



ANNUAL REPORT

FOR

Financial Year Ended 31st December 2010

Corporate Information

DATE OF INCORPORATION : 23rd February 2006

DATE OF RE-REGISTRATION : 27th June 2007

COMPANY REGISTRATION NO : PB14

IMPORTANT DATES:

- Formed as a Leasing Establishment In July 2006
- Obtained Finance Company Licence In November 2008
- Listed on the Diri Savi Board of the Colombo Stock Exchange w.e.f:08th June 2011.

PRINCIPLE 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 (appointed as Chairman w.e.f.22/2/2010)
E C S R Muttupulle
M Brightmore
A Majumdar
N D Johnson (appointed w.e.f.22/02/2010)
R S Yatawara (resigned w.e.f.03/02/2010)
G B R De Silva (resigned w.e.f.22/02/2010)
S M De Zoysa (resigned w.e.f.22/02/2010)
S C De Zoysa (resigned w.e.f.22/02/2010)
N S Welikala (appointed w.e.f.10/02/2011)
A M Patrick (appointed w.e.f.10/02/2011)

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
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. Mr A M Patrick – Chairman Audit Committee Mr N S Welikala – Committee Member Mr M Brightmore – Committee Member
REMUNERATION COMMITTEE	:	The Remuneration Committee of the Company was formed on 10.02.2011 as a pre-requisite to Listing the Company on the CSE. Mr N S Welikala – Chairman Remuneration Committee Mr A M Patrick – Committee Member Mr M Brightmore – Committee Member

Chairman's Message

It gives me great pleasure to present to you, the Annual Report and Financial Statements of AMW Capital Leasing Ltd for the year ended 31st December 2010.

This was the first year after the long-standing conflict in the North-East and as a result of the peaceful domestic environment and improved domestic and external conditions, the economy bounced back this year with the GDP growing by an impressive 8% compared to a growth of 3.5% in 2009. Further, the gradual recovery in the global economy together with favorable weather conditions contributed towards the high growth in 2010. With the favorable macroeconomic conditions, the performance and stability of the financial sector strengthened in 2010. The improved performance was reflected in all the prudential indicators. Credit flows recovered significantly, profitability improved, capital adequacy further increased above the threshold and the ratio of non-performing advances declined.

The Central Bank of Sri Lanka was very proactive and took several positive steps to further strengthen the stability of the financial sector, thereby enhancing public confidence. A major step in the right direction was the mandatory requirement for all Finance Companies to publicly list its shares in the Colombo Stock Exchange. This decision by the Central Bank will lead to greater protection and security for all stakeholders. The Central Bank further introduced regulations stipulating the maximum rates of interest to be offered by Finance Companies with a view to preventing unhealthy competition for deposit-taking business and ensuring public confidence and sustainability. Hitherto a serious problem faced by the public was the acceptance of deposits by unregulated institutions. With a view to stopping this unscrupulous activity and protecting depositors, the Central Bank commenced investigations into institutions allegedly engaged in finance business without authority while assisting courts with respect to pending litigation.

We are pleased with the operational performance of the company and its steady growth on all financial indicators since incorporation in July 2006. With the decline of inflation, the interest rates too declined resulting in a significant increase in the demand for both leasing and hire-purchase. This is reflected in the earning assets of the company growing by 30% to Rs. 2.023 Billion and the pre-tax profit growing by 46% from Rs 149 Million in 2009 to Rs. 218 Million in 2010.

Another notable feature of the company's operations is the exceptional quality of its asset portfolio. In 2010 the ratio of Non-performing advances to Earning assets was 0.09% as against the industry average of 9.3%. The high quality is attributable to the highly effective risk management policies adopted by the company.

The efficiency of utilization of company resources is reflected in the Return on Assets (ROA) which in 2010 was 7.68% as compared to the industry average of 1.1%. We are also pleased to inform you that in the year under review, the company provided the shareholders an attractive return of 37.6% return on their investment.

With the expected increase in economic activity in the country, the company will strengthen its infrastructure to take advantage of the new growth opportunities. The company will embark on a rapid branch expansion drive and open branches in various affluent regions in the country. With a view to efficiently supporting the expansion drive, the company has also invested in cutting-edge technology and implemented state-of-the art leasing software which will enable it to respond rapidly and innovatively to changing customer needs.

Mr. Emmanuel Muttupulle, the Managing Director/CEO continued to provide the required leadership and his team demonstrated their deep commitment to perform above expectations. In conclusion, I wish to thank the members of the Board for their guidance and invaluable contribution towards the outstanding success of the company. We also place on record our appreciation to our Valued Customers, Bankers and all Stakeholders for their co-operation and support during the year under review.



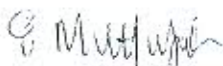
Deshabandu Tilak De Zoysa
Chairman

Managing Director's Review

During the year under review AMW Capital Leasing Limited (AMWCL) showed significant growth over the corresponding period of the previous year in all the key areas including top and bottom lines. With the cessation of the ethnic conflict and the resulting political stability coupled with the reduction in the import duty for vehicles in June 2010 and a reduction in Value Added Tax on vehicles in November 2010, there was a surge in the demand for leasing. Interest Income grew by 18% to Rs. 420 Million from Rs. 355 Million in the corresponding period of the previous year. The Pre-tax profit grew by 46% Year on Year (YOY) to Rs. 218 Million. The earning assets of the company grew by 29% to Rs. 2.023 Billion. A notable feature of the company's operations is the high quality of the asset portfolio which is reflected in the Non- Performing Loans (NPL) ratio which stood at 0.09% in 31st December 2010 which was significantly below the industry average. This could be attributed to the prudent underwriting policies adopted by the company, a highly diversified portfolio, and the close monitoring of the receivables. During the year under review, the company's productivity too improved steadily with the pre-tax profit per employee increasing from Rs 3.9 Million per employee to Rs. 4.4 Million per employee Year on Year (YOY). Similarly the Return on Assets (ROA) increased to 7.7% from 3.7% in the corresponding period of the previous year.

