensitivity gaps through pursuing timely funding and re-pricing strategies. The other income grew at a moderate rate of 10% amounting to a total operating income of Rs 828 Mn. The cost to income ratio was at a commendable level of 48% derived through the company's efficient cost structures. The above factors resulted in a healthy profit after tax (PAT) of Rs 225.86 Mn, resulting in a growth of 19.2% against the previous year. The Return on Assets (ROA) and Return on Equity (ROE) were 5.2% and 21.7% respectively, indicating a performance in excess of industry averages. The capital adequacy ratio was 17.9%.

It's encouraging to note that the company's deposit base grew to Rs 973.90 Mn at the end of the year, building a more diversified funding portfolio. This was achieved within a short period of time with the confidence placed by our valued customers on our strong brand name.

The company was able to add only one new branch in Galle to its network due to some restrictions posed by the Central Bank of Sri Lanka under its Consolidation Program. However we relocated four existing branches to customer convenient areas with advanced facilities.

The Economy

The Sri Lankan economy achieved an estimated GDP growth of 7.4% in 2014. The industry sector being the main contributor with 11.4%, which is stemming from the construction sector driven by the major infrastructure projects. The service sector had a growth rate of 6.5%. The agriculture sector showed a decline in growth due to the adverse weather conditions. The subdued annual average inflation of 3.3% and stable currency were the positive signs of the economy. The CBSL continued its relaxed monetary stance in 2014 followed by the further downward revision of the 12 month-Treasury bill rate by 229 bps to 6% towards the end of the year. Unemployment rate was around 4% while the per capita income increased to an estimated level of over US\$ 3,650.

Year 2015, started with the changes in the political climate, which will no doubt pose changes to the economic priorities. As a result of the interim budget implications the household consumption is expected to increase. Any failure in funding the expected increase in expenditure due to any government revenue short fall have a possibility in putting pressure on interest rates.

The Industry

Sri Lanka's NBFIs sector consists of 58 companies. The sector currently has a network of 1,132 branches. According to the latest statistics of the CBSL, the industry accommodations growth had moderated to 16% due to the weak credit demand. The deposits grew YOY by 22.7%, holding a 50% share of the total funding. The industry experienced a considerable reduction in the profitability due to low margins, increased operational cost and provisioning requirements. The deterioration in the quality of the portfolio is reflected in the increased Non Performing Loan (NPL) ratio of 6.9%. The industry was extremely competitive throughout the year with excess liquidity, and due to the entry of banks to the leasing market.

Outlook

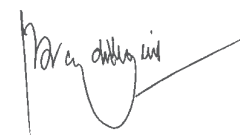
The pickup in the credit demand witnessed in latter part of 2014, due to the low interest rate regime, coupled with moderate inflation levels, indicates some positive signs for 2015. We expect the credit demand to accelerate to anticipated levels. However, in response to the challenges posed in the current context, the company's strategic trust will be on product diversification and realignment of portfolio based on risks and margins. Continuous evaluations are being carried out to identify potential industries and market segments to serve with innovative financial solutions.

Financing small cars, has been one of our significant focus areas from the beginning of our journey. Thus we expect high growth in this segment with the recent surge in demand for small cars, due to the reduction in import duties. The company expects to benefit through effective use of group synergies. Technological advancement will be expected to take place in 2015 with a view of increasing the quality and speed of our service and enhance the productivity.

The company hopes to expand its branch network to strategic locations and also strengthen the micro finance business unit, thus achieving high growth in 2015 and creating greater value to our stakeholders.

Appreciation

I would like to express my gratitude to the Chairman and my colleagues on the Board for their valuable guidance, support and confidence placed in me. My sincere appreciation extends to the Management team and staff, for their hard work, dedication and continued support throughout the period. It is my bounded duty to express a very big thank you, to our customers, suppliers, business introducers, depositors, business associates and other stakeholders, for their loyalty and confidence placed in us.



Brandon Morris
Director/CEO

25th February 2015

BOARD OF DIRECTORS



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1. Tilak de Zoysa
Chairman

A well-known figure in the Sri Lankan business community, Mr. Tilak de Zoysa, FCFI (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 AI-Futtaim Group of Companies in Sri Lanka, he Chairs Carsons Cumberbatch PLC, Associated CEAT (Pvt) Ltd., Amaya Hotels and Resorts USA (Radisson), AMW Capital Leasing and Finance PLC, Jetwing Zinc Journey Lanka (Pvt) Ltd and HelpAge Sri Lanka.

He is also the Vice Chairman of Ceat Kelani Holdings (Pvt) Ltd., Orient Insurance Ltd. and serves on the boards of several listed and private companies which include John Keells PLC, Taj Lanka

Hotels PLC, TAL Hotels and Resorts Ltd, Lanka Walltiles PLC, Nawaloka Hospitals PLC, Dutch Lanka Trailer Manufacturers (Tata Group), Associated Electrical Corporation Ltd., Inoac Polymer Lanka (Pvt) Ltd., Cinnovation INC., 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).

BOARD OF DIRECTORS (Contd.)



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2. **Brandon Morris** **Director/CEO**

Mr. Brandon Morris counts over 25 years of Managerial experience, of which 17 have been in the non-Banking Financial Sector (NBFI).

Prior to joining AMW Capital Leasing & Finance PLC in December 2013, Mr. Morris 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).

He is a Chartered Marketer, holds a MBA from the Post Graduate Institute of Management (PIM), University of Sri Jayawardenapura and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK.

His diverse skills and valuable experience in Sales, Branding, Credit Appraisal, Debtor Management, Distribution, Dealership Management, Logistics and International Trading, in both the financial and trading sectors, complements his role as a Management Board Director of AMW Group as well.

Mr. Brandon Morris currently serves as a Director, on the Board of the Leasing Association of Sri Lanka.

3. **Samantha Aruna Bandara Rajapaksa** **Non Executive Director**

Mr. Samantha 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.

BOARD OF DIRECTORS (Contd.)

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.

4. Avijit Majumdar **Non Executive Director** *(Absent in Photograph)*

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

Prior to joining the AI 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.

5. Nigel David Johnson **Non Executive Director**

Mr. Nigel David Johnson is the Managing Director - Vehicle Rental & Leasing for the AI- 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 his 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.

6. 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.

7. Angelo M. Patrick **Non Executive Independent Director**

Mr. 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.

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 a Group Director of The Capital Maharaja Organization Ltd and Non-Executive Independent Director of AMW Capital Leasing & Finance PLC and Richard Pieris Exports PLC.

8. 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, Mrs. 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.

9. Mrs. Samitha Dayani De Silva **Company Secretary**

Mrs. S D De Silva contributes over 23 years of experience to the AMW Group and was with AMW Capital Leasing and Finance PLC from its inception.

She is a Fellow of the Institute of Chartered Secretaries and Administrators, UK and a Fellow of the Institute of Chartered Corporate Secretaries in Sri Lanka.

SENIOR MANAGEMENT TEAM



1. Pramuditha Mendis General Manager

Mr. Pramuditha Mendis serves as the General Manager of the company. He has over 20 years of experience in the field of Leasing including 4 years in an overseas assignment. Mr. Mendis started his Leasing career with LOLC and was instrumental in obtaining PFI status for LOLC at ADB funded tea development refinance scheme, thus making LOLC, the first specialized leasing company

to qualify for ADB funded credit scheme. After serving LOLC for 11 years, he joined Saudi ORIX Leasing Company in K.S.A. and worked as the Senior Manager/ Deputy Region Head for 4 years. Having served as a Director of The Leasing Association of Sri Lanka (LASL), Mr. Mendis has experience in both SME (small and medium enterprise) and Corporate Credit and Marketing. He holds a Bachelor of Science Special Degree in Industrial Management from the University of Kelaniya.

2. Sanjaya Thenuwara Deputy General Manager – Marketing

Mr. Sanjaya Thenuwara the Deputy General Manager-Marketing, counts over 18 years' experience in the field of Leasing. He started his career as a Management Trainee at Mercantile Investments Ltd & thereafter worked at Central Finance & Mercantile Leasing Limited, before moving in to Lanka

SENIOR MANAGEMENT TEAM (Contd.)

Orix Finance Company PLC in 2003.

Mr. Thenuwara worked at LOLC for 10 years in the capacity of Regional Manager & Chief Manager City Branch. He holds a Diploma in Marketing from SLIM & a MBA from University of Wales Institute Cardiff.

3. Udana Fernando **Head of Risk Management**

Mr. Udana Fernando joined the company as Head of Risk Management in May 2012. He was appointed as the Compliance Officer of the company with effect from April 2014, in addition to his responsibilities of Risk Management function. He accounts for 15 years' experience in the banking and finance sector. Mr. Fernando commenced his career with DFCC Bank gaining experience over 7 years' covering Recoveries, Corporate Banking and SME Lending. Thereafter, he joined ICICI Bank Sri Lanka Branch which included postings at Corporate Banking, Mid Markets segment and Risk Management attached to the Global Risk Management Unit of ICICI Bank. He holds a Bachelor of Science (Second Class Upper Division) degree from Faculty of Science University of Colombo. He is an Associate Member of the Chartered Institute of Management Accountants, UK (ACMA) and a holder of International Certificate in Banking Risk and Regulation-Global Association of Risk Professionals (GARP).

4. Hemantha Ratnayake **Head of Recoveries & Administration**

Mr. Hemantha Ratnayake is the Head of Recoveries & Administration. He counts over 17 years' experience in the Leasing

and Finance Industry. Mr. Ratnayake was the Senior Manager Recoveries & Collection of Asian Finance Ltd. He holds a Diploma in Credit Management (IBSL). He also served in the Sri Lankan Navy Communication Department, for more than 13 years and gained experience in International marine Communications.

5. Chinthaka de Alwis **Head of Operations & Compliance**

Mr. Chinthaka de Alwis the Head of Operations and Compliance has a diploma in Litigation Systems to the law. Mr. De Alwis has over 22 years' experience in the Finance sector. He was the Head of the division of Compliance at Peoples Leasing Ltd for a period of 2 & ½ years. He possesses 11 years' experience at Lanka Orix Leasing Company (LOLC) in the Finance, Micro Finance, Corporate Finance and Internal Audit division, responsible for Internal and Information Systems Auditing processes of the Organization.

6. Uma Maheswaran **Head of Fixed Deposits**

Mr. Uma Maheswaran, the Head of Fixed Deposits, who joined the company in December 2012 was instrumental in setting up the fixed deposit operations. He has 17 years of experience in the finance industry, particularly in fixed deposit mobilization and operations. Prior to joining AMWCL, he was the Manager – Fixed Deposits at Mercantile Investments and Finance PLC, where he served a good 15 years of his career.

7. Mrs Ivon Brohier **Senior Manager Finance**

Mrs. Ivon Brohier who is functioning as the Senior Finance Manager, has been with the company from its inception. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and holds an MBA from the University of Colombo. She also holds a Bachelor of Science Special Degree with a second class upper Division in Management from the University of Sri Jayewardenepura. Prior to joining AMWCL, Mrs. Brohier was working with KPMG Ford Rhodes Thornton and Co. and was an Analyst in tax and regulatory affairs at the time of leaving the firm.

OPERATIONAL REVIEW

Non-Banking Financial Institutions (NBFIs) had to face an unnerving challenge during the year 2014 due to the Financial Sector Consolidation Program announced by the Central Bank of Sri Lanka (CBSL) at the very beginning of the year 2014. CBSL envisioned to reduce the number of players in NBFI sector from 58 to 20 in the long run, each having an asset base of over LKR 20 billion. The Directors and Key Management Personnel of NBFIs were busy and engaged initially with shopping around & looking for a suitable partner to merge or to acquire. Apart from this, they were also busy getting due diligence done on shortlisted choices, since the deadline for the completion of the consolidation was 31/12/2014. Business development activities that take place in the form of geographical expansions through opening new branches came to a halt till the consolidation plans are implemented.

The other major challenge came from banks, which initially did not show much interest in the leasing business, aggressively marketing leases to customers. This was due to the excess liquidity they were sitting with, forcing NBFIs to suppress the decent profit margins they have been enjoying and

maintaining in the past. Charging a risk margin and maintaining the risk driven pricing policy became a challenge for many NBFIs.

Further, disposing repossessed vehicles became a herculean task since demand crashed increasing realized losses to companies.

The accommodations growth of the industry decelerated to 14.3% from compounded annual growth rate of 22% over the past 5 years. This could be due to the lower private sector credit growth reported during the year. Further, deterioration of portfolio quality was noticed and Non Performing Advances (NPA) increased to 6.8% at the yearend 2014.

Year 2014 was another challenging year for AMW Capital Leasing and Finance PLC due to both external (described above) and internal challenges. While working on the consolidation program, the company focused on three major important business decisions. One was to bridge the liquidity & interest rate risk by soliciting long term fixed rated funds which was completed successfully. This enabled the company to reduce Interest Expense by 06% over the previous year. The second was to broad base the

funding sources by reducing the parental borrowing which was also achieved to a great extent by sourcing funds independently from banks and through Public Deposits. Improving productivity through cost efficiencies was the third major task the company embarked on which too was achieved while reaching the 4th quarter of the year. The company relocated Ratnapura, Nugegoda, Avissawella and Damubulla branches to more spacious and potential locations and also managed to open a new branch office in Galle, in the 4th quarter. Increasing the total asset base to LKR 8.2 billion and becoming a tier "A" company (as per the CBSL classification) was another land mark achieved by the company.

The impressive portfolio quality maintained by the company over the years was once again established by keeping NPA ratio very much under control at 2.64% during the year under review when industry average rose to 6.8%.

All these positives together, assisted the company to close the year very successfully posting a profit after tax (PAT) of LKR 226 million.

19%

Growth in Profit after Tax

The Company reported almost 19% Growth in PAT for the year 2014 when compared with the year 2013. Increase in interest income and the reduction in Interest Expense to Interest income ratio from 56% to 44% were the main contributory factors. Growth in Interest income received from held to maturity investments also contributed to the growth to a certain extent.

21%

Growth in Interest Income

The Company's Interest Income grew by 21% when compared to year 2013. The loan portfolio reported a growth of 116% during the year when compared with the year 2013 as a result Interest Income from the loan portfolio grew by 163% which was the main contributory factor for the overall growth. Loans became more attractive to the customer when compared to a Hire Purchase facility due to tax differences thereby conveniently substituting Hire Purchase transactions. As a result a remarkable drop in Hire Purchase portfolio was noticed. Both lease portfolio and its Interest Income recorded a marginal growth.

55%

Growth in Net Interest Income

The company's Net Interest Income increased to LKR 658 Million in 2014 from LKR 424 million in 2013 reporting a 55% growth over the previous year. The Growth was very much higher than the Net Interest Income growth reported during the year 2013 over 2012. The 21% growth reported in Interest Income and the decrease in Interest Expenses were the main contributory factors.