As at the end of the year 2003, the company had an asset base of Rs. 2.023 Billion. These assets were funded mainly through Securitization and bank borrowings. The assets were fixed and had an average maturity of 60 months. While the Securitized borrowings had a maturity of 48 months with the rate being reviewed quarterly, the bank borrowings were of a short term nature. As there is a Asset-Liability mismatch in the balance sheet, the company is vulnerable to a rise in interest rates effecting its profit margin. With a view to hedging interest risk, the company is negotiating long term fixed rate credit lines through Securitization, bank borrowings and the Asian Development Bank (ADB).

Going forward, with continuing political stability and favorable Macro-economic conditions in the country coupled with the opening up of the North and East of the country, the demand for leasing and hire-purchase is expected to grow significantly. The company will take advantage of the new opportunities created by rapidly expanding its branch network which presently comprises seven branches which are located in all the districts of Sri Lanka other than the North and East. The company will soon be opening branches in the North, East, North Central Province as well as in certain affluent regions of the Western Province. With a view to improving the efficiency of the operations and improving the quality of the management information, the company has implemented a state of the art leasing system. The new system will also enable the company to diversify its product range and embark on new products such as Operating Leasing, Islamic Financing etc.



E C S R Muttupulle

Managing Director/CEO

Financial Highlights for the year ended 31 December 2010

Interest Spread	11%
Gearing Ratio	3.18
Interest Cover	2.60
Return on Assets	7%
Return on Equity	33%
Capital Adequacy Ratio	21%

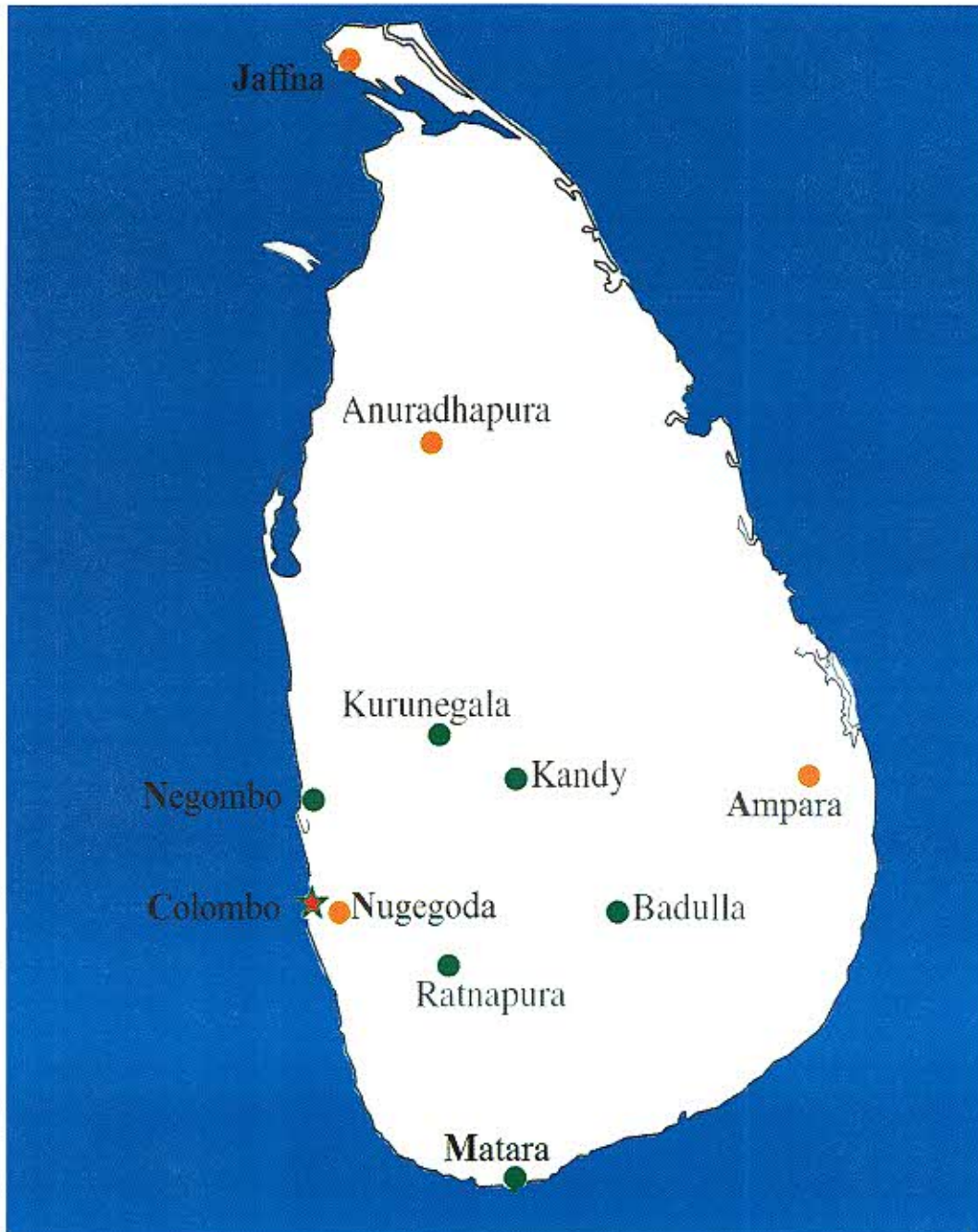
AMW Capital Leasing Limited					000
PERFORMANCE INDICATORS(Rs. Mn)	2006/2007	2007/2008	2008 (9 months)	2009	2010
Net profit after tax	7,942	36,376	44,696	57,283	146,446
New executions	561	1,318	1,048	1,381	2,408
Gross portfolio (rentals receivable)	491,032	1,371,122	1,913,891	2,212,232	2,708,881
Outstanding borrowings	261,796	699,822	995,668	1,084,943	1,418,929
Non-performing portfolio	-	-	-	941	1,957
KEY INDICATORS					
(Rs. per share)					
Earnings per share	0.40	1.82	2.23	2.86	7.32
Book value per share	5.40	12.02	13.66	16.52	22.35
Dividends per share	-	0.20	0.59	-	1.5
(Times)					
Debt to Equity ratio	2.43	2.91	3.64	3.28	3.17
Interest cover	3.62	1.58	1.60	1.84	2.60

AMW CAPITAL LEASING LIMITED

Performance Indicators (Rs.000)	2006/2007	2007/2008	2008 (9 months)	2009	2010
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EXPANDING OUR REACH.....