20%

Growth in Interest Earning Assets

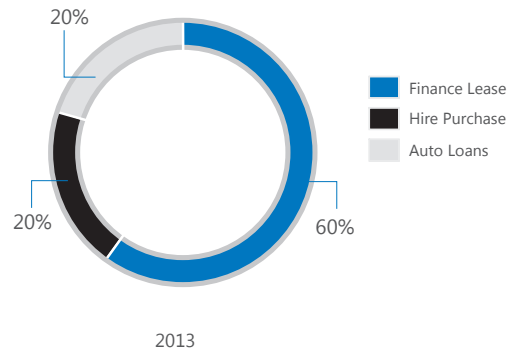
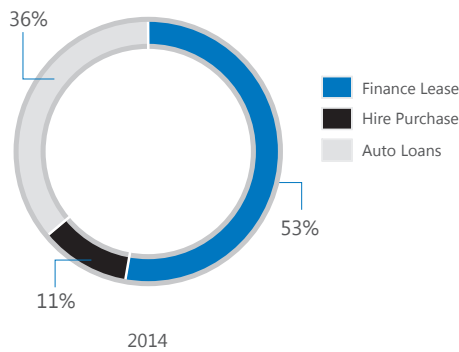
The company executed facilities to the tune of LKR 4.1 billion during the year completed against LKR 2.9 billion in 2013 reporting a 39% growth. This assisted the company to achieve 20% growth in Interest Earning Assets which is higher than the industry growth, 14.3%. Auto loans portfolio showed 116% growth over the previous year, while Finance Lease portfolio showed a very modest growth of 5% and almost 30% drop in Hire Purchase portfolio.

10%

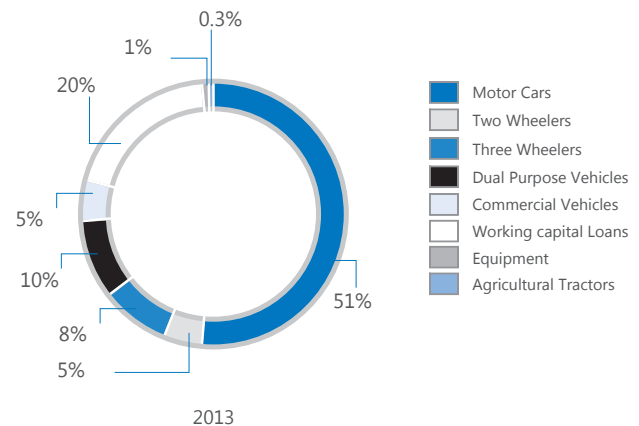
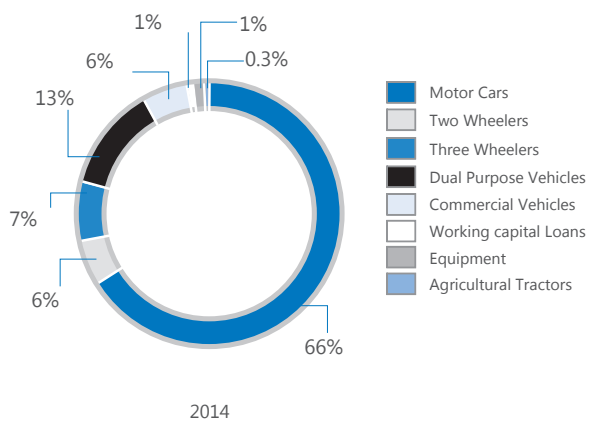
Growth in Other Operating Income

The other operating income mainly consists of default interest recovered, documentation fee, income from early settlements and insurance income. This increased to LKR 156 million in 2014 from LKR 143 million in 2013.

Product wise Portfolio Distribution



Portfolio Exposure Based on Asset Class



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 (Batch 2). The programme 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.

- Business English Certificate Course customized to improve oral and written skills of employees. The duration of the programme 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.
- An OBT training was conducted to motivate and buildup the team spirit of the staff.
- A series of hands-on training of MS Excel (Basic & Advance) and MS PowerPoint (Basic & Advance) were conducted to advance the IT skills of our staff.

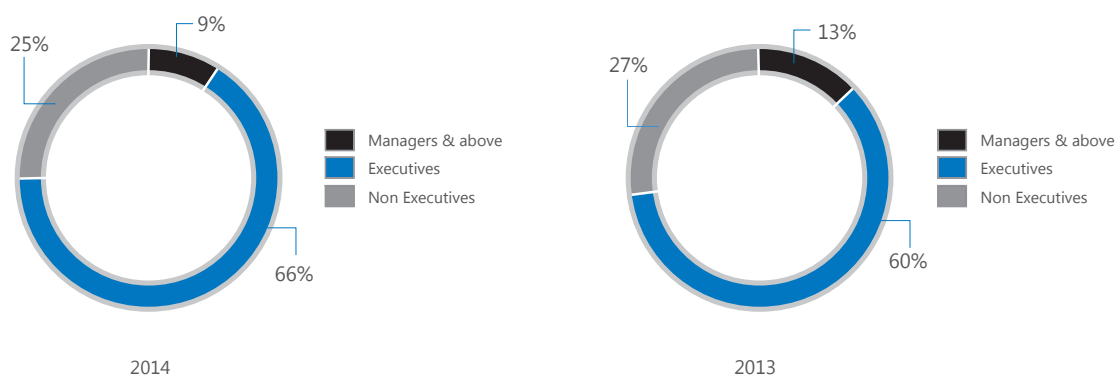
- Interactive workshops on Effective Presentation Skills.
- Time Management workshop providing the participants with techniques in prioritizing tasks and effective use of time.
- Negotiation Skills training for participants to improve their negotiation abilities.

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:

- Board Leadership Training Programme organized by the Sri Lanka Institute of Directors.
- Programme on Consolidation of the Financial Services Sector by the Institute of Chartered Accountants of Sri Lanka.
- Seminar on Particulars of VAT on Financial Services by The Ceylon National Chamber of Industries.
- Triple Bottom Line of Success organized by Inspire One Consultants Marketers Trainers

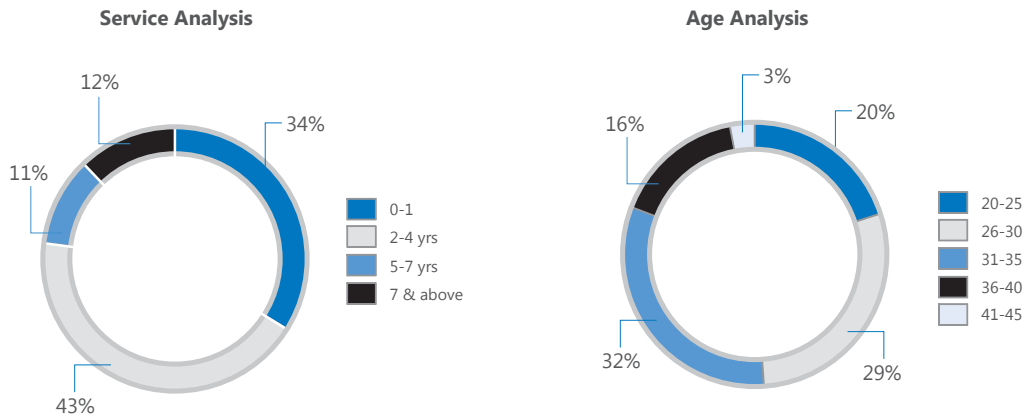
Manpower Statistics

As at 31.12.2014, AMW Capital Leasing & Finance PLC's total cadre stood at 174 up from 139 as at 31.12.2013.



HUMAN RESOURCE ENGAGEMENT (Contd.)

As at 31.12.2014 employees' service and 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 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 and Finance PLC 445, Bauddhaloka Mawatha, Colombo 08	Chulanga De Alwis	011-2671371/ 171	011-2671272
Kurunegala	Kurunegala	North Western	AMW Capital Leasing and Finance PLC 204,Colombo Road, Wanduragala Kurunegala	Thusitha Yalage	037-7609608	011-2229867
Negombo	Gampaha	Western	AMW Capital Leasing and Finance PLC 262, Chilaw Road, Periyamulla Negombo	Indika Jayamanne	031-7609608	031-7609643
Kandy	Kandy	Central	AMW Capital Leasing and Finance PLC 400, Katugastota Road, Kandy	Dineeth Premachandra	081-7609608/43	081-2212952
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing and Finance PLC No 510, Colombo Road, Weralupa, Rathnapura	Aruna Kuruppu	045-5677677	045-2226940
Matara	Matara	Southern	AMW Capital Leasing and Finance PLC 215E,Galle Road, Pamburana, Matara	Vipul Shantha	041-7609608	041-2220460 041-2225544
Badulla	Badulla	Uva	AMW Capital Leasing and Finance PLC 08, Lower Kings Street, Badulla	Manoj Kumara	055-7609615-8	055-7609619
Anuradhapura	Anuradhapura	North Central	AMW Capital Leasing and Finance PLC 521/40,4th Cross Road, New Town Anuradhapura	Janaka Priyantha	025-2227020-3	025-2227024
Nugegoda	Colombo	Western	AMW Capital Leasing and Finance PLC 311,High Level Road, Nugegoda	Manoj U. Perera	011-2829523-6	011-2829521
Gampaha	Gampaha	Western	AMW Capital Leasing and Finance PLC 163/A, Ja-Ela Road, Gampaha	Eroshan Anuradha	033-7609608/ 640	033-7609644
Kuliyapitiya	Kurunegala	North Western	AMW Capital Leasing and Finance PLC 461, Madampe Road, Kuliyapitiya	Lakshan Senarathna	037-7609650-1	037-7609658
Dambulla	Dambulla	Central	AMW Capital Leasing and Finance PLC No 22,Kurunegala Junction, Dambulla	Nayana Dhanushka	066-2285760-3	066-2285764
Union Place	Colombo	Western	AMW Capital Leasing and Finance PLC 185, Union Place, Colombo 2	Uma Maheshwaran	011-2446419/ 374/278/476	011-2307749
Kalutara	Kalutara	Western	AMW Capital Leasing and Finance PLC 380D, Galle Road, Kaluthara North (Service Centre)	Kasun Wakista	034-2228609-12	034-2237411
Kiribathgoda	Colombo	Western	AMW Capital Leasing and Finance PLC 101, Kandy Road, Kiribathgoda (Service centre)	Pio Perera	011-2908916-8	011-2908914
Avissawella	Colombo	Western	AMW Capital Leasing and Finance PLC No 8, Colombo Road, Ukwatta, Avisawella (Service centre)	Chandana Vithana	036-2231110/ 13/14/15	036-2231116
Galle	Galle	Southern	AMW Capital Leasing and Finance PLC No.287 A,Wakwella, Galle	Dushan Gunawardena	091-2231265/66	091-2231267

BRANCH NETWORK (Contd.)

Information of Company Branch Network and Service Centres

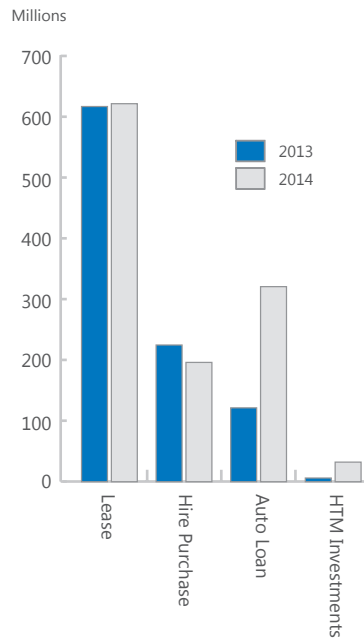


FINANCIAL REVIEW

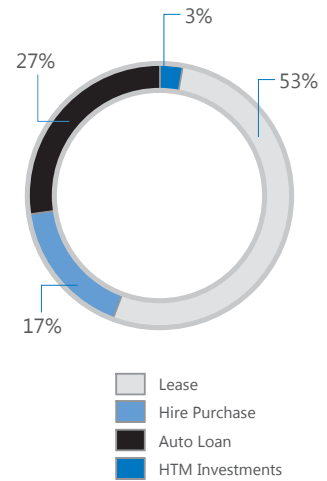
Interest Income

Despite the intense competition due to low interest rate regime followed by excess liquidity in the market and low credit growth in the first half of the year, Company could exceed its volumes by a considerable 39% compared to the year 2013. Total Interest Income of the Company recorded an increase of 21% from 971mn to 1.2bn during the year. Auto Loans as a much lucrative product due to the specific features associated with it gained much of the customer focus and reported a growth of 163% in interest income over the previous year. Leasing business continued to be the largest contributor to the income despite its marginal growth in income compared to the previous year. Changes to the tax rules during the year by exempting leasing business from Value Added Tax (VAT) made these financial products more or less homogeneous. Interest Income from Hire Purchases considerably dropped due to its less importance as a strategic product in the current context. Interest Income from held to Maturity Investments significantly improved due to the substantial investments made in government securities.

Interest Income



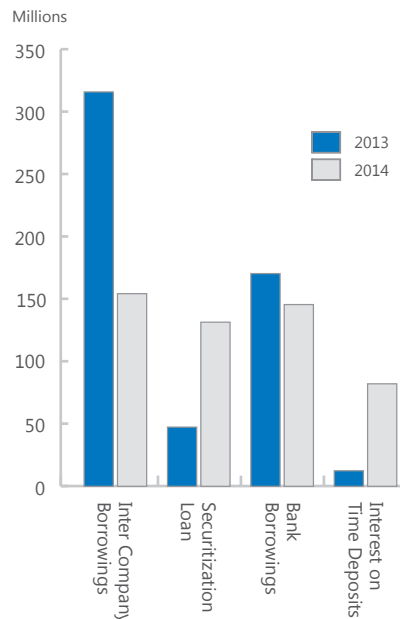
Interest Income - 2014



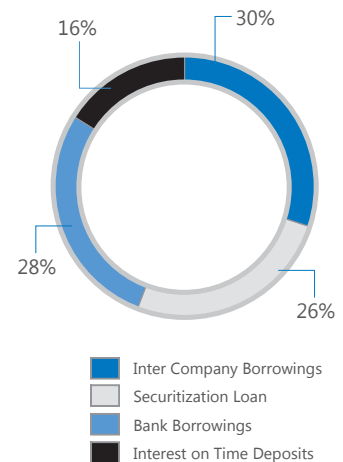
Interest Expenses

Low interest rates resulted in reduced interest costs to the company compared to the previous year. Maximising on the reduced rates, the company strategically moved towards long term funding options whilst increasing its deposit base which reflects increased public confidence.

Interest Expenses



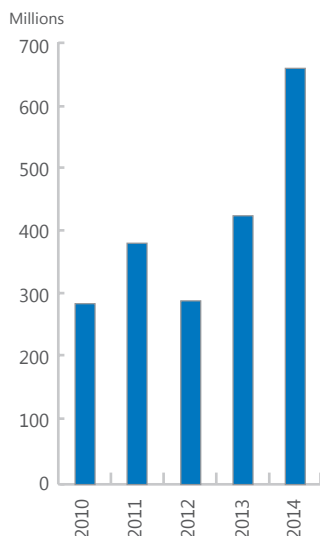
Interest Expenses -2014



Net Interest Income

Amidst a low interest rate environment, the company maintained its margins and achieved a 55% increase in Net Interest Income (NII) over the previous year.

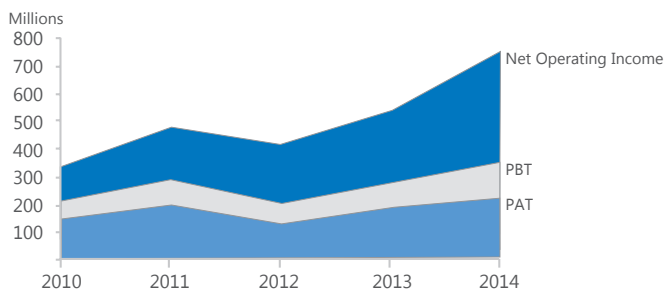
Net Interest Income



Profitability

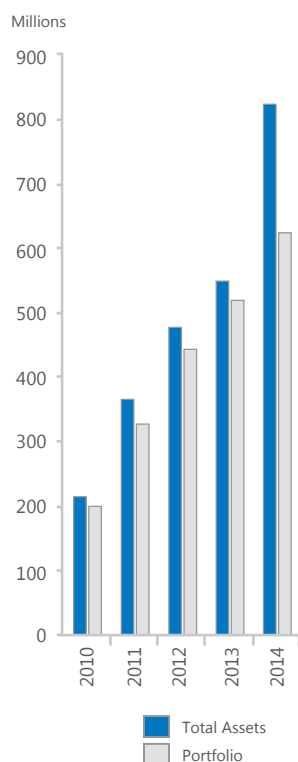
Pre Tax Profits of the Company reported an increase of 28% over the previous year. This increase in pre-tax profits is mainly due to increase in Net Interest Income (NII). Total Operating Expenses amounted to 56% of NII. Increase in operating expenses is in par with the growth in the business volume. Profits were negatively impacted due to the increase in impairment charges by 80% than the previous year. Resultant increase is due to increase in Non-performing loans (NPLs). Company NPLs upstretched by 53% compared to the previous year. However the Company could maintain NPLs at a manageable level and well below the sector NPLs. Company NPL ratio stood at 2.64% as at the end of the year whereas the sector NPL ratio stood at 6.9%.

Increase in loan portfolio combined with flared base of supply liable for Financial Services VAT proposed by budget resulted VAT on Financial services expense to increase by 98% compared to the previous year. Total government taxes including Financial VAT accounted for 40% of Company's Operating profits.



Total Assets

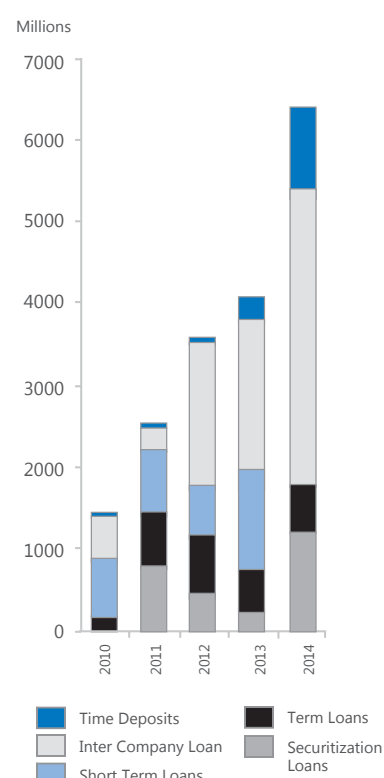
Strengthening the Financial Position of the Company, Total Assets surpassed Rs.8bn during the year. Total lending assets which comprised of Leasing, Hire Purchases and loans grew by 20% during the year while Auto Loans also recorded an increasing trend. However a decline was noted in the Hire Purchase portfolio. Leasing represents more than 50% of the entire portfolio whilst lending assets represents more than 75% of the total assets of the company.



Total Liabilities

Noteworthy increase in the deposit base to more than double during the year is due to increased awareness about the Company and competitive marketing tools offered to attract deposits.

Major funding sources of the Company are Bank Borrowings, Securitization and parent Company borrowings. Parent Company AMW provided 67% of the total funding requirement as of the year end. During the year the Company maintained a healthy mix of long term to short term funding focusing on fixed and variable rate funding sources.



RISK MANAGEMENT

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

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

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

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

Risk identification is to recognize and understand risks that may arise from both existing and new business initiatives and is a continuing process which is understood at both the transaction and portfolio levels. Risk

Monitoring is done by having in place an effective management information system (MIS) to monitor risk levels and facilitate timely review of risk positions and exceptions. Risk Control is done by establishing and communicating risk limits through policies, standards, and procedures that define responsibility and authority for the various risks assumed by the company and these limits serve as a means to control exposure 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

RISK MANAGEMENT (Contd.)

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 53% based on the product class with cars dominating with over 66% exposure based on the asset class, which could be classified as low risk.

Product wise exposure (Rs. 'Million)

Product	As at 31 Dec 2014		As at Dec 31, 2013	
	Exposure	%	Exposure	%
Finance Leasing	3,357.62	52.69%	3,164.17	60.07%
Hire Purchase	736.34	11.55%	1,064.45	20.21%
Auto Loans	2,278.71	35.76%	1,039.16	19.73%
Total	6,372.67	100.00%	5,267.79	100.00%

Exposure based on asset class as at Dec 31, 2014

Asset	(Rs. 'Million)	%
Motor Cars	4,223.77	66.28%
Two Wheeler	359.46	5.64%
Three Wheeler	447.26	7.02%
Dual Purpose vehicles	821.93	12.90%
Commercial vehicles	360.38	5.66%
Working capital Loans	42.41	0.67%
Equipment	99.74	1.57%
Agricultural Tractors	17.72	0.28%
Total	6,372.67	100.00%

Despite an expansion in the lending portfolio by 20% and shift from AMW brands to non-AMW and commercial segment, our NPL ratio was kept at a comparatively low level of 2.64% as at December 2014, as compared to the industry average of over 6% and maintained healthy capitalization of over 18%. The low non-performing ratio and the capital cushion reflects our credit policies and processes.

Rs. 'Million	2014	2013
Total Risk Weighted Assets	6,370.29	5,370.62
Capital	1,143.94	881.54
Capital Adequacy Ratio- Tier-I	18.0%	16.4%
Capital Adequacy Ratio- Total	18.0%	16.4%
Gross NPA	168.20	109.55
Gross NPA Ratio	2.64%	2.08%

RISK MANAGEMENT (Contd.)

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. However, the company had been able to convert a significant portion of its funding lines to Long Term Fixed rate funding which had mitigated the mismatch risk in its balance sheet. 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 is updated on the 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 public deposits. To reduce dependence on parental and bank funding a fully-fledged deposit drive was 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, 2014 (Rs. 'Million)

	Less than 1 month	1-3 months	3-12 months	1-3 Years	3-5 Years	Over 5 years	Total
Assets							
Interest Earning Assets	1,772.86	632.59	1,559.99	2,919.04	1,089.40	83.95	8,057.82
Non-Interest Earning Assets	75.67	9.41	5.46	1.74	5.39	89.78	187.46
Total Assets	1,848.53	642.00	1,565.45	2,920.78	1,094.79	173.73	8,245.28
Liabilities							
Interest Bearing Liabilities	447.06	2,407.29	1,449.46	1,766.85	575.87	-	6,646.54
Non-Interest Bearing Liabilities	233.05	106.16	8.93	-	-	106.66	454.80
Shareholders' Funds	-	-	-	-	-	1,143.94	1,143.94
Total Liabilities & Equity	680.11	2,513.45	1,458.39	1,766.85	575.87	1,250.60	8,245.28
Gap	1,168.42	(1,871.45)	107.06	1,153.92	518.92	(1,076.87)	
Cumulative Gap	1,168.42	(703.03)	(595.98)	557.95	1,076.87	-	

Interest Rate Risk

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

Interest Rate Risk Management

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

Operational Risk

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

Operational Risk Management

We have in place adequate internal audit coverage to verify that operating policies and procedures have been implemented effectively. The Board (either directly or indirectly through its audit committee) ensures that the scope and frequency of the audit program is appropriate to the risk exposures. Internal Audit periodically validates that the company's operational risk management framework is being implemented effectively across the

company. Further, with the setting up of the Risk Management function more focus will be given to operational risk management needs of the company in addition to the current operational risk management process. By implementing Business Continuity Plan (BCP) including Disaster Recovery Plans will ensure that the critical operations of the company will function with minimal disruptions thereby reducing operational risk incidences. The core information system performance has stabilized during the year under consideration with the user requirements fulfilled and the IT system is assessed on an ongoing basis to ensure that it would be a business enabler without hindering the operations of the company. Internal Audit conducts periodic reviews to evaluate the accuracy and reliability of the system and any modification to the system is carried out in a structured manner to ensure that the modifications are in line with the user requirements in addition to ensuring that the required controls are not compromised.

Interest Rate Sensitivity Gaps as at 31 December 2014 (Rs. 'Million)

	Less than 7 days	8- 30 days	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
Sensitive Assets	25.27	1,999.50	381.59	561.28	996.84	4,093.43	8,057.90
Sensitive Liabilities	40.34	2,174.29	471.99	221.43	278.26	3,243.54	6,429.85
Gap	(15.07)	(174.79)	(90.40)	339.85	718.58	849.89	
Cumulative gap	(15.07)	(189.86)	(280.26)	59.59	778.17	1,628.06	

CORPORATE GOVERNANCE

Corporate Governance encompasses the rules, practices and processes by which the Board of Directors ensure accountability, fairness and transparency in a company's relationship with its stakeholders.

AMW Capital Leasing and Finance PLC (AMWCL) is committed to maintaining highest standards of good governance, which we believe are essential for sustaining success and creating value for our stakeholders.

It follows the Code of Best Practice and 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 and amendments thereto applicable to Finance Companies Licensed under the Finance Business Act No 42 of 2011 issued by the Central Bank of Sri Lanka)	
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 objectives 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. The core values of the company were approved by the Board on 29.08.2013 after discussion with the corporate management.
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.	Further to the Strategic Plan which was approved on 29.08.2012, a Business Plan outlining the market and other strategies for 2014 was further approved by the Board on 20.01.2014. Risk Management Policy and procedures and risk arising from operations are regularly reviewed by the IRMC and reported to the Board on a monthly basis.
c) Identifying Risks and ensuring implementation of appropriate systems to manage risks prudently.	The Board appointed Integrated Risk Management Committee is tasked with approving risk policy, identifying and managing the overall risk of the company which are reviewed by the Board on a regular basis.
d) Approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers.	Shareholders are kept abreast of the operations of the company through information on the company's web maintained by the CSE. Prospective depositors are also kept abreast by communication via electronic and written media.
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.

CORPORATE GOVERNANCE (Contd.)

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)	Performance of the company is regularly discussed at Board Level and operational reviews at management level.
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. 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. The Directors declare their interest wherever applicable and refrain from partaking in such decisions. 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.	Will be implemented.
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.
2.4 A 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.

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<p>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.</p>	<p>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.</p> <p>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.</p>
<p>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.</p>	<p>The Board is aware of the need to inform the Director of Department of Supervision of Non-Bank Financial Institutions if such situation arises. If such a situation arises recommended action would be taken.</p>
<p>2.7 The Board shall include in the company's Annual Report, an Annual Corporate Governance Report complying with this Direction.</p>	<p>This report serves the said requirement.</p>
<p>2.8 The Board shall adopt a scheme of self-assessment to be undertaken by each director annually and maintain records of such assessments.</p>	<p>The directors carry out a self-evaluation annually. This information is available to the Board and records are kept.</p>
<p>3. Meetings of the Board</p>	
<p>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.</p>	<p>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.</p> <p>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.</p> <p>The Board met 12 times for the year. There were 4 instances where the Board's consent was obtained through the circulation of written or electronic papers.</p>
<p>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.</p>	<ul style="list-style-type: none"> ● Agenda - The Agenda items include regular reports which facilitate and monitor performance and compliance with regulatory authorities. Non-routine issues which require Board attention are specifically mentioned as separate items. All Directors were given equal opportunity to include matters/proposals in the agenda. ● 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.
<p>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.</p>	<p>Date convenient to all directors is decided at the previous meeting and meetings are convened electronically giving due notice.</p>
<p>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.</p>	<p>All Directors have attended at least two thirds of the meeting held during the year and no Director has been absent from three consecutive regular Board Meetings during the year under review.</p>

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<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>As confirmed above.</p>
<p>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.</p>	<p>This provision is complied with.</p>
<p>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:</p> <ul style="list-style-type: none"> (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. (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. 	<p>Detailed minutes are recorded covering the given criteria.</p>
<p>4. Composition of the Board</p>	
<p>4.1 The number of directors on the Board shall not be less than 5 and not more than 13.</p>	<p>As at end of Financial year, the Board of AMWCL comprised of Eight Directors of whom Two Directors are Independent Non Executive Directors. Mr Asoka Wickremesinghe, a Non Executive Independent Director (not included in the above computation) retired on 27th May 2014.</p>
<p>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.</p>	<p>None of the non-executive directors have completed 9 years of service as at end of the financial year.</p>

CORPORATE GOVERNANCE (Contd.)