- ★ Head Office
- Existing Branches
- Proposed Branches



Corporate Governance Principle	Level of Compliance
The Board of Directors	The Company is headed by a Board which takes decisions, directs, controls and manage the company in the best interest of its stakeholders. The Board of AMW Capital Leasing Limited comprise of Seven Directors of whom Two Directors are Independent Non Executive Directors thereby complying with the corporate governance requirements of the CSE, as regards the Independent Directors. The Capital Leasing Board consists of professionals in Accounting, Management and Business Leaders.
Board Charter	<p>The Board of Directors is primarily responsible for –</p> <ul style="list-style-type: none"> • Ensuring the formulation and implementation of a sound business strategy. • Ensuring that the Managing Director and the Management team possess the skills, experience and knowledge to implement the strategies so adopted. • Ensuring the adoption of a senior management succession strategy. • Ensuring compliance with laws, regulations and ethical standards. • Delivering sustainable shareholder value and also serving in the long term interest of other stakeholders inclusive of customers, regulators, employees and community through effective management of the business. • Reviewing and approving macro financial and other resource requirements in meeting corporate goals and ensuring that the integrity of financial information and financial controls. • Reviewing and critically analyzing monthly management information and key performance indicators. • Determining the nature and extent of significant risks it takes, in order to achieve its strategic objectives. Thus, monitoring and reviewing the risk management processes for compliance with regulations, standards and other regulatory requirements.
Disclosure of details of New Directors	The appointment of new Independent Directors were made prior to the listing of the Company. All future disclosures will be made to the CSE for dissemination to the public. Disclosure is made of directorates and significant holdings to the Central Bank of Sri Lanka.
Meetings	<p>Meetings are held by the Board every month, at which the Company's performance is monitored on a regular basis and also whereby business strategies are planned and current market conditions reviewed. In the alternative, all other operational requirements which needs the approval of the Board on an urgent basis is passed by Circular Resolution as and when required.</p> <p>In addition to the regular meetings, formal and informal communication between the Board Members take place on an on going basis in the discharge of duty.</p>

<p>Independence of Directors</p>	<p>The Independent Non Executive Directors are responsible for bringing independent judgment and scrutinizing the decisions taken by the Board on all issues of strategy, performance, resources and business conduct.</p>
<p>Procedure for appointment of new Directors</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>Training for new Directors</p>	<p>Currently there is no formal process for providing training on the induction of new Directors. Adequate knowledge sharing opportunities are provided at Board Meetings.</p>
<p>Access to Independent professional advice</p>	<p>The Board Directors in performance of their duties, are permitted to obtain independent professional advice from third party whenever deemed necessary at the company's expense if considered appropriate.</p>
<p>Conflict of Interest</p>	<p>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 are disclosed in the Financial Reports Section of the Annual Report.</p>
<p>Supply of Information</p>	<p>Board Meetings are conducted based on formal agenda, covering the main responsibilities of the Board. The Board receives a standard set of documents which are timely, accurate, relevant and comprehensive. The Board may call for additional information or clarify any issues with any member of the Executive Committee.</p>
<p>Dedication of adequate time and effort to matters of the Board and the Company</p>	<p>The Chairman and the Board dedicate adequate time for the affairs of the Company by attending Board Meetings, Committee Meetings in which they are members and by making decisions via Circular Resolutions. In addition the Executive Directors of the Board have regular meetings with the Management as and when required.</p>

Company Secretary	The Company Secretary is a Fellow Member of the Institute of Chartered Secretaries & Administrators UK as well as the Institute of Chartered Corporate Secretaries of Sri Lanka. She is responsible for supporting and advising the Chairman and the Board on all Board procedures and compliance with applicable rules and regulations.
Re-election of Directors	According to Articles of Association, each director other than the Chairman and the Managing Director retires by rotation and is required to stand for re-election by the shareholders at the AGM.
Relationship with Shareholders	
General Meeting (AGM)	Information is received by the shareholders within the stipulated time frame before the AGM to give them an opportunity to exercise prerogative to raise any issues relating to their shareholding and the business. The Board of Directors and Auditors of the Company are present at the AGM to answer any questions.
Separate Resolutions for each item of business	The Company proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each substantially different issue.
Accountability and Audit	
Financial Reporting, Statutory and Regulatory Reporting	In the preparation of the Annual Financial Statements, the Company has complied with the requirements of the Companies Act No 7 of 2007 which are prepared and presented in conformity with Sri Lanka Accounting Standards.
Summoning an EGM to notify shareholders if net assets fall below one behalf of the Shareholders' funds	The situation has not arisen. However, should the situation arise, an EGM will be called for and shareholders will be notified.
Internal Control - Maintaining a sound system of internal control and risk management	<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>Review of external audit function and Relationship with External Auditor</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>Other Corporate Governance Initiatives</p>	
<p>The Company's responsibility towards Its employees</p>	<p>The Company's employment relationships are built on trusting and caring long term relationships which are industrial conflict free. Family values provide the basis for overall corporate culture and work is scheduled to strike a fine balance between family life and work life. Well defined carrier paths are made available to younger employees with potential. During the tenure of employment they are encouraged to enhance their competencies both primary and secondary through following identified programmes of studies and by participation at refresher and update programmes. Attitudinal competencies are considered a critical competency and all employees are required to undergo such programmes conducted.</p>
<p>The Company's responsibility towards its customers</p>	<p>To better cater to the public the Company is expanding its reach island wide, both in independent locations and through the AMW branch showrooms in some of the major cities.</p>

Report of the Directors

The Directors are pleased to present their Report for the Financial year ended 31st December 2010 together with the Audited Balance Sheet and the Profit & Loss Account for the period under review.

Review of the Period

The Chairman's and Managing Director's messages along with the financial review highlight the Company's performance during the period under review.

Financial Statements

The Financial Statements are prepared in compliance with the requirements of section 151 of the Companies Act No.7 of 2007.

Stated Capital

The Stated Capital of the Company on 31st December 2010 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

Messrs. N S Welikala and A M Patrick were appointed as the two Non Executive Independent Directors to the Board since the last Annual General Meeting.