<p>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.</p>	<p>The Board comprised of 2 Executive Directors (including the CEO) and 6 Non-Executive Directors (of whom 2 are Independent).</p>
<p>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 :</p> <ul style="list-style-type: none"> 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; 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; <ul style="list-style-type: none"> (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. 	<p>At end of financial year under review, the Board had 2 independent non-executive directors, thereby complying with this requirement.</p> <p>Mr Angelo Patrick – Senior Independent Director</p> <p>Mr Nihal Welikala - Independent Non-Executive Director</p> <p>The Directors or their families or connected parties do not hold any shares in the Company.</p>

<p>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.</p>	<p>No Alternate Directors appointed.</p>
<p>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.</p>	<p>The Directors including Non-Executive Independent Directors are eminent persons with knowledge, expertise and experience to bring an independent judgment and scrutinize the decisions taken by the Board on all issues of strategy, performance, resources and business conduct.</p> <p>Their detailed profiles are given on Page 8 - 10.</p>
<p>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.</p>	<p>As per Article 109 of the Articles of Association, this requirement is complied with.</p>
<p>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.</p>	<p>The Directorate for the year under review: Mr T De Zoysa (Non-Executive Chairman) Mr E C S R Muttupulle (MD/CEO)-resigned w.e.f.31.03.2014 Mr S A B Rajapaksa (Non-Executive Director) Mr A Majumdar (Non-Executive Director) Mr N D Johnson (Non-Executive Director) Mrs 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) – resigned w.e.f. 27.05.2014. Mr B P Morris (Executive Director)</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>Article 94 of the Company's Articles of Association provides that directors appointed shall be subject to election by shareholders at the first AGM.</p>
<p>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.</p>	<p>Changes in directorate are informed to the relevant authorities and also given in the Annual Report.</p>
<p>5. Criteria to assess the fitness and propriety of directors</p>	
<p>5.1 Subject to the transitional provisions contained herein, a person over 70 years shall not serve as a director of a finance company.</p>	<p>Mr Asoka Wickremesinghe retired at the age of 70 years in compliance with provision of section 5(1) of the Finance Companies Corporate Governance Direction No 3 of 2008 (Criteria to Assess the Fitness and Propriety of Directors).</p>
<p>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 1995.</p>	<p>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.</p>

6. The Management Functions Delegated by the Board	
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 an Independent Non-Executive 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.	To bring in a greater element of independence, the Board has appointed Mr Angelo Patrick as the Senior Independent Director.
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 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 Chairman has delegated to the Company Secretary the function of timely dissemination of Board Papers to all Directors to ensure sufficient preparation for meetings.
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 relationship between Executive and Non-Executive Directors.	Complied.
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 that the views of shareholders are communicated to the Board.	Complied.
7.11 The Chief Executive Officer should function as the apex executive-in-charge of the day-to-day operations and business.	The CEO is responsible for the day-to-day operations and business of the Company with the support of the Executive Directors and members of the Corporate Management.
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 an 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.
<p>8.2 Audit Committee</p> <p>a) The Chairman of the committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.</p> <p>b) The Board members appointed to the committee shall be Non-Executive Directors.</p> <p>c) The Committee shall make recommendations on matters in connection with:</p> <p>(i) The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>(ii) The implementation of the CBSL guidelines issued to the auditors from time to time;</p> <p>(iii) The application of the relevant accounting standards; and</p> <p>(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.</p> <p>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.</p>	<p>The Chairman of the Audit Committee is Mr. Angelo Maharajah Patrick who is an Independent Non-Executive Director. He is a Fellow Member of the Chartered Institute of Management Accountants (UK). His Qualifications and experience is disclosed on Page 10 of this Annual Report.</p> <p>All Members of the Audit Committee are Non-Executive Directors.</p> <p>The Audit Committee meets on a monthly basis and reviews the monthly, quarterly and annual financials of the company prior to recommending same to the Board.</p> <p>The Committee makes recommendations to the Board regarding:</p> <p>(i) The Appointment of External Auditor for audit services provided in compliance with the relevant statutes.</p> <p>(ii) The implementation of the Central Bank Guidelines issued to Auditors from time to time.</p> <p>(iii) The application of the relevant accounting standards and</p> <p>(iv) The service period, audit fee and any resignation or dismissal of the Auditor. The engagement of the Audit Partner has exceeded 5 yrs and thus a new Audit Partner has been appointed in 2014.</p> <p>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.</p>

<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>The Audit Committee obtains quotations for such services from different auditing firms and evaluates same prior to obtaining Board approval. The Committee ensures that the External Auditors are able to maintain objectivity and independence and are suitable to perform the required non audit services.</p>
<p>f) The Committee shall before the audit commences discuss and finalize with the external auditors the nature and scope of the audit including:</p> <ul style="list-style-type: none"> (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. 	<p>The engagement of External Auditors and the nature and scope of the audit is discussed by the Committee.</p>
<p>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:</p> <ul style="list-style-type: none"> (i) Major judgmental areas; (ii) Any changes in accounting policies and practices; (iii) Significant adjustments arising from the audit; (iv) The going concern assumption; and (v) The compliance with relevant accounting standards and other legal requirements. 	<p>The Committee has reviewed the financial information of the quarterly financials and annual audited accounts, prior to any disclosure requirements.</p>

CORPORATE GOVERNANCE (Contd.)

<p>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.</p>	<p>The Committee met the external auditors in relation to the audit in the absence of the executive management on 22nd September 2014 and 19th November 2014.</p>
<p>i) The Committee shall review the external auditor's management letter and the management response thereto.</p>	<p>The Committee will review the external auditor's management letter for the financial year ended 31.12.2014.</p>
<p>j) The Committee shall take the following steps with regard to the internal audit function of the finance company.</p> <p>(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work.</p> <p>(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.</p> <p>(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;</p> <p>(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;</p> <p>(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.</p> <p>(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;</p>	<p>The Committee has considered the scope of the internal audit function, necessary authority and resources allocated to carry out its work.</p> <p>In order to ensure that a sound system of internal control is maintained, the Board ensures that-</p> <ul style="list-style-type: none"> • An internal audit programme is prepared covering all operations. • Internal and external audit reports are reviewed by management on a timely basis and control weaknesses are corrected. <p>Complied as per Group Policy.</p> <p>Mr Udana Fernando was appointed as the new Compliance Officer in addition to his post of Risk Officer of the Company. This was communicated to CBSL and approval obtained. Mr Sanjeeva Wickremesinghe was appointed as the new Internal Auditor on 12.12.2014, which appointment was also communicated to CBSL and approval obtained.</p> <p>The retirement of the former Group Internal Auditor and the resignation of the former Compliance Officer was also notified to CBSL.</p>
<p>k) The Committee shall consider the major findings of internal investigations and management's responses thereto;</p>	<p>The Committee considers the major findings of the Internal Audit Department and the Management responses thereto.</p>
<p>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.</p>	<p>The meetings of the committee are held as required including meeting of External Auditors without the Executive Directors.</p>

CORPORATE GOVERNANCE (Contd.)

<p>m) The Committee shall have:</p> <ul style="list-style-type: none"> (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. 	<p>The required authority and resources are available to the Committee.</p>
<p>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.</p>	<p>Monthly meetings are held by the Committee and an Agenda for discussion is given with due notice. Proper Minutes are recorded and Chairman Audit Committee gives a Report to the Board for further action and recommendation.</p>
<p>o) The Board shall, in the Annual Report, disclose in an informative way</p> <ul style="list-style-type: none"> (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. 	<p>During financial year ended 31st December 2014, the Committee held 12 meetings and an Audit Report on the issues discussed at each meeting was presented to the Board.</p>
<p>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.</p>	<p>The Risk /Compliance Officer serves as the Secretary to the Audit Committee.</p>
<p>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.</p>	
<p>8.3 Integrated Risk Management Committee:</p>	
<p>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 Board within the framework of the authority and responsibility assigned to the Committee.</p>	<p>The Integrated Risk Management Committee comprises of :</p> <ul style="list-style-type: none"> Mr. Nihal Welikala (Chairman) Mr. Angelo Patrick Mr. Brandon Morris Mr. Samantha Rajapaksa Ms. Dilani Yatawaka Mr. Pramuditha Mendis Mr. Ramendra Boteju – retired w.e.f 31. 12.2014 Ms. Ivon Brohier Mr. Lasantha Perera resigned w.e.f.30.04.2014 Mr. Neluka Perera Mr. Udana Fernando Mr. Tharanga Ranawaka appointed w.e.f.22.05.2014 Mr. Sanjeewa Wickremesinghe – appointed w.e.f 12.12.2014 <p>Matters discussed at IRMC level are referred to the Board for further action and recommendations. The process to cover all risks will be further strengthened.</p>

CORPORATE GOVERNANCE (Contd.)

<p>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.</p>	<p>Appropriate risk indicators and management information are presented at each committee meeting. The Committee reviews the risk assumed by the company and monitors these risk factors.</p>
<p>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</p>	<p>Specific risks and limits are identified by relevant committees such as ALCO, Fixed Deposits, Credit, Recoveries.</p>
<p>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.</p>	
<p>e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.</p>	<p>12 meetings were held for the financial year ended 31/12/2014.</p>
<p>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.</p>	
<p>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.</p>	<p>Approved Committee Minutes and a Report consisting the risk inherent to the company are tabled at the subsequent Board Meeting seeking the Board's views and specific direction.</p>
<p>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.</p>	<p>The Compliance Officer reports to the Audit and Risk Committees on the compliance of regulatory requirement and internal controls.</p>
<p>9. Related Party Transactions</p>	
<p>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.</p>	

CORPORATE GOVERNANCE (Contd.)

<p>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.</p> <ul style="list-style-type: none"> 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. 	<p>Approval of Policy is in process and Board approval will be obtained.</p>
<p>9.3 The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> 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. 	<p>Approval will be obtained and procedure will be documented.</p>
<p>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:</p> <ul style="list-style-type: none"> 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. 	<p>Monitoring of such transactions will be strengthened for extracting the data and reporting such transactions and to ensure that company does not engage in transactions with related parties that are deemed as "more favourable treatment". All transactions are carried out as per regulated terms and conditions.</p>

<ul style="list-style-type: none"> 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. 	
<p>10. Disclosures</p>	
<p>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.</p>	<p>The financial statements are prepared in accordance with the new Sri Lanka Accounting Standards (SLFRSs / LKASs) and the formats prescribed by the regulators.</p> <p>Annual financial statements are disclosed in the annual report, quarterly (unaudited) financial statements are sent to the CSE and posted on the CSE website.</p> <p>Such statements are published in the newspapers as required.</p>
<p>10.2 The Board shall ensure that at least the following disclosures are made in the Annual Report:</p> <ul style="list-style-type: none"> 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. c) 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. d) Details of directors, including names, transactions with the finance company. e) Fees/ remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after Jan 1st 2010. 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. 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. h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. 	<p>Reference – Report of the Board of Directors.</p> <p>Reference – Directors' Statement on Internal Controls over financial reporting.</p> <p>E & Y certification given on the effectiveness of the internal controls over financial reporting.</p> <p>Reference – Notes to the Financial Statements on Related Party Transactions (in this Annual Report)</p> <p>Reference – Notes to the Financial Statements on Related Party Transactions (in this Annual Report)</p> <p>The total net accommodation provided to the close family members of Key Managerial Personal is Rs. 624,397/- and the total net accommodation provided to the close family members of Key Managerial Personal as a % of Capital Funds is 0.05%.</p> <p>Aggregate value of remuneration paid to key management personnel is Rs. 33,948,686.95.</p> <p>Deposits made – Rs. 500,000/-</p> <p>Accommodation Granted - Nil</p> <p>Reference – Report of the Board of Directors.</p>

CORPORATE GOVERNANCE (Contd.)

<p>i) 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.</p> <p>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.</p>	<p>No such situation has arisen.</p> <p>E & Y certification given on the effectiveness of the internal controls over financial reporting.</p>
<p>Sec. Rules of the Colombo Stock Exchange Level of Compliance (Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.c and 7.10.6c of S7 of the rules.</p>	
<p>7.10 Corporate Governance</p> <p>7.10 Statement confirming that at the date of the annual report that the company is in compliance with these rules.</p>	<p>The Company is in compliance with the Listing Rules of the Colombo Stock Exchange, as explained below.</p>
<p>7.10.1 Non-Executive Directors</p> <p>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.</p>	<p>As at 31st December 2014 the Board comprised 8 Directors of whom 6 were Non-Executive Directors.</p>
<p>7.10.2 Independent Directors</p> <p>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.</p> <p>The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.</p>	<p>As at 31st December 2014, the Board comprised 2 Independent Directors from whom signed declaration of independence were obtained.</p>
<p>7.10.3.4 Directors disclosures</p> <p>Annual determination as to the independence or non-independence of each Non-Executive Director.</p>	<p>The Board has determined the independent/non independent status based on the criteria set out by the CSE.</p>
<p>7.10.5 Remuneration Committee</p> <p>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.</p>	<p>Adopts the methodology of the Parent Company.</p>
<p>7.10.6 Audit Committee</p> <p>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.</p>	<p>As at 31st December 2014, the Committee comprised 3 Non-Executive Directors of whom 2 were Independent.</p>

CORPORATE GOVERNANCE (Contd.)

Meetings

The number of meetings of the Board, Board appointed sub-committees and individual attendance by members for the Financial Year Ended 31st December 2014 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	03
B P Morris	Director/CEO	12
S A B Rajapaksa	Non-Executive Director	12
A Majumdar	Non-Executive Director	10
N D Johnson	Non-Executive Director	09
N S Welikala	Independent Non-Executive Director	10
A M Patrick	Independent Non-Executive Director	11
A W Wickremesinghe (Resigned w.e.f:27/05/2014)	Independent Non-Executive Director	04
D C Yatawaka	Director	10

Audit Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		12
A M Patrick	Chairman	12
N S Welikala	Member	08
A W Wickremesinghe (Resigned w.e.f:27/05/2014)	Member	05
S A B Rajapaksa	Member	05

Integrated Risk Management Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		12
N S Welikala	Chairman	08
A M Patrick	Member	12
E C S R Muttupulle (Resigned w.e.f: 31/03/2014)	Member	02
B P Morris	Member	12
A W Wickremesinghe (Resigned w.e.f: 27/05/2014)	Member	05
S A B Rajapaksa	Member	05
D C Yatawaka	Member	10
U Fernando	Member	09
D P V Mendis	Member	12
R Boteju (Resigned w.e.f: 31/12/2014)	Member	12
L R Perera (Resigned w.e.f: 30/04/2014)	Member	04
D I Brohier	Member	07
H N N K Perera	Member	07
T Ranawaka (appointed w.e.f. 22/05/2014)	Member	07
S Wickramasinghe (appointed w.e.f. 12/12/2014)	Member	01

REPORT OF THE DIRECTORS

The Directors are pleased to present their Report for the Financial Year Ended 31st December 2014 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 47 to 81 in this Annual Report.

Independent Auditors Report

The Auditors Report on the Financial Statements is given on page 47 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements is given on pages 52 to 58.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 45.

Stated Capital

The Stated Capital of the Company on 31st December 2014 was Rs.200,000,000/- and was unchanged during the period.

Statutory Payments

All known statutory payments have been made by the Company.

Post Balance Sheet Events

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

Going Concern

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

Re-election of Directors

In accordance with the Articles of Association Mr. N Welikala retire, and being eligible offers himself for re-election.

Directors' Interests

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

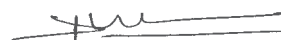
Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 26 to the Financial Statements on page 69.

Auditors

Messrs. Ernst & Young have expressed their willingness to continue in office as Auditors of the Company for the year ending 31st December 2015. A resolution pertaining to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



Mrs. D. De Silva
COMPANY SECRETARY

25th February 2015

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the Finance Companies Direction No. 03 of 2008, section 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 sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. 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 and continue to review & update every year. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. Processes applied to adopt the said accounting standards were strengthened during the year 2013 and 2014 based on the feedback received from the external auditors, internal audit department, regulators and the Board Audit Committee.