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

Directors' Interests

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

Auditors

Messrs. Ernst & Young have expressed their willingness to continue in office as Auditors of the Company for the year ending 31st December 2011. 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

Sgd.

Mrs. D. De Silva

COMPANY SECRETARY

Dated 10th February 2011

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 2010 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 has 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.

Sgd.
MRS D DE SILVA
Company Secretary

10/02/2011

BW/ABVU/AD

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AMW CAPITAL LEASING LIMITED****Report on the Financial Statements**

We have audited the accompanying Financial Statements of AMW Capital Leasing Limited which comprise the Balance Sheet as at 31 December 2010, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of Significant Accounting Policies and other explanatory Notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2010 and the financial statements give a true and fair view of the Company's state of affairs as at 31 December 2010 and its Profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

10 February 2011
Colombo

BALANCE SHEET

As at 31 December 2010

	Note	2010 Rs.	2009 Rs.
ASSETS			
Cash & Bank	2	17,757,985	11,212,251
Investment in Treasury Bills		500,000	-
Short Term Receivables	3	95,889,034	80,344,682
Rentals Receivable on Lease and Hire Purchase Assets	4	2,023,025,995	1,561,610,937
Long Term Investments	5	80,400	80,400
ESC Recoverable		3,175,406	5,429,076
Plant & Equipment	6	5,405,731	4,568,936
Intangible Assets	7	1,199,889	1,996,532
Total Assets		2,147,034,440	1,665,242,814
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	2	11,661,578	2,027,188
Trade & Other payables	8	130,676,197	126,449,003
Time Deposits		300,000	-
Amounts due to Related Parties	9	518,158,920	1,000,143,145
Short Term Borrowings	10	742,520,000	-
Interest Bearing Borrowings - Amount Payable within one year	11	100,200,000	53,200,000
Interest Bearing Borrowings - Amount Payable after one year	11	58,050,000	31,600,000
Provision for Income Tax	12	67,581,958	36,419,088
Deferred Taxation	13	68,708,827	83,589,550
Retirement Benefit Obligation	14	2,234,826	1,318,379
Total Liabilities		1,700,092,306	1,334,746,353
Equity			
Stated Capital	15	200,000,000	200,000,000
Retained Profit		226,291,166	117,494,939
Statutory Reserve Fund		12,827,772	5,178,326
General Reserve Fund		7,823,196	7,823,196
Total Equity		446,942,134	330,496,461
Total Equity and Liabilities		2,147,034,440	1,665,242,814

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act.


No. 97 of 2007.


 Finance Director

The board of directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the board by.


 Director


 Director

Accounting Policies and Notes on pages 6 to 22 form an integral part of these Financial Statements.

10 February 2010
 Colombo



INCOME STATEMENT

Year Ended 31 December

	Note	2010 Rs.	2009 Rs.
Interest Income	16	420,094,367	355,606,515
Other Operating Income	17	64,126,884	40,840,274
		<u>484,221,251</u>	<u>396,446,789</u>
Less: Expenses			
Administration Cost		(47,095,348)	(16,865,836)
Personnel Cost		(52,261,691)	(34,065,082)
Distribution Cost		(1,270,401)	(483,486)
Provision for Bad and Doubtful Debts		(7,036,991)	(4,347,352)
Other Operating Cost		(70,000)	(2,548,484)
Finance Cost	18	(136,672,662)	(178,068,839)
Profit from Operations		<u>239,814,158</u>	<u>160,067,709</u>
Less: Value Added Tax on Financial Services		(21,146,841)	(10,722,906)
Profit Before Tax	19	218,667,317	149,344,803
Taxation	20	(72,221,644)	(92,062,000)
Profit for the year		<u>146,445,673</u>	<u>57,282,803</u>
Earning Per Share - Basic	21	7.32	2.86
Dividend Per Share	22	1.50	-

Accounting Policies and Notes on pages 6 to 22 form an integral part of these Financial Statements.



STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December

	Stated Capital Rs.	Retained Profit Rs.	Statutory Reserve Fund Rs.	General Reserve Fund Rs.	Total Rs.
Balance as at 31 December 2008	200,000,000	60,939,778	4,450,683	7,823,196	273,213,657
Net Profit for the year	-	57,282,803	-	-	57,282,803
Dividend Paid	-	-	-	-	-
Transfers	-	(727,643)	727,643	-	-
Balance as at 31 December 2009	200,000,000	117,494,939	5,178,326	7,823,196	330,496,461
Net Profit for the year	-	146,445,673	-	-	146,445,673
Dividend Paid	-	(30,000,000)	-	-	(30,000,000)
Transfers	-	(7,649,446)	7,649,446	-	-
Balance as at 31 December 2010	200,000,000	226,291,166	12,827,772	7,823,196	446,942,134

Accounting Policies and Notes on pages 6 to 22 form an integral part of these Financial Statements.



CASH FLOW STATEMENT

Year Ended 31 December

	Note	2010 Rs.	2009 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net Profit before Income Tax		218,667,317	149,344,803
Adjustments for :			
Interest Income from Treasury Bills	17	(305,964)	(1,235,274)
Dividend Income	17	(5,000)	(16,000)
Retiring Gratuity - Charge for the year	14	916,447	938,488
Depreciation & Amortization	6 & 7	2,293,712	1,741,635
Operating Profit Before Changes in Working Capital		221,566,512	150,773,652
Increase / (Decrease) in Related Party Payable	9	(481,984,225)	157,774,898
Increase / (Decrease) in Trade & Other Payables	8	4,227,194	(6,243,947)
(Increase) / Decrease in Short Term Receivables		(13,290,682)	34,787,406
Net Investment in Lease and Hire Purchase	4	(461,415,058)	(252,542,476)
Increase / (Decrease) in Deposits from customers		300,000	-
Net Cash Generated from Operations		(730,596,259)	84,549,533
Income Tax Paid	12	(55,715,229)	(9,824,508)
WHT Paid	12	(224,267)	(256,568)
Net Cash from/ (used in) Operating Activities		(786,535,755)	74,468,457
CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	17	5,000	16,000
Acquisition of Plant & Equipment	6 & 7	(2,333,865)	(2,860,687)
Investments made during the Year		(500,000)	-
Interest Received from Treasury Bills	17	305,964	1,235,274
Net Cash from/ (used in) Investing Activities		(2,522,901)	(1,609,413)
CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES			
Dividends Paid	22	(30,000,000)	-
Net increase/(decrease) in borrowings		815,970,000	(68,500,000)
Net Cash from/ (used in) Financing Activities		785,970,000	(68,500,000)
Net Increase / (Decrease) in Cash & Cash Equivalents		(3,088,656)	4,359,044
Cash & Cash Equivalents at the beginning of the year		9,185,063	4,826,019
Cash & Cash Equivalents at the end of the year	2	6,096,407	9,185,063

Accounting Policies and Notes on pages 6 to 22 form an integral part of these Financial Statements.



1. General

1.1 Corporate Information

AMW Capital Leasing Limited was incorporated on 23.02.2006 under the Companies Act No. 17 of 1982 and re-registered under the New Companies Act No. 07 of 2007 on 27.06.2007 and the new Reg No is PB14.

The registered office of the Company is located at No. 185, Union Place, Colombo 2 and principal place of business of the Company is located at No. 445, Bauddhaloka Mawatha, Colombo 08.

The principal activity of AMW Capital Leasing Limited is Finance Leasing. The AMW Capital Leasing Limited is a wholly owned subsidiary of Associated Motorways (Private) Limited.

1.2. Basis of Preparation

1.2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) adopted by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Financial Statements for the year ended 31 December 2010 were authorised for issue by the Directors on 10 February 2011.

1.2.2 Responsibility for Financial Statements

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

1.2.3 Basis of Measurement

The Financial Statements of the Company have been prepared on historical cost basis.

1.2.4 Foreign Currency Transactions

The Financial Statements are presented in Sri Lanka 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.

All foreign exchange transactions are converted to Sri Lanka Rupees, at the rates of exchange prevailing at the time the transactions are affected.

Monetary assets and liabilities denominated in foreign currency are retranslated to Sri Lanka Rupee equivalents at the exchange rate prevailing at the Balance Sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Income Statement.

1.2.5 Comparative Information

The accounting policies applied by the Company are unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged, where necessary; conform to the current period presentation.



1.2.6 Events after the Balance Sheet Date

All material Post Balance Sheet events have been considered and where appropriate adjustments to or disclosures to have been made in the respective notes to the Financial Statements.

1.2.7 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with SLAS requires Management to make judgements, estimates and assumptions that affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgemental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 periods if the revision affects both current and future periods.

Judgements made by management in the application of SLAS that have a significant effect on the financial statements are mentioned below.

	Policy	Note
Deferred tax	1.3.1	13
Employee Benefit Liabilities	1.4.2	14

1.3 Valuation of Assets and their bases of measurement

1.3.1 Tax

Current Tax

Provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and is computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereon.

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 Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

The carrying amount of deferred tax assets is reviewed at each Balance Sheet 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 Balance Sheet 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 Balance Sheet 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.



Social Responsibility Levy (SRL)

SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the first schedule of the Finance Act.

Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT) and Economic Service Charge (ESC) payable to the Department of Inland Revenue in respect of trading activities. The Company pays such taxes in accordance with the respective Statutes.

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.

1.3.2 Plant & Equipment

Plant & Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

All items of Plant & Equipment are initially recorded at cost. The cost of Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Where parts of an item of Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Plant & Equipment.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

Items of Plant & Equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the year the asset is derecognised.

1.3.3 Depreciation

Provision for depreciation is calculated by using straight-line method on the cost or valuation of all Plant & Equipment, in order to write off such amounts over the estimated useful economic life of such assets.

The principle annual rates of depreciation used are as follows:

Assets

On Cost / Valuation

Computer Hardware	20%
Office Equipment	20%
Furniture & Fittings	20%
Motor Vehicles	20%

Commencing from 01 April 2006, depreciation is provided on all Plant & Equipment from the month the assets are available for use up to the month of disposal.



The useful life and residual value of assets are reviewed and adjusted if required, at the end of each financial year.

1.3.4 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life 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 is reviewed at least at each financial year-end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

Purchased Software

Purchased software is recognised as intangible assets and is amortised over 5 years on a straight line basis.

1.3.5 Subsequent Expenditure

The cost of replacing a part of an item of Plant & Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition policy.

The costs of the day-to-day servicing of Plant & Equipment are recognised in profit or loss as incurred.

1.3.6 Leases

Finance Leases

Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership other than legal title (absolute ownership) are classified as finance leases. Amounts receivable under finance leases are included under "Lease Rentals Receivable" and are stated in the Balance Sheet after netting-off the unearned income and the provision for bad and doubtful debts.

Hire Purchases

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 those of finance lease.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the leased term are classified as operating leases. Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

1.3.7 Bad and Doubtful Debts - Lease & Hire Purchase

Bad and doubtful debts comprise of rentals receivable for Finance Leases and Hire Purchases. The estimated losses attributable to these debts are based on a continuous review of all leases and hire purchases identified as doubtful.

The company makes provisions on Bad and Doubtful debts as follows.



Specific Provision

Specific provisions are made on the net exposure of the doubtful Finance Leases and Hire Purchase on the following bases in compliance with the Finance Companies Direction No 03 of 2006 – Provision for Bad and Doubtful Debts issued by the Central Bank of Sri Lanka.

Rentals in arrears 6-12 months	- 50%
Rentals in arrears for a period over 12 months	- 100%
Unrecovered amount of an accommodation where the asset financed under a lease/hire purchase agreement has been repossessed and sold or where the asset taken as collateral has been sold by the finance company	- 100%

Additional Specific Provision

An additional specific provision is made in the accounts on specifically identified advances where the possible loss is not covered by specific provision.

1.3.8 Investments

Long Term Investments

Quoted and unquoted investments in shares held on long term basis are measured at cost less impairment losses.

Provision for diminution in value is made when in the opinion of the Directors there has been a decline other than temporary in the value of the investment.

Short Term Investments

Short term investments are measured at the lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognised in profit or loss.

Treasury Bills

Treasury bills and other interest bearing securities held for resale in the near future to benefit from short term market movements are accounted for at cost plus the relevant proportion of the discount or premium.