Whilst progressive improvements on processes to comply with new Sri Lanka Accounting Standards requirements are being made some processes were not fully completed as at Reporting date. In particular, due to time constraints, areas with respect to the processes such as related party transactions, contingencies and commitments, Impairment of loans and IT controls relating to deposits system are being implemented and were not fully completed as at Reporting date. Company is in the process of updating relevant procedure manuals pertaining to these new 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.

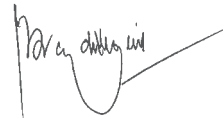
EXTERNAL AUDITORS CERTIFICATION

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

25th February 2015
Colombo

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee currently comprises of two Independent Non-Executive Directors, Angelo Patrick as Chairman and Nihal Welikala and one Non-Executive Director, Samantha Rajapaksa. All three members of the Committee are Members of a recognized Professional body of Accountants. The Compliance Officer functions as the Secretary to the Committee.

Mr Asoka Wickremesinghe served on the Committee until his retirement in May 2014. The Committee wishes to place on record its appreciation for his invaluable contribution to the company.

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 Director/CEO of the Company along with an Executive Director who is also 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 12 occasions during the financial year and the attendance at the meetings was:

Angelo Patrick	12
Nihal Welikala	08
Samantha Rajapaksa	05



Angelo M. Patrick
Chairman - Audit Committee

25th February 2015


REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee comprised of Independent Directors (Mr. N S Welikala- Chairman, Mr. Angelo Patrick, Mr. Asoka Wickremesinghe who resigned with effect from 27.05.2014), Mr. Samantha Rajapaksa- Director, Mr. Brandon Morris -Director/CEO (appointed with effect 18.12.2013), Mr. E C S R Muttupulle (resigned with effect from 31.03.2014), Ms. Dilani Yatawaka- Director and Key management personnel dealing with the management of credit, market and liquidity risks, operations, finance and internal audit.

The IRMC met 12 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 compared to the industry during the year despite aggressive portfolio expansion of 20% as demonstrated by a NPL ratio of 2.64%. Capitalization is relatively high at 17.9% (Tier-I of 17.9%). Liquidity, interest rate risks and operational risks were proactively recognized and adequately mitigated.



Nihal S Welikala
Chairman
Integrated Risk Management
Committee

25th February 2015

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 2014 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

25th February 2015

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INDEPENDENT AUDITORS' REPORT



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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, ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of total 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 information. (Set out on pages 48 to 81)

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, and of 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

As required by section 163 (2) of the Companies Act No.07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company
 - the financial statements of the Company, comply with the requirements of section 151.

25 February 2015
Colombo

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

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2014 Rs.	2013 Rs.
ASSETS			
Cash and Bank	3	47,592,268	53,076,979
Other Financial Assets	4	34,259,514	36,012,711
Other Non Financial Assets	5	15,821,109	32,937,890
Rentals Receivable on Lease and Hire Purchase Assets	6	3,997,200,174	4,169,265,212
Loans and Advances	7	2,241,350,284	1,034,363,795
Vehicle Stock	8	-	540,000
Financial Investments - Available for Sale	9.1	80,400	80,400
Financial Investments - Held-to-Maturity	9.2	1,819,272,160	60,359,542
Property, Plant and Equipment	10	65,351,461	73,759,422
Intangible Assets	11	24,351,783	23,663,595
Total Assets		8,245,279,153	5,484,059,546
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	3	40,344,147	91,442,076
Trade and Other payables	12	482,378,969	227,374,955
Time Deposits	13	973,896,264	271,938,917
Amounts due to Related Parties	14	1,699,982,281	802,628,700
Interest Bearing Borrowings	15	3,715,623,880	3,008,238,642
Provision for Income Tax	16	82,452,559	45,974,689
Deferred Tax Liability	17	92,105,767	89,284,269
Employee Benefit Obligation	18	14,551,775	10,910,623
Total Liabilities		7,101,335,642	4,547,792,871
Equity			
Stated Capital	19	200,000,000	200,000,000
Retained Profit		894,238,956	635,305,898
Statutory Reserve Fund	20	49,704,555	38,411,510
Investment Fund Reserve	21	-	54,726,071
General Reserve Fund	22	-	7,823,196
Total Equity		1,143,943,511	936,266,675
Total Equity and Liabilities		8,245,279,153	5,484,059,546

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/CEO



Samantha Rajapaksa
Director

Accounting Policies and Notes on pages 52 to 81 form an integral part of these Financial Statements.

25 February 2015
Colombo

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year ended 31 December

	Note	2014 Rs.	2013 Rs.
Interest Income	23	1,172,507,924	970,829,633
Less : Interest Expenses	24	(513,956,824)	(546,554,936)
Net Interest Income		658,551,100	424,274,697
Rental Income from Operating Leases		13,464,593	16,502,827
Other Operating Income	25	156,145,603	142,881,928
Total Operating Income		828,161,296	583,659,452
Provision for Impairment Losses		(78,090,365)	(43,412,531)
Net Operating Income		750,070,931	540,246,921
Less: Operating Expenses			
Administration Cost		(165,610,764)	(108,108,341)
Personnel Cost		(168,324,428)	(115,393,490)
Distribution Cost		(36,677,960)	(26,249,818)
Operating Profit before Value Added Tax (VAT) on Financial Services		379,457,779	290,495,272
Less: Value Added Tax on Financial Services		(24,859,605)	(12,563,156)
Profit Before Taxation	26	354,598,174	277,932,116
Taxation	27	(128,737,263)	(88,525,397)
Profit for the year		225,860,911	189,406,719
Other Comprehensive Income net of tax			
Actuarial Gain/(Loss) on Employee Benefit Obligation		(1,184,075)	(292,567)
Total Comprehensive Income for the year net of tax		224,676,836	189,114,152
Earnings Per Share - Basic	28	11.29	9.47
Dividend Per Share	29	0.85	0.55

Accounting Policies and Notes on pages 52 to 81 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

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 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 31 December 2013	200,000,000	635,305,898	38,411,510	54,726,071	7,823,196	936,266,675
Profit for the year	-	225,860,911	-	-	-	225,860,911
Other Comprehensive Income net of tax	-	(1,184,075)	-	-	-	(1,184,075)
Dividend Paid	-	(17,000,000)	-	-	-	(17,000,000)
Transfers	-	51,256,222	11,293,045	(54,726,071)	(7,823,196)	-
Balance as at 31 December 2014	200,000,000	894,238,956	49,704,555	-	-	1,143,943,511

Accounting Policies and Notes on pages 52 to 81 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Year ended 31 December

	Note	2014 Rs.	2013 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net Profit before Income Tax		354,598,174	277,932,116
Adjustments for :			
Interest Income on Held to Maturity Investments	23	(32,936,716)	(6,830,320)
Dividend Income	25	(40,000)	(20,000)
Retiring Gratuity - Charge for the year	18	4,578,236	3,133,419
Gain on disposal of Property Plant and Equipment		(261,905)	(608,487)
Loss on disposal of Property Plant and Equipment		3,153	-
Depreciation & Amortization	10 & 11	36,671,513	29,506,409
Operating Profit Before Changes in Working Capital		362,612,455	303,113,137
Increase / (Decrease) in Related Party Payable		897,353,581	434,756,426
Increase / (Decrease) in Trade & Other Payables		255,004,014	14,355,556
(Increase) / Decrease in Other Financial Assets & Non Financial Assets		18,869,977	80,950,242
(Increase) / Decrease in Inventories		540,000	11,140,000
Net Investment in Lease, Hire Purchase and Loans and Advances		(1,034,921,451)	(739,866,508)
Increase / (Decrease) in Deposits from customers		701,957,347	269,315,916
Net Cash generated from / (used in) Operations		1,201,415,923	373,764,769
Gratuity Paid	18	(2,121,159)	(232,137)
Income Tax Paid	16	(86,814,889)	(59,785,379)
WHT Paid	16	(2,623,006)	(683,032)
Net Cash generated from/ (used in) Operating Activities		1,109,856,869	313,064,221
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	25	40,000	20,000
Acquisition of Plant, Equipment and Intangible Assets	10 & 11	(31,285,534)	(35,579,773)
Disposal of Plant and Equipment		2,592,547	1,647,104
Net Investments made during the Year		(1,758,912,618)	(22,024,266)
Interest Received from Held to Maturity Investments	23	32,936,716	6,830,320
Net Cash generated from/ (used in) Investing Activities		(1,754,628,889)	(49,106,615)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Dividends Paid	29	(17,000,000)	(11,000,000)
Loans Obtained	15	4,262,795,559	662,353,561
Loan Settlements made	15	(3,555,410,321)	(897,187,515)
Net Cash generated from/ (used in) Financing Activities		690,385,238	(245,833,954)
Net Increase / (Decrease) in Cash & Cash Equivalents		45,613,218	18,123,652
Cash & Cash Equivalents at the beginning of the year		(38,365,097)	(56,488,749)
Cash & Cash Equivalents at the end of the year	3	7,248,121	(38,365,097)

Accounting Policies and Notes on pages 52 to 81 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

1. CORPORATE INFORMATION

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

The registered office of the Company is located at No. 185, Union Place, Colombo 02 and principal place of business of the Company is located at No. 445, Baudhaloka 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 2014 were authorised for issue by the Directors on 25 February 2015.

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 JUDGEMENTS, 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December 2014

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.

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 as available 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 financial 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December 2014

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 de recognition 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.

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, are classified as hire purchase receivables. Such assets are accounted for in a similar manner as finance 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.

Loans and Advances

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 Interest 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 Interest 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 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December 2014

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, Time Deposits, Amounts due to Related Parties.

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 impairment on inventories and Vat Receivables are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

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 of 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

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

(i) 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 the effective date has been deferred subsequently.

(ii) SLFRS 14 -Regulatory Deferral Accounts

The scope of this standard is limited to first-time adopters of SLFRS that already recognize regulatory deferral account balances in their financial statements. Consequently, the financial statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this standard. This standard is effective for the annual periods beginning on or after 01 January 2016.

(iii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard is effective for the annual periods beginning on or after 01 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December

3. CASH & CASH EQUIVALENTS	2014 Rs.	2013 Rs.
Cash in Hand	30,613,109	16,230,797
Cash at Bank	16,979,159	36,846,182
	47,592,268	53,076,979
Bank Overdraft	(40,344,147)	(91,442,076)
	7,248,121	(38,365,097)
4. OTHER FINANCIAL ASSETS	2014 Rs.	2013 Rs.
VAT Receivable	10,547,068	6,690,037
Insurance Receivable on Hire Purchases	1,455,097	1,752,820
Insurance Receivable on Auto Loans	2,208,767	1,205,990
Insurance Receivable on Leases	8,072,021	8,594,206
RMV receivable	467,236	893,579
Staff Loans	1,312,090	704,873
Refundable Deposits	6,058,000	6,512,000
Miscellaneous Receivables	4,139,235	9,659,206
	34,259,514	36,012,711
5. OTHER NON FINANCIAL ASSETS	2014 Rs.	2013 Rs.
VAT Recoverable	10,936,952	30,302,538
Prepayment	8,789,212	2,635,352
	19,726,164	32,937,890
Less: Provision for Other Financial Assets	(3,905,055)	-
	15,821,109	32,937,890
<p>Prepayment mainly includes Payment for Microsoft License 4.1 Mn and Prepayment for Software Maintenance 1.9 Mn.</p>		
6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS		
6.1 Rentals Receivable on Lease Assets	2014 Rs.	2013 Rs.
Receivable after five years		
Rentals Receivable	16,422,347	10,107,635
Unearned Income	(723,494)	(633,055)
	15,698,853	9,474,580
Receivable from one to five years		
Rentals Receivable	2,540,832,608	2,543,385,307
Unearned Income	(490,518,078)	(517,491,209)
	2,050,314,530	2,025,894,098
Receivable within one year		
Rentals Receivable	1,670,573,871	1,573,771,540
Unearned Income	(501,256,748)	(522,768,426)
	1,169,317,123	1,051,003,114
Overdue Rental Receivable		
Rentals Receivable	122,287,138	77,800,962
	122,287,138	77,800,962
Total		
Future Rentals Receivable	4,227,828,826	4,127,264,482
Overdue Rentals Receivable	122,287,138	77,800,962
Total Rentals Receivable	4,350,115,964	4,205,065,444
Unearned Income	(992,498,320)	(1,040,892,690)
	3,357,617,644	3,164,172,754
Less : Provision for Impairment Losses	(49,731,118)	(28,435,706)
Balance as at 31 December	3,307,886,526	3,135,737,048

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

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

6.2 Rentals Receivable on Hire Purchase Assets

	2014 Rs.	2013 Rs.
Receivable after five years		
Rentals Receivable	-	769,002
Unearned Income	-	(70,321)
	-	698,681
Receivable from one to five years		
Rentals Receivable	488,352,195	859,184,420
Unearned Income	(91,069,851)	(188,019,101)
	397,282,344	671,165,319
Receivable within one year		
Rentals Receivable	400,893,416	539,341,251
Unearned Income	(118,172,531)	(191,068,001)
	282,720,885	348,273,250
Overdue Rental Receivable		
Rentals Receivable	56,341,268	44,315,348
	56,341,268	44,315,348
Total		
Future Rentals Receivable	889,245,611	1,399,294,673
Overdue Rentals Receivable	56,341,268	44,315,348
Total Rentals Receivable	945,586,879	1,443,610,021
Unearned Income	(209,242,382)	(379,157,423)
	736,344,497	1,064,452,598
Less: Provision for Impairment Losses	(47,030,849)	(30,924,434)
Balance as at 31 December	689,313,648	1,033,528,164
Total Rentals Receivable on Lease Assets and Hire Purchase Assets		
Future Rentals Receivable	5,117,074,437	5,526,559,155
Overdue Rentals Receivable	178,628,406	122,116,310
Total Rentals Receivable	5,295,702,843	5,648,675,465
Unearned Income	(1,201,740,702)	(1,420,050,113)
	4,093,962,141	4,228,625,352
Less: Provision for Impairment losses (6.3)	(96,761,967)	(59,360,140)
Balance as at 31 December	3,997,200,174	4,169,265,212

6.3 Provision for Impairment Losses

	2014 Rs.	2013 Rs.
Balance as at 01 January	59,360,140	20,565,470
Provisions made during the year	37,401,827	39,568,653
Reversals made during the year	-	(773,983)
Balance as at 31 December	96,761,967	59,360,140

6.4 Capital Outstanding on Non Performing Assets as at 31.12.2014 amounts to Rs.141,643,145/- .(As at 31.12.2013- Rs.109,547,369/-).