1.3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

1.3.10 Trade and Other Receivables

Trade and Other Receivables are stated at the amounts estimated to realise, net of provision for bad and doubtful debts.

1.3.11 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash and bank balances. Bank overdraft that is repayable on demand and form an integral part of the Company's cash management are included as a component of Cash and Cash Equivalents for the purpose of the Statement of Cash Flows.



1.3.12 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses are recognised in profit or loss.

1.4 Liabilities and Provisions

1.4.1 Liabilities classified as current liabilities on the Balance Sheet are those which fall due for payment on demand or within one year from the Balance Sheet date. Non current liabilities are those balances that fall due for payment later than one year from the Balance Sheet date.

All known liabilities as at Balance Sheet date have been accounted for in preparing the Financial Statements.

1.4.2 Defined Benefit Plan - Gratuity

The liability recognized in the Balance Sheet is the present value of the defined benefit obligation at the Balance Sheet date using the projected unit credit method.

1.4.3 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

All employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and regulations. The Company contributes 15% and 12% of gross emoluments of employees to an approved Employees' Provident Fund and 3% of gross emoluments of employees to the Employees' Trust Fund.

1.4.4 Provisions, Contingent Assets and Contingent Liabilities

Provision is recognised if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

All contingent assets are disclosed where inflow of economic benefits is probable.

1.4.5 Trade and Other Payables

Trade and Other Payables are stated at their cost.



1.4.6 Capital Commitments

Capital commitments of the Company are disclosed in the respective Notes to the Financial Statements.

1.5 Income Statement

1.5.1 Revenue Recognition

Leases / Hire Purchase Income

Gross earnings from leases / hire purchases comprising the excess of rentals receivable over the cost of assets are allocated over the terms of the lease / hire purchase, commencing with the month in which the lease / hire purchase is granted, in proportion to the declining receivable balance.

Income on Finance Leases / Hire Purchases in respect of rentals due are ceased after it is in arrears for over six months and such Leases/Hire Purchases are classified as Non Performing. Thereafter, such income is recognized on a cash basis. Interest falling due from the date of classification as a Non Performing Asset is credited to interest in suspense.

Rendering of Services

Revenue from rendering services is recognised in the accounting period in which the services are rendered or performed.

Late Fee on Overdue Rentals

Late fee interest on overdue rentals is recognized on a cash basis.

Dividends

Dividend income is recognised on the date the Company's right to receive the payment is established.

Fee and Commission Income

Fee and commission income is recognized on an accrual basis.

Imputation of Tax Credit on Interest Income from Treasury Bills and Bonds

Interest income from treasury bills and bonds is grossed by the addition of the tax credit imputed to 10% withholding tax on discount allowed at the time of issue. This imputation credit is 1/9th of net income.

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.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material are aggregated, reported and presented on a net basis.

Other Income

Other income is recognized on an accrual basis.



1.5.2 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 the 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.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Finance Cost

Finance cost comprises interest payable on borrowings.

1.6 Cash Flow Statement

The Cash Flow Statement has been prepared using the “indirect method”.

Interest paid is classified as an Operating Cash Flow. Dividend and interest income are classified as Cash Flows from Investing Activities.

Dividend paid is classified as Cash Flow from Financing Activities.

1.7 Segment Reporting

A segment is a distinguishable component of Company that is engaged either in providing products or services (business / industry segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

However, there are no distinguishable components to be identified as segments for the Company.

1.8 Effect of Sri Lanka Accounting Standards issued but not yet effective;

- a) The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka.

- Sri Lanka Accounting Standard 44 Financial Instruments; Presentation (SLAS 44)
- Sri Lanka Accounting Standard 45 Financial Instruments; Recognition and Measurement (SLAS 45)

The effective date of SLAS 44 and 45 was changed during the year to be effective for financial periods beginning on or after 01 January 2012. These two standards have been amended and forms a part of the new set of financial reporting standards mentioned under note *** (b) below.

- b) Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards, the Council of the Institute of Chartered Accountants of Sri Lanka has adopted a new set of financial reporting standards that would apply for financial periods beginning on or after 01 January 2012. The application of these financial reporting standards is substantially different to the prevailing standards.



NOTE 2 - CASH & CASH EQUIVALENTS

	2010	2009
	Rs.	Rs.
Cash in Hand	6,353,718	5,315,043
Cash at Bank	11,404,267	5,897,208
	<u>17,757,985</u>	<u>11,212,251</u>
Bank Overdraft	(11,661,578)	(2,027,188)
	<u>6,096,407</u>	<u>9,185,063</u>

NOTE 3 - SHORT TERM RECEIVABLES

	2010	2009
	Rs.	Rs.
VAT Recoverable	61,411,364	70,811,480
Other Receivables	34,477,670	9,533,202
	<u>95,889,034</u>	<u>80,344,682</u>

NOTE 4 - RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS

	2010	2009
	Rs.	Rs.
4.1 Rentals Receivable on Lease Assets		
Receivable after five years		
Rentals Receivable	-	-
Unearned Income	-	-
	<u>-</u>	<u>-</u>
Receivable from one to five years		
Rentals Receivable	1,125,207,147	906,899,274
Unearned Income	(230,436,498)	(200,797,666)
	<u>894,770,649</u>	<u>706,101,608</u>
Receivable within one year		
Rentals Receivable	682,950,149	545,158,781
Unearned Income	(228,639,186)	(210,423,385)
	<u>454,310,963</u>	<u>334,735,396</u>
Overdue Rental Receivable		
Rentals Receivable	11,433,471	7,629,361
Earned Income in Suspense	(70,192)	(56,841)
	<u>11,363,279</u>	<u>7,572,520</u>
Total		
Future Rentals Receivable	1,808,157,296	1,452,058,055
Overdue Rentals Receivable	11,433,471	7,629,361
Total Rentals Receivable	1,819,590,767	1,459,687,416
Unearned Income	(459,075,684)	(411,221,051)
Earned Income in Suspense	(70,192)	(56,841)
Balance as at 31 December	<u>1,360,444,891</u>	<u>1,048,409,524</u>



4.2 Rentals Receivable on Hire Purchase Assets	2010 Rs.	2009 Rs.
Receivable after five years		
Rentals Receivable	97,615	-
Unearned Income	(3,525)	-
	<u>94,090</u>	<u>-</u>
Receivable from one to five years		
Rentals Receivable	540,639,298	480,158,951
Unearned Income	(105,710,254)	(122,642,722)
	<u>434,929,044</u>	<u>357,516,229</u>
Receivable within one year		
Rentals Receivable	359,987,180	280,015,257
Unearned Income	(128,611,951)	(123,702,773)
	<u>231,375,229</u>	<u>156,312,484</u>
Overdue Rental Receivable		
Rentals Receivable	9,666,528	5,613,538
Earned Income in Suspense	(221,208)	(15,250)
	<u>9,445,320</u>	<u>5,598,288</u>
Total		
Future Rentals Receivable	900,724,093	760,174,208
Overdue Rentals Receivable	9,666,528	5,613,538
Total Rentals Receivable	910,390,621	765,787,746
Unearned Income	(234,325,730)	(246,345,495)
Earned Income in Suspense	(221,208)	(15,250)
Balance as at 31 December	<u>675,843,683</u>	<u>519,427,001</u>
Total Rentals Receivable on Lease Assets and Hire Purchase Assets		
Future Rentals Receivable	2,708,881,389	2,212,232,263
Overdue Rental Receivable	21,099,999	13,242,899
Total Rentals Receivable	2,729,981,388	2,225,475,162
Unearned Income	(693,401,414)	(657,566,546)
Earned Income in Suspense	(291,400)	(72,091)
	<u>2,036,288,574</u>	<u>1,567,836,525</u>
less: Provision for Bad and Doubtful Debs - General	(11,878,236)	(5,878,236)
Provision for Bad and Doubtful Debs - Specific	(1,384,343)	(347,352)
Balance as at 31 December	<u>2,023,025,995</u>	<u>1,561,610,937</u>

4.3 Capital Outstanding on Non Performing Assets as at 31.12.2010 amounts to Rs.1,957,157/- (As at 31.12.2009-Rs.940,658/-)

NOTE 5 - LONG TERM INVESTMENTS

	2010 Rs.	2009 Rs.
Credit Information Bureau (100 Shares of Rs 804/- each)	80,400	80,400
	<u>80,400</u>	<u>80,400</u>



NOTE 6 - PLANT & EQUIPMENT

Cost	As at 01.01.2010 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2010 Rs.
Computer Equipments	3,298,576	1,652,902	-	4,951,478
Office Equipment	852,316	390,921	-	1,243,237
Furniture & Fittings	848,559	231,120	-	1,079,679
Motor Vehicles	1,575,000	-	-	1,575,000
	<u>6,574,451</u>	<u>2,274,944</u>	<u>-</u>	<u>8,849,394</u>
Depreciation	As at 01.01.2010 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2010 Rs.
Computer Equipments	1,396,611	721,857	-	2,118,468
Office Equipment	326,664	202,191	-	528,855
Furniture & Fittings	255,990	199,100	-	455,090
Motor Vehicles	26,250	315,000	-	341,250
	<u>2,005,515</u>	<u>1,438,148</u>	<u>-</u>	<u>3,443,663</u>
Written Down Value			2010 Rs.	2009 Rs.
Computer Equipments			2,833,010	1,901,965
Office Equipment			714,382	525,652
Furniture & Fittings			624,589	592,569
Motor Vehicles			1,233,750	1,548,750
			<u>5,405,731</u>	<u>4,568,936</u>

6.1 During the financial year, the company acquired Plant & Equipment to the aggregate value of Rs.2,274,944/- (2009 - 2,860,687/-). Cash payments amounting to Rs.2,274,944/- (2009- Rs.2,860,687/-) were made during the year for purchase of Plant & Equipment.

NOTE 7 - INTANGIBLE ASSETS

Cost/Carrying Value	As at 01.01.2010 Rs.	Additions during the year Rs.	Transfers during the year Rs.	As at 31.12.2010 Rs.
Computer Software	4,268,000	58,921	-	4,326,921
	<u>4,268,000</u>	<u>58,921</u>	<u>-</u>	<u>4,326,921</u>
Amortization	As at 01.01.2010 Rs.	Amortization for the period Rs.	Transfers Rs.	As at 31.12.2010 Rs.
Computer Software	2,271,468	855,564	-	3,127,032
	<u>2,271,468</u>	<u>855,564</u>	<u>-</u>	<u>3,127,032</u>
Written Down Value			2010 Rs.	2009 Rs.
Computer Software			1,199,889	1,996,532
			<u>1,199,889</u>	<u>1,996,532</u>



7. 1 Software with a finite life is amortized over the period of the expected economic benefit.

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2010

NOTE 8 - TRADE & OTHER PAYABLES

	2010 Rs.	2009 Rs.
Trade Creditors - Related (8.1)	13,572,073	26,674,000
- Non Related	1,729,173	8,902,237
Other Payables	115,374,951	90,872,766
	<u>130,676,197</u>	<u>126,449,003</u>

8.1 Trade Creditors - Related Parties

	Relationship	2010 Rs.	2009 Rs.
Associated Motorways (Pvt) Limited	Parent	13,572,073	26,674,000
		<u>13,572,073</u>	<u>26,674,000</u>

NOTE 9 - AMOUNT DUE TO RELATED PARTIES

	Relationship	2010 Rs.	2009 Rs.
Associated Motorways (Pvt) Limited	Parent	518,158,920	1,000,143,145
		<u>518,158,920</u>	<u>1,000,143,145</u>

NOTE 10 - SHORT TERM BORROWINGS

	2010 Rs.	2009 Rs.
Money Market Loan - HSBC	592,520,000	-
Money Market Loan - Commercial	150,000,000	-
	<u>742,520,000</u>	<u>-</u>

NOTE 11 - INTEREST BEARING BORROWINGS

	2010 Amount Repayable Within one year Rs.	2010 Amount Repayable After one year Rs.	2010 Total Rs.	2009 Total Rs.
Securitization Loan (11.1)	-	-	-	84,800,000
Term Loan	100,200,000	58,050,000	158,250,000	-
	<u>100,200,000</u>	<u>58,050,000</u>	<u>158,250,000</u>	<u>84,800,000</u>

NOTE 11.1

	As at 01.01.2010 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2010 Rs.
Securitization Loan	84,800,000	-	84,800,000	-
Term Loan	-	200,000,000	41,750,000	158,250,000
	<u>84,800,000</u>	<u>200,000,000</u>	<u>126,550,000</u>	<u>158,250,000</u>

Security:

Gross rentals receivable on Lease amounting to Rs.Nil (2009 - Rs.140,731,325/-) has been pledged against the above facility as at 31 December 2010.