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

7. LOANS AND ADVANCES

7.1 Instalments Receivable on Auto Loans

	2014 Rs.	2013 Rs.
Receivable after five years		
Instalments Receivable	12,885,206	6,972,374
Unearned Income	(666,887)	(442,250)
	12,218,319	6,530,124
Receivable from one to five years		
Instalments Receivable	1,989,314,401	1,012,668,837
Unearned Income	(429,405,371)	(261,334,207)
	1,559,909,030	751,334,630
Receivable within one year		
Instalments Receivable	1,003,308,736	457,008,656
Unearned Income	(339,579,079)	(192,694,871)
	663,729,657	264,313,785
Overdue Rental Receivable		
Instalments Receivable	42,857,000	16,984,140
	42,857,000	16,984,140
Total		
Instalments Receivable	3,005,508,343	1,476,649,867
Overdue Instalments Receivable	42,857,000	16,984,140
Total Instalments Receivable	3,048,365,343	1,493,634,007
Unearned Income	(769,651,337)	(454,471,328)
	2,278,714,006	1,039,162,679
Less: Provision for Impairment Losses (7.2)	(45,487,422)	(4,798,884)
Balance as at 31 December	2,233,226,584	1,034,363,795
7.2 Loans Against FD	8,123,700	-
Total Loans and Advances	2,241,350,284	1,034,363,795

7.3 Provision for Impairment Losses

	2014 Rs.	2013 Rs.
Balance as at 01 January	4,798,884	955,006
Provisions made during the year	40,688,538	3,843,878
Reversals made during the year	-	-
Balance as at 31 December	45,487,422	4,798,884

7.4 Capital Outstanding on Non Performing Assets as at 31.12.2014 amounts to Rs.26,559,274/- (As at 31.12.2013- Rs. NIL).

7.5 Motor Vehicles and Equipment are held as collaterals against Loans and Advances.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

8. VEHICLE STOCK

	2014 Rs.	2013 Rs.
Vehicle Stock	-	1,080,000
Less: Provision for Inventory	-	(540,000)
	-	540,000

9. FINANCIAL INVESTMENTS

9.1 Available-for-sale Investments

	2014 Rs.	2013 Rs.
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.

9.2 Held-to-maturity Investments

	2014 Rs.	2013 Rs.
Quoted Investments		
Government Debt Securities	56,032,473	54,841,566
Treasury Bills Repurchases	1,763,239,687	5,517,976
	1,819,272,160	60,359,542

10. PROPERTY, PLANT & EQUIPMENT

Cost	As at 01.01.2014 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2014 Rs.
Computer Equipment	21,446,922	8,212,033	-	29,658,955
Office Equipment	11,749,010	3,301,003	10,142	15,039,871
Furniture & Fittings	8,902,370	1,770,898	-	10,673,268
Motor Vehicles	1,660,000	-	-	1,660,000
Motor Vehicles on Hire	65,240,804	-	4,107,143	61,133,661
Fixtures	10,121,737	5,231,947	-	15,353,684
	119,120,843	18,515,881	4,117,285	133,519,439

Depreciation	As at 01.01.2014 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2014 Rs.
Computer Equipment	9,636,427	4,700,569	-	14,336,996
Office Equipment	3,612,234	2,614,357	3,729	6,222,862
Furniture & Fittings	2,548,059	1,789,327	-	4,337,386
Motor Vehicles	1,325,917	305,750	-	1,631,667
Motor Vehicles on Hire	26,006,549	12,705,899	1,779,762	36,932,686
Fixtures	2,246,235	2,730,122	-	4,976,357
	45,375,421	24,846,024	1,783,491	68,437,954

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

10. PROPERTY, PLANT & EQUIPMENT (Contd...)

Capital Work In Progress	As at 01.01.2014 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2014 Rs.
Capital Work In Progress	14,000	11,629,865	11,373,889	269,976
	14,000	11,629,865	11,373,889	269,976
Written Down Value			2014 Rs.	2013 Rs.
Computer Equipment			15,321,959	11,810,495
Office Equipment			8,817,009	8,136,776
Furniture & Fittings			6,335,882	6,354,311
Motor Vehicles			28,333	334,083
Motor Vehicles on Hire			24,200,975	39,234,255
Fixtures			10,377,327	7,875,502
			65,081,485	73,745,422
Capital Work In Progress			269,976	14,000
			65,351,461	73,759,422

10.1 During the financial year, Company acquired Plant & Equipment to the aggregate value of Rs.18,771,857/- (2013- Rs.28,866,884/-). Cash payments amounting to Rs..18,771,857/- ((2013-Rs.28,866,884/-) 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,	2014 Rs.	2013 Rs.
Within one year	11,037,387	14,403,366
From 1 - 5 years	15,689,055	25,098,303
Total	26,726,442	39,501,669

11. INTANGIBLE ASSETS

	As at 01.01.2014 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2014 Rs.
Cost/Carrying Value				
Computer Software	45,995,017	17,296,498	-	63,291,515
	45,995,017	17,296,498	-	63,291,515
Amortization	As at 01.01.2014 Rs.	Amortization for the period Rs.	Disposals during the year Rs.	As at 31.12.2014 Rs.
Computer Software	27,114,243	11,825,489	-	38,939,732
	27,114,243	11,825,489	-	38,939,732
Capital Work In Progress	As at 01.01.2014 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2014 Rs.
Capital Work In Progress	4,782,821	-	4,782,821	-
	4,782,821	-	4,782,821	-
Written Down Value			2014 Rs.	2013 Rs.
Computer Software			24,351,783	18,880,774
			24,351,783	18,880,774
Capital Work In Progress			-	4,782,821
			24,351,783	23,663,595

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

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.12,513,677/- (2013-Rs.6,712,889/-). Cash Payments amounting to Rs.12,513,677/- (2013-Rs.6,712,889/-) were made during the year for purchase of Intangible Assets.

12. TRADE & OTHER PAYABLES	2014 Rs.	2013 Rs.
Trade Creditors - Related (12.1)	216,688,463	54,118,532
- Non Related	50,704,269	40,749,211
Other Payables - Related (12.2)	16,452,109	25,861,792
- Non Related	198,534,128	106,645,420
	482,378,969	227,374,955

12.1 Trade Creditors - Related Parties	Relationship	2014 Rs.	2013 Rs.
Associated Motorways (Pvt) Limited	Parent	216,688,463	54,118,533
		216,688,463	54,118,533

12.2 Other Payables - Related	Relationship	2014 Rs.	2013 Rs.
Interest Payable - Associated Motorways (Pvt) Ltd	Parent	5,423,093	8,764,284
Other Payable - Associated Motorways (Pvt) Ltd	Parent	-	4,496,000
Insurance Payable - Orient Insurance Limited	Other Related Party	11,029,016	12,601,508
		16,452,109	25,861,792

13. TIME DEPOSITS	2014 Rs.	2013 Rs.
Balance as at 01 January	267,576,093	2,623,000
Fixed Deposits during the year	926,349,486	292,959,485
Interest capitalized for renewals	6,885,892	1,416,640
Top up's (additions by customer to original deposit)	3,841,852	1,115,410
Withdrawals during the Year	(266,987,919)	(30,538,442)
Balance as at 31 December	937,665,404	267,576,093
Interest Payable	36,230,860	4,362,824
Total	973,896,264	271,938,917

14. AMOUNT DUE TO RELATED PARTIES	Relationship	2014 Rs.	2013 Rs.
Associated Motorways (Pvt) Limited	Parent	1,699,982,281	802,628,700
		1,699,982,281	802,628,700

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

15. INTEREST BEARING BORROWINGS

	2014 Within One Year Rs.	2014 After One Year Rs.	2014 Total Rs.	2013 Total Rs.
Securitization Loan (15.1)	624,351,752	563,415,222	1,187,766,974	272,850,300
Term Loan (15.2)	201,989,041	375,000,000	576,989,041	446,401,561
Money Market Loan (15.3)	-	-	-	1,243,986,781
Inter Company Loan (15.4)	513,367,865	1,437,500,000	1,950,867,865	1,045,000,000
	1,339,708,658	2,375,915,222	3,715,623,880	3,008,238,642

15.1 Securitization Loan

	As at 01.01.2014 Rs.	Loans Obtained and Interest Accrued Rs.	Repayment Rs.	As at 31.12.2014 Rs.	Term of the Loan	Interest Rate	Security Offered
Deutsche Bank Securitization 250 M	20,357,721	-	20,357,721	-	48 months	IRR at 11.85%	Lease Portfolio
Deutsche Bank Securitization 250 M	74,250,000	-	69,250,000	5,000,000	48 months	AWPLR+1.6%	Lease Portfolio
Deutsche Bank Securitization 500 M	178,242,579	-	110,530,700	67,711,879	48 months	IRR at 11.5%	Lease Portfolio
Deutsche Bank Securitization 1500 M	-	1,480,344,399	365,289,304	1,115,055,095	40 months	IRR at 12.5%	Lease Portfolio
	272,850,300	1,480,344,399	565,427,725	1,187,766,974			

15.2 Term Loan

	As at 01.01.2014 Rs.	Loans Obtained and Interest Accrued Rs.	Repayment Rs.	As at 31.12.2014 Rs.	Term of the Loan	Interest Rate	Security Offered
HSBC Term Loan 600 M	287,866,425	-	287,866,425	-	48 months	One Month SLIBOR +2.75%	Corporate Guarantee from AMW
HSBC Term Loan 300 M	158,535,136	-	158,535,136	-	36 months	One Month SLIBOR +2.75%	Corporate Guarantee from AMW
PABC Term Loan 200 M	-	215,154,794	63,689,726	151,465,068	8 Quarters	Fixed Interest Rate 11.5%	Lease Portfolio and Corporate Guarantee from AMW
Sampath Term Loan 500 M	-	536,343,740	110,819,767	425,523,973	20 Quarters	AWPLR + 2.25%	Lease Portfolio and Corporate Guarantee from AMW
	446,401,561	751,498,534	620,911,054	576,989,041			

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

15. INTEREST BEARING BORROWINGS (Contd...)

15.3 Money Market Loan	As at 01.01.2014 Rs.	Loans Obtained and Interest Accrued Rs.	Repayment Rs.	As at 31.12.2014 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	150,627,740	-	150,627,740	-	12 months	Based on Money Market Rates	Corporate Guarantee from AMW
Sampath Bank	500,839,041	-	500,839,041	-	3 months	12.25%	Lease Portfolio and Corporate Guarantee from AMW
	1,243,986,781	-	1,243,986,781	-			

15.4 Inter Company Loan

15.4 Inter Company Loan	As at 01.01.2014 Rs.	Loans Obtained and Interest Accrued Rs.	Repayment Rs.	As at 31.12.2014 Rs.	Term of the Loan	Interest Rate
AMW Term Loan 1500M	1,045,000,000	-	1,045,000,000	-	48 months	Fixed Interest Rate 16%
AMW Term Loan 1000M	-	1,020,135,274	55,087,043	965,048,231	48 months	Fixed Interest Rate 8.25%
AMW Term Loan 1000M	-	1,010,817,352	24,997,718	985,819,634	48 months	Fixed Interest Rate 8%
	1,045,000,000	2,030,952,626	1,125,084,761	1,950,867,865		

15.5 Unutilised Funding Facilities

Type of Facility	Rs.
Overdraft	125,000,000
Overdraft / Money Market Loan	400,000,000
Short Term Loan	950,000,000
	1,475,000,000

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

16. PROVISION FOR INCOME TAX	2014 Rs.	2013 Rs.
Balance as at 01 January	45,974,689	25,892,169
Provision for the year	127,127,923	81,954,849
Under/(Over) provision in respect of previous year	(1,212,158)	(1,403,918)
	171,890,454	106,443,100
Payments made during the year	(86,814,889)	(59,785,379)
WHT on Treasury Bill Interest	(2,623,006)	(683,032)
Balance as at 31 December	82,452,559	45,974,689
17. DEFERRED TAX LIABILITY	2014 Rs.	2013 Rs.
Balance as at 01 January	89,284,269	81,309,802
Provision/ (reversal) made during the year	2,821,498	7,974,467
Balance as at 31 December	92,105,767	89,284,269
The closing Deferred Tax Liability balance relates to the following		
Accelerated Depreciation for tax purposes	10,619,591	6,596,708
Future Rentals Receivable - Lease	89,495,242	89,008,481
Employee Benefit Obligation	(4,074,496)	(2,989,927)
Provision for Impairment	(3,934,570)	(3,330,993)
	92,105,767	89,284,269
18. EMPLOYEE BENEFIT OBLIGATION	2014 Rs.	2013 Rs.
Balance as at 01 January	10,910,623	7,716,774
Current Service Cost	1,091,062	2,361,742
Interest for the Year	3,487,174	771,677
Benefits Paid	(2,121,159)	(232,137)
Actuarial (Gain)/Loss	1,184,075	292,567
Balance as at 31 December	14,551,775	10,910,623

The Employee Benefit Liability is based on the actuarial valuation carried out as at 31 December 2014 by Messrs. Actuarial and Management Consultants (Pvt) Ltd., actuaries. The principal assumptions used in determining the cost of employee benefits were:

	2014	2013
Discount rate	10%	10%
Future Salary Increment	12%	11%

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	(1,345,448)	1,569,145
One percentage point change in the salary escalation rate	1,594,253	(1,391,348)

Information about Maturity Profile of the Defined Benefit Obligation as at 31/12/2014.

Future Working Life Time	Employee Benefit Obligation
Within the next 12 months	868,792
Between 1-2years	1,780,604
Between 2-5 years	1,515,446
Between 5-10 years	3,906,938
Beyond 10 years	6,479,995
Total	14,551,775

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December

19. STATED CAPITAL	2014	2013
Number of Ordinary Shares issued and fully paid	20,000,000	20,000,000
	2014	2013
	Rs.	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	2014	2013
	Rs.	Rs.
Balance as at 01 January	38,411,510	28,955,802
Transfers during the year	11,293,045	9,455,708
Balance as at 31 December	49,704,555	38,411,510
<p>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.</p>		
21. INVESTMENT FUND RESERVE		
<p>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. Operations of the Investment Fund has been ceased with effect from 1st October 2014 and remaining balance has been transferred to retained earnings through the Statement of Changes in Equity in accordance with the new guideline issued by the Central Bank of Sri Lanka.</p>		
	2014	2013
	Rs.	Rs.
Balance as at 01 January	54,726,071	35,441,351
Transfers to Investment Fund	8,271,544	19,284,720
Transfers from Investment Fund	(62,997,615)	-
Balance as at 31 December	-	54,726,071
22. GENERAL RESERVE FUND	2014	2013
	Rs.	Rs.
Balance as at 01 January	7,823,196	7,823,196
Transfers to Retained Profit	(7,823,196)	-
Balance as at 31 December	-	7,823,196
23. INTEREST INCOME	2014	2013
	Rs.	Rs.
Lease	621,406,369	616,768,788
Hire Purchase	196,648,179	225,208,285
Term Loan	321,050,504	122,022,240
FD Loan Interest	466,156	-
Interest Income on Held to Maturity Investments	32,936,716	6,830,320
	1,172,507,924	970,829,633

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

24. INTEREST EXPENSES	2014 Rs.	2013 Rs.
Inter Company Loan	64,397,801	192,500,000
Inter Company Current Account	89,994,616	123,100,751
Securitization Loan	131,575,022	47,714,666
Bank Borrowings	145,669,280	170,425,750
Interest on Time Deposits	82,320,105	12,813,769
	513,956,824	546,554,936
25. OTHER OPERATING INCOME	2014 Rs.	2013 Rs.
Overdue Interest Income	32,219,227	53,486,233
Profit from Pre-Termination	72,038,368	47,277,492
Dividend income	40,000	20,000
Commission from Insurance	24,188,244	22,729,984
Income from additional charges	21,686,950	14,353,460
Bank Charges Claimed on cheque returns	763,387	566,067
Miscellaneous Income	4,947,522	3,840,205
Gain on Disposal of Property, Plant & Equipment	261,905	608,487
	156,145,603	142,881,928
26. PROFIT BEFORE TAXATION		
is stated after charging :	2014 Rs.	2013 Rs.
Staff Salaries	105,712,379	77,465,641
Defined Contribution Plan Cost - E.P.F & E.T.F	17,211,940	12,782,454
Directors Emoluments	21,422,460	12,177,719
Auditors' Remuneration		
- Audit	1,153,285	1,069,250
- Non Audit	633,019	637,000
Management Fee	1,222,440	1,224,480
Defined Benefit Plan - Expense	4,578,236	3,133,419
Provision for Impairment losses	78,090,365	43,412,531
Depreciation & Amortization	36,671,513	29,506,409
27. INCOME TAX		
The major components of income tax expense for the years ended 31 December are as follows :	2014 Rs.	2013 Rs.
Current Income Tax		
Current Income Tax Charge (27.1)	125,915,765	80,550,931
Deferred Income Tax		
Deferred Taxation Charge / Reversal (27.2)	2,821,498	7,974,466
Income tax expense reported in the Income Statement	128,737,263	88,525,397

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

27. INCOME TAX (Contd...)

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

	2014 Rs.	2013 Rs.
Profit Before Tax	354,598,174	277,932,116
Aggregate Accounting Profit	354,598,174	277,932,116
Aggregated Disallowed Expenses	1,448,318,266	1,224,025,578
Aggregated Allowed Expenses	(1,348,888,142)	(1,209,261,806)
Adjusted Profit	454,028,298	292,695,888
Taxable Income	454,028,298	292,695,888
Income Tax at the rate of 28% on Taxable Income (2012-28%)	127,127,923	81,954,849
Under / Over provision in respect of previous year	(1,212,158)	(1,403,918)
Current tax on profit for the year	125,915,765	80,550,931
Deferred tax charge for the year	2,821,498	7,974,466
Tax expense for the year	128,737,263	88,525,397

At the effective Income Tax Rate of 36% (2013 - 29%)

27.2 Deferred Tax

	2014 Rs.	2013 Rs.
Deferred Tax arising from		
Accelerated Depreciation for tax purposes	4,022,883	2,165,173
Future Rental Receivable	486,761	10,020,450
Employee Benefit Obligation	(1,084,569)	(880,164)
Provision for Impairment	(603,577)	(3,330,993)
	2,821,498	7,974,466

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

28. BASIC EARNINGS PER SHARE

28.1 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.

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

	2014 Rs.	2013 Rs.
Amounts Used as the Numerators:		
Net Profit Attributable to Ordinary Shareholders	225,860,911	189,406,719
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

28.3 Basic Earnings Per Share	11.29	9.47
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29. DIVIDEND PER SHARE

	2014 Rs.	2013 Rs.
Declared and Paid during the year	17,000,000	11,000,000
Dividend Per Share	0.85	0.55

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

30. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2014, the Company had no significant commitments and contingencies. (31.12.2013 - Rs.4,782,821/-)

31. 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.

32. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year information, to ensure proper presentation in the Financial Statements.

Statement of Financial Position	Note	Current presentation Rs.	As reported previously Rs.	Difference Rs.
As at 31 December 2013				
Short Term Receivables	32.1	36,012,711	37,466,807	(1,454,096)
Financial Investments - Held-to-Maturity	32.1	60,359,542	58,905,446	1,454,096
Trade and Other payables	32.2	227,374,955	293,732,084	(66,357,129)
Time Deposits	32.2	271,938,917	267,576,093	4,362,824
Interest Bearing Borrowings	32.2	3,008,238,642	2,946,244,337	61,994,305
Statement of Comprehensive Income For the year ended 31 December 2013				
Interest Income	32.3	970,829,633	963,999,313	6,830,320
Finance Income	32.3	-	6,830,320	(6,830,320)
Interest Expenses	32.4	546,554,936	-	546,554,936
Finance Cost	32.4	-	546,554,936	(546,554,936)

32.1 Interest Receivable from Held to Maturity Financial Instrument which was previously included under short term receivables was reclassified under Financial Investments - Held-to-Maturity. Further short term receivable are now classified as other non financial assets.

32.2 Interest Payable on Time Deposits and Interest Bearing Borrowings which was included under Trade and Other Payables was reclassified as part of the Time Deposits and Interest Bearing Borrowings.

32.3 Interest Income on Held to Maturity Financial Instrument which was previously included under Finance Income was reclassified under Interest Income.

32.4 Interest Expenses on Borrowings which was previously included under Finance Cost was reclassified as Interest Expenses.

Statement of Cash Flows for the year ended 31.12.2013	Current presentation Rs.	As reported previously Rs.	Difference Rs.
Increase / (Decrease) in Trade & Other Payables	14,355,556	59,423	14,296,133
(Increase)/Decrease in Other Financial Assets & Non Financial Assets	80,950,242	79,496,145	1,454,097
Increase /(Decrease) in Deposits from customers	269,315,917	264,953,093	4,362,824
Net Investments made during the Year	(22,024,266)	(20,570,171)	(1,454,095)
Loans Obtained	662,353,561	650,000,000	12,353,561
Loan Settlements made	(897,187,515)	(866,174,996)	(31,012,519)

Statement of Cash Flows were reclassified in accordance with the classifications made to the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

33. RELATED PARTY DISCLOSURES

33.1 Transaction with Related Entities

	2014 Rs.	2013 Rs.
Associated Motorways (Pvt) Ltd -Parent		
Transactions during the period		
Management fees paid	1,224,480	1,224,480
Rent Paid	10,850,525	7,920,141
Interest Paid	154,392,417	315,600,751
Fees paid for repair services	1,420,878	357,474
Royalty Paid	-	-
Expense Reimbursements	8,087,415	6,785,830
Salary Reimbursements	6,122,400	6,122,400
Inter Company Loans Obtained and Interest Accrued	2,030,952,626	-
Loan Repayment	1,125,084,761	380,000,000
Inter Company Settlements for Vehicle Purchases	1,041,234,777	802,798,800
	4,379,370,279	1,520,809,876
	31.12.2014 Rs.	31.12.2013 Rs.
Amounts Due to		
Trade Creditors	216,688,463	54,118,533
Loans Payable	1,950,867,865	1,045,000,000
Current Account with parent	1,699,982,281	802,628,700
Interest Payable	5,423,093	8,764,284
Other Payable	-	4,496,000
	3,872,961,702	1,915,007,517

Associated Motorways (Pvt) Ltd has given following corporate guarantees on behalf of AMW Capital Leasing & Finance PLC as at 31.12.2014.

- (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 an Overdraft / Short Term loan (money) facility amounting to Rs. 625 mn.
- (iv) DFCC Vardhana Bank PLC a Short Term loan facility amounting to Rs. 500 mn.
- (v) Pan Asia Banking Corporation PLC a Term Loan / Short Term loan facility amounting to Rs. 400 mn.
- (vi) National Development Bank PLC a Short Term loan facility amounting to Rs. 250 mn.

Orient Insurance Limited - Other Related Company

Transactions during the Year

	2014 Rs.	2013 Rs.
Vehicle Hire Charges	6,328,957	6,334,789
Insurance Commission Income	13,450,994	17,484,141
Insurance Premiums Paid on Fixed Assets Insured	1,254,928	1,032,312
	21,034,879	24,851,242
	31.12.2014 Rs.	31.12.2013 Rs.
Amounts Due to		
Insurance Payable	11,029,016	12,601,508
	11,029,016	12,601,508
Fixed Deposit	222,928,215	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

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

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

Messrs. T. de Zoysa, B. P. Morris, N.Johnson, A.Majumdar, S.A.B.Rajapaksa, N.S.Welikala, A.M.Patrick, A.W. Wickramasinghe and Mrs. D.C.Yatawaka were Directors of the Company during the financial year ended 31 December 2014.

Mr. A.W. Wickramasinghe was resigned from the Board w.e.f. 27.05.2014.

S A B Rajapaksa and A Majumdar were also Directors of the Parent Company-Associated Motorways (Pvt) Ltd.

Transactions with Key Management Personnel	2014 Rs.	2013 Rs.
Key Managerial Persons' Remuneration	21,422,460	12,177,719
Amounts Due To Key Management Personnel	31.12.2014 Rs.	31.12.2013 Rs.
Fixed Deposits	1,109,249	16,533,502
Transactions with Close Family Members of the Key Management Personnel	2014 Rs.	2013 Rs.
Lease Rentals Received excluding taxes	706,435	706,440
Fixed Deposits Made	500,000	-
Amounts Due From Close Family Members of the Key Management Personnel	31.12.2014 Rs.	31.12.2013 Rs.
Leases Outstanding excluding Taxes	116,918	824,180

33.3 Terms and Conditions of Transactions with Related Parties

Transactions with related parties have been conducted under normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

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	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Interest Income	621,406,369	616,768,788	196,648,179	225,208,285	321,516,660	122,022,240	-	-	32,936,716	6,830,320	1,172,507,924	970,829,633
Other Operating Income	63,050,443	67,626,215	25,542,506	33,282,920	37,351,596	14,208,050	-	-	30,201,058	27,764,743	156,145,603	142,881,928
Rental Income	-	-	-	-	-	-	13,464,592	16,502,827	-	-	13,464,592	16,502,827
Unallocated Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	684,456,812	684,395,003	222,190,685	258,491,205	358,868,256	136,230,290	13,464,592	16,502,827	63,137,774	34,595,063	1,342,118,119	1,130,214,388
Unallocated Expenses	-	-	-	-	-	-	-	-	-	-	(987,519,945)	(852,282,272)
Profit Before Tax											354,598,174	277,932,116
Taxation											(128,737,263)	(88,525,397)
Profit After Tax											225,860,911	189,406,719
Segment Assets	3,337,442,567	3,181,323,829	690,768,745	1,035,280,984	2,235,435,352	1,035,569,785	24,200,975	39,234,255	-	-	6,287,847,639	5,291,408,853
Unallocated Assets	-	-	-	-	-	-	-	-	1,957,431,514	192,650,693	1,957,431,514	192,650,693
Total Assets	3,337,442,567	3,181,323,829	690,768,745	1,035,280,984	2,235,435,352	1,035,569,785	24,200,975	39,234,255	1,957,431,514	192,650,693	8,245,279,153	5,484,059,546
Segment Liabilities	3,899,776,520	3,044,926,960	709,346,019	683,864,191	2,243,400,638	690,180,162	-	-	-	-	6,852,523,177	4,418,971,313
Unallocated Liabilities	-	-	-	-	-	-	-	-	248,812,465	128,821,558	248,812,465	128,821,558
Total Liabilities	3,899,776,520	3,044,926,960	709,346,019	683,864,191	2,243,400,638	690,180,162	-	-	248,812,465	128,821,558	7,101,335,642	4,547,792,871

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

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.

	Less than 12 months Rs.	2014 Over 12 months Rs.	Total Rs.	Less than 12 months Rs.	2013 Over 12 months Rs.	Total Rs.
Assets						
Cash and Bank	47,592,268	-	47,592,268	53,076,979	-	53,076,979
Other Financial Assets	34,259,514	-	34,259,514	36,012,711	-	36,012,711
Other Non Financial Assets	15,821,109	-	15,821,109	32,937,890	-	32,937,890
Rentals Receivable on	1,533,904,447	2,463,295,727	3,997,200,174	1,462,032,535	2,707,232,677	4,169,265,212
Lease and Hire Purchase Assets						
Loans and Advances	667,252,935	1,574,097,349	2,241,350,284	276,499,042	757,864,753	1,034,363,795
Vehicle Stock	-	-	-	540,000	-	540,000
Financial Investments - Available for Sale	-	80,400	80,400	-	80,400	80,400
Financial Investments - Held-to-Maturity	1,763,239,687	56,032,473	1,819,272,160	5,517,976	54,841,566	60,359,542
Property, Plant & Equipment	-	65,351,461	65,351,461	-	73,759,422	73,759,422
Intangible Assets	-	24,351,783	24,351,783	-	23,663,595	23,663,595
As at 31 December	4,062,069,960	4,183,209,193	8,245,279,153	1,866,617,133	3,617,442,413	5,484,059,546
Liabilities						
Bank Overdraft	40,344,147	-	40,344,147	91,442,076	-	91,442,076
Trade & Other payables	482,378,969	-	482,378,969	227,374,955	-	227,374,955
Time Deposits	737,203,672	236,692,592	973,896,264	159,928,307	112,010,610	271,938,917
Amounts due to Related Parties	1,699,982,281	-	1,699,982,281	802,628,700	-	802,628,700
Interest Bearing Borrowings	1,339,708,658	2,375,915,222	3,715,623,880	2,104,155,081	904,083,561	3,008,238,642
Provision for Income Tax	82,452,559	-	82,452,559	45,974,689	-	45,974,689
Deferred Tax Liability	-	92,105,767	92,105,767	-	89,284,269	89,284,269
Employee Benefit Obligation	-	14,551,775	14,551,775	-	10,910,623	10,910,623
As at 31 December	4,382,070,286	2,719,265,356	7,101,335,642	3,431,503,808	1,116,289,063	4,547,792,871

36. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2014 Rs.	2013 Rs.	
Rentals Receivables	Securitization Loan	1,820,826,006	394,925,726	Rentals Receivable on Lease and Hire Purchase Assets
Rentals Receivables	Short Term Loan	489,551,397	680,618,986	Rentals Receivable on Lease and Hire Purchase Assets
Rentals Receivables	Term Loan	2,440,252,737	-	Rentals Receivable on Lease and Hire Purchase Assets

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

37. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

Financial Assets	31 December 2014	
	Carrying Amount Rs.	Fair Value Rs.
Cash and Bank	47,592,268	47,592,268
Other Financial Assets	34,259,514	34,259,514
Rentals Receivable on Lease and Hire Purchase Assets	3,997,200,174	4,258,931,698
Loans and Advances	2,241,350,284	2,393,390,489
Financial Investments - Available for Sale	80,400	80,400
Financial Investments - Held-to-Maturity	1,819,272,160	1,831,886,918
Total Financial Assets	8,139,754,800	8,566,141,287
Financial Liabilities		
Bank Overdraft	40,344,147	40,344,147
Trade and Other payables	482,378,969	482,378,969
Time Deposits	973,896,264	998,539,725
Amounts due to Related Parties	1,699,982,281	1,688,048,685
Interest Bearing Borrowings	3,715,623,880	3,847,953,673
Total Financial Liabilities	6,912,225,541	7,057,265,199

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

- * 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.

38.2 Credit Risk

38.2.1 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 approval and administration and active portfolio monitoring.

38.2.2 Portfolio analysis: Product wise

The lending portfolio is primarily made up of finance leasing with 52.7% of exposure, with hire purchase and auto loans being 11.5% and 35.8% respectively as at 31 December 2014.

38.2.2.1 Exposure based on Product class

Product	As at 31 Dec 2014		As at 31 Dec 2013	
	Exposure (LKR 'Million)	%	Exposure (LKR 'Million)	%
Finance Leasing	3,357.62	52.69%	3,164.17	60.07%
Hire Purchase	736.34	11.55%	1,064.45	20.21%
Auto Loans	2,278.71	35.76%	1,039.16	19.73%
Total	6,372.67	100.00%	5,267.78	100.00%

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

38.2.2.2 Granting during the year : Product class

Product	For the year 2014		For the year 2013	
	Amount (LKR 'Million)	%	Amount (LKR 'Million)	%
Finance Leasing	1,887	45.73%	1,391.57	46.87%
Hire Purchase	196	4.75%	531.32	17.89%
Auto Loans	2,043	49.52%	1,046.21	35.24%
Total	4,126	100.00%	2,969.10	100.00%

38.2.3 Portfolio analysis: Exposure based on Asset type

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

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

38.2.3.1 Exposure based on Asset Class

Product	Exposure as at 31 Dec 2014 (LKR 'Million)	%	Exposure as at 31 Dec 2013 (LKR 'Million)	%
Motor Cars	4,223.77	66.28%	2,713.12	51.50%
Two Wheeler	359.46	5.64%	249.65	4.74%
Three Wheeler	447.26	7.02%	438.05	8.32%
Dual Purpose vehicles	821.93	12.90%	520.52	9.88%
Commercial vehicles	360.38	5.65%	254.96	4.84%
Working capital Loans	42.41	0.66%	1,031.77	19.59%
Equipment	99.74	1.57%	42.32	0.80%
Agricultural Tractors	17.72	0.28%	17.39	0.33%
Total	6,372.67	100.00%	5,267.78	100.00%

Granting during the year: Asset Type Wise

Asset Type	For the year 2014		For the year 2013	
	Amount (LKR 'Million)	%	Amount (LKR 'Million)	%
Motor Cars	2,715.8	65.82%	842.88	28.39%
Two Wheeler	307.1	7.44%	282.46	9.51%
Three Wheeler	263.7	6.39%	333.99	11.25%
Dual Purpose Vehicle	471.9	11.44%	311.82	10.50%
Commercial vehicles	205.2	4.97%	119.45	4.02%
Working capital Loans	68.7	1.67%	1,046.21	35.24%
Equipment	87.2	2.11%	31.13	1.05%
Agricultural Tractors	6.4	0.16%	1.17	0.04%
Grand Total	4,126.00	100.00%	2,969.11	100.00%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

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

38.2.4 Collections and recovery

The tables below shows the age analysis of the instalments arrears for all Financial Assets exposed to credit risk as at 31 December 2014. The amounts presented are gross receivable amounts.

38.2.4.1 Age analysis of past due based on Financial Assets (LKR ' Thousands)

	Neither Past due or Impaired Rs.	Past due but not impaired						Total Rs.
		0-29 days Rs.	30- 59 days Rs.	60- 89 days Rs.	90- 179 days Rs.	180- 365 days Rs.	Over 365 days Rs.	
ASSETS								
Cash and Bank								
(Excluding Cash in Hand)	47,592	-	-	-	-	-	-	47,592
Other Financial Assets	34,260	-	-	-	-	-	-	34,260
Rentals Receivable on								
Lease and Hire								
Purchase Assets	2,445,437	666,186	483,945	230,748	162,773	46,508	58,365	4,093,962
Less : Impairment Charges	-	-	-	-	-	-	-	(96,762)
Loans and Advances	1,484,376	427,009	206,407	93,987	56,689	10,329	8,040	2,286,837
Less : Impairment Charges	-	-	-	-	-	-	-	(45,487)
Financial Investments -								
Available for Sale	80	-	-	-	-	-	-	80
Financial Investments -								
Held-to-Maturity	1,819,272	-	-	-	-	-	-	1,819,272
	5,831,017	1,093,195	690,352	324,735	219,462	56,837	66,405	8,139,754

38.2.4.2 Non Performing Portfolio

As at 31 Dec 2014	(LKR 'Million) '31 Dec 2014
Non-Performing Portfolio	168.20
Total Advances	6,372.68
Non-performing %	2.64%
Loan loss provisions	142.25

38.2.5 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 2014 amounts to Rs.142.2 Mn. (2013- Rs.64.2 Mn)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

38.2.6 Fair Value of Collateral and Credit Enhancements held

Carrying Value of Financial Assets	Carrying Value Rs.
Other Financial Assets	34,259,514
Rentals Receivable on Lease and Hire Purchase Assets	3,997,200,174
Loans and Advances	2,241,350,284
Financial Investments - Available for Sale	80,400
Financial Investments - Held-to-Maturity	1,819,272,160
	8,092,162,532

The Company does not routinely update the valuation of collateral held against all facilities to all significant customers. For impaired facilities, the Company obtains the current market value of the collateral. Market Value of such assets impaired amounts to Rs.43,170,000/- as at 31 December 2014. Total receivable balance relevant to those impaired facilities is Rs.57,605,218/-.

Such provision for Impairment made at the end of reporting period, 31 December 2014 amounts to Rs142.2 Mn. (2013- Rs.64.2 Mn)

38.3 Liquidity Risk

38.3.1 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.

38.3.1.1 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities as at 31 December 2014 (LKR ' Thousands)

As at 31 December 2014	Less than 1 Month Rs.	1 to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets							
Cash and Bank	47,592	-	-	-	-	-	47,592
Other Financial Assets	27,021	262	1,134	720	5,122	-	34,259
Rentals Receivable on Lease and Hire Purchase Assets	338,525	367,720	1,518,322	2,377,543	651,642	16,422	5,270,174
Loans and Advances	137,046	197,548	720,684	1,412,812	576,882	12,885	3,057,857
Financial Investments - Available for Sale	-	80	-	-	-	-	80
Financial Investments - Held-to-Maturity	257,976	1,267,889	262,116	10,891	54,833	27,015	1,880,720
Total Undiscounted Financial Assets	808,160	1,833,499	2,502,256	3,801,966	1,288,479	56,322	10,290,682
Financial Liabilities							
Bank Overdraft	40,344	-	-	-	-	-	40,344
Time Deposits	50,316	352,277	370,535	246,096	29,479	-	1,048,703
Amounts due to Related Parties	-	1,699,982	-	-	-	-	1,699,982
Interest Bearing Borrowings	26,465	143,037	735,002	781,606	1,980,478	587,957	4,254,545
Total Undiscounted Financial Liabilities	117,125	2,195,296	1,105,537	1,027,702	2,009,957	587,957	7,043,574
GAP	691,035	(361,797)	1,396,719	2,774,264	(721,478)	(531,635)	3,247,108
Cumulative GAP	691,035	329,238	1,725,957	4,500,221	3,778,743	3,247,108	

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 December

35. MATURITY OF ASSETS AND LIABILITIES

38.4 Interest Rate Risk

38.4.1 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.

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

38.4 Interest Rate Risk (Contd...)

38.4.1.1 Interest Rate Sensitivity Gaps as at 31 December 2014 (LKR 'Thousands)

As at 31 December 2014	Less than 7 days Rs.	8- 30 days Rs.	1 - 3 months Rs.	3 - 6 months Rs.	6 - 12 months Rs.	Over 1 1 years Rs.	Total Rs.
Sensitive Assets							
Rentals Receivable on Lease and Hire Purchase Assets	25,273	236,262	381,507	561,280	996,835	4,037,393	6,238,550
Financial Investments - Available for Sale	-	-	80	-	-	-	80
Financial Investments - Held-to-Maturity	-	1,763,240	-	-	-	56,032	1,819,272
Total Sensitive Assets	25,273	1,999,502	381,587	561,280	996,835	4,093,425	8,057,902
Sensitive Liabilities							
Bank Overdraft	40,344	-	-	-	-	-	40,344
Time Deposits	-	48,788	466,985	221,431	210,543	26,149	973,896
Amounts due to Related Parties	-	1,699,982	-	-	-	-	1,699,982
Interest Bearing Borrowings	-	425,524	5,000	-	67,712	3,217,388	3,715,624
Total Sensitive Liabilities	40,344	2,174,294	471,985	221,431	278,255	3,243,537	6,429,846
Gap	(15,071)	(174,792)	(90,398)	339,849	718,580	849,888	
Cumulative gap	(15,071)	(189,863)	(280,261)	59,588	778,168	1,628,056	

Note : Fixed Interest Bearing Assets and Liabilities have also taken into consideration in arriving at the Interest Rate Sensitivity Gaps.

38.4.1.2 Income impact from change in interest rates within one month

(LKR 'Thousands)	Increase in funding cost	
	10 bps	25 bps
P&L impact (Monthly)	(190)	(475)

38.5 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 2014 : 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 2014, distributed as follows.

Distribution of shareholders	As at 31st December 2014				As at 31st December 2013			
	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

Category	As at 31st December 2014				As at 31st December 2013			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
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	As at 31.12.2014		As at 31.12.2013	
	No. of Shares	%	No. of Shares	%
Associated Motorways (Private) Limited	18,000,000	90.00	18,000,000	90.00
Trading Enterprises Company LLC	1,999,999	9.99	1,999,999	9.99
A A De Silva	1	0.01	1	0.01

Shareholding	As at 31.12.2014		As at 31.12.2013	
	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 2014

NIL

SHARE PRICES FOR THE YEAR

Market price per share

Highest

Lowest

As at end

31.12.2014

Rs.

*Not Traded

*Not Traded

*Not Traded

KEY RATIOS

Dividend Per Share (Rs.)

Dividend Payout Ratio

Net Asset Value Per Share (Rs.)

31.12.2014

0.85

0.07

57.20

31.12.2013

0.55

0.06

48.81

NOTICE OF MEETING

NOTICE is hereby given that the *NINTH ANNUAL GENERAL MEETING* of AMW CAPITAL LEASING AND FINANCE PLC will be held at the Registered Office of the Company No. 185 Union Place Colombo 2 on 20th May 2015 at 10.30 a.m. for the following purposes.

1. The Secretary to read the notice convening the meeting.
2. To receive and adopt the Statement of Accounts for the year ended 31st December 2014 and to receive the Report of the Directors and the Auditors thereon.
3. To re-elect Mr. N S Welikala as a Director in place of Director retiring by rotation.
4. To appoint Auditors and authorise the Directors to determine their remuneration.
5. To transact any other business that may properly be brought before the meeting.

By Order of the Board

Sgd.

Mrs. D. De Silva
COMPANY SECRETARY

Dated 24th April 2015

Note :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf.
2. A Proxy need not be a member of the Company. The form of proxy will be found at the back of the Annual Report.
3. The completed form of proxy should be deposited at the Registered Office of the Company No. 185 Union Place Colombo 2, not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I/Weof.....

being a member/members of AMW Capital Leasing and Finance PLC, hereby appoint :

..... of(or failing him)

Mr T De Zoysa	of Colombo	(or failing him)
Mr B P Morris	of Colombo	(or failing him)
Mr S A B Rajapaksa	of Colombo	(or failing him)
Mr N S Welikala	of Colombo	(or failing him)
Mr A M Patrick	of Colombo	(or failing him)
Mrs D C Yatawaka	of Colombo	

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 20th May 2015 and at any adjournment thereof and at every poll which may be taken in consequence thereon.

As witness my hand/our hands this day of
Two Thousand & Fifteen.

Signature

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. If the Proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed form of proxy should be deposited at the Registered Office of the Company No. 185, Union Place, Colombo 2, not less than 48 hours, before the time appointed for the holding of the meeting.

Corporate Information

DATE OF INCORPORATION	:	23rd February 2006
DATE OF RE-REGISTRATION	:	27th June 2007
COMPANY REGISTRATION NO	:	PB14PQ
IMPORTANT DATES	:	<ul style="list-style-type: none">• Formed as a Leasing Establishment in July 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) B P Morris - Director/CEO A Majumdar N D Johnson N S Welikala A M Patrick A W Wickremesinghe - (resigned w.e.f. 27/05/2014) D C Yatawaka S A B Rajapaksa
COMPANY SECRETARY	:	Mrs. S. D. De Silva (FCIS, FCCS)
AUDITORS	:	M/s. Ernst & Young Chartered Accountants
BANKERS	:	Bank of Ceylon Commercial Bank of Ceylon PLC Hongkong & Shanghai Banking Corporation PLC Nations Trust Bank PLC Peoples Bank PLC Sampath Bank DFCC Vardhana Bank PLC Pan Asia Banking Corporation PLC National Development 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 - resigned w.e.f. 27.05.2014 S A B Rajapaksa
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 B P Morris - appointed w.e.f. 27.05.2014 A W Wickremesinghe - resigned w.e.f. 27.05.2014 E C S R Muttupulle - resigned w.e.f.: 31.03.2014 S A B Rajapaksa D C Yatawaka U Fernando P Mendis R Boteju - resigned w.e.f.: 31. 12.2014 L R Perera - resigned w.e.f.: 30.04.2014 D I Brohier H N N K Perera Mr. T Ranawaka - appointed w.e.f.22.05.2014 Mr. S Wickremesinghe - appointed w.e.f 12.12.2014
REMUNERATION COMMITTEE	:	The Remuneration Committee of the Company was formed on 10.02.2011 A W Wickremesinghe - Chairman - resigned w.e.f. 27.05.2014 A M Patrick N S Welikala S A B Rajapaksa

AMW Capital Leasing and Finance PLC

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Website : www.capitalleasing.lk