AMW Capital Leasing Limited
NOTES TO FINANCIAL STATEMENTS

As at 31 December 2010

	2010 Rs.	2009 Rs.
NOTE 12 - PROVISION FOR INCOME TAX		
Balance as at 01 January	36,419,088	127,714
Provision for the year	87,102,367	38,549,118
Under provision in respect of previous year	-	7,823,332
	<u>123,521,454</u>	<u>46,500,164</u>
Payments made during the year	(42,854,305)	(3,231,429)
WHT on Treasury Bill Interest	(30,270)	(126,062)
WHT on Insurance Commission	(193,497)	(128,906)
SRL Paid	(830,739)	(198,624)
WHT on Dividends	(500)	(1,600)
ESC setoff against Income Tax	(12,030,185)	(6,394,455)
Balance as at 31 December	<u>67,581,958</u>	<u>36,419,088</u>

	2010 Rs.	2009 Rs.
NOTE 13 - DEFERRED TAXATION		
Balance as at 01 January	83,589,550	37,900,000
Provision made during the year/reversal for the year	(14,880,723)	45,689,550
Balance as at 31 December	<u>68,708,827</u>	<u>83,589,550</u>

The closing Deferred Tax Liability balance relates to the following

Accelerated Depreciation for tax purposes	1,026,648	971,303
Future Rentals Receivable - Lease	68,307,930	83,079,680
Retirement Benefits - Gratuity	(625,751)	(461,433)
	<u>68,708,827</u>	<u>83,589,550</u>

	2010 Rs.	2009 Rs.
NOTE 14 - RETIREMENT BENEFIT OBLIGATION		
Balance as at 01 January	1,318,379	379,891
Current Service Cost	784,610	938,488
Interest for the Year	131,837	-
Payment made during the year	-	-
Balance as at 31 December	<u>2,234,826</u>	<u>1,318,379</u>

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

Discount rate	10%
Future salary increment	10%

	2010	2009
NOTE 15 - STATED CAPITAL		
Number of Ordinary Shares issued & fully paid	<u>20,000,000</u>	<u>20,000,000</u>

	2010 Rs.	2009 Rs.
Balance as at 01 January	200,000,000	200,000,000
Shares Issued during the year	-	-
Balance as at 31 December	<u>200,000,000</u>	<u>200,000,000</u>



NOTE 16 - INTEREST INCOME

	2010 Rs.	2009 Rs.
Lease	257,655,577	259,468,408
Hire Purchase	162,438,790	96,138,107
	<u>420,094,367</u>	<u>355,606,515</u>

NOTE 17 - OTHER OPERATING INCOME

	2010 Rs.	2009 Rs.
Overdue Interest Income - Lease	9,858,683	6,790,961
Overdue Interest Income -Hire Purchases	7,455,151	3,152,057
Profit from Pre-Termination of Leases	9,253,780	8,862,732
Profit from Pre- Termination of Hire Purchases	17,623,324	4,865,255
Service Charges	746,875	-
Income from Reshedulement	674,897	190,121
Dividend income	5,000	16,000
Commission from Insurance	7,277,827	8,781,830
Interest Income from Treasury Bills	305,964	1,235,274
Income from additional charges - Leases	6,071,943	2,699,578
Income from additional charges - Hire purchases	3,720,740	3,716,613
Trading Income	-	134,184
Transfer Fee Income	397,822	197,976
Sundry Income	82,945	2,624
Bank Charges Claimed on cheques returns	256,100	132,962
Asset Replacement Charges	-	62,107
Proceeds from sale of vehicles	395,833	-
	<u>64,126,884</u>	<u>40,840,274</u>

NOTE 18 - FINANCE COST

	2010 Rs.	2009 Rs.
On Intercompany Current Account	93,228,121	158,557,835
Securitization Loan	7,670,845	19,511,004
Bank Borrowings	35,773,696	-
	<u>136,672,662</u>	<u>178,068,839</u>



AMW Capital Leasing Limited
NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December

NOTE 19 - PROFIT BEFORE TAXATION

	2010 Rs.	2009 Rs.
is stated after charging :		
Staff Salaries	33,386,030	23,952,764
Define Contribution Plan Cost - E.P.F & E.T.F	4,218,935	3,511,602
Audit Fees	405,830	514,700
Management Fee	1,237,115	1,200,000
Gratuity	916,447	938,488
Depreciation & Amortization	2,293,712	1,741,635

Note 20 - INCOME TAX

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

	2010 Rs.	2009 Rs.
Current Income Tax		
Current Income Tax Charge (20.1)	87,102,367	46,372,450
Deferred Income Tax		
Deferred Taxation Charge (20.2)	(14,880,723)	45,689,550
Income tax expense reported in the Income Statement	<u>72,221,644</u>	<u>92,062,000</u>

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

	2010 Rs.	2009 Rs.
Profit Before Tax	218,667,317	149,344,803
Aggregate Accounting Profit	<u>218,667,317</u>	<u>149,344,803</u>
Aggregated Disallowed Expenses	501,511,011	599,088,733
Aggregated Allowed Expenses	(455,854,868)	(595,559,877)
Adjusted Profit/(Loss)	264,323,460	152,873,659
Loss claimed up to 35% of statutory income	-	(44,361,013)
Royalty Paid	(18,860,756)	-
Taxable Income	245,462,704	108,512,646
Income Tax at the rate of 35% on Taxable Income	85,911,947	37,979,426
Social Responsibility Levy at 1.5%	1,288,679	569,691
Under / Over provision in respect of previous year	(98,259)	7,823,332
	<u>87,102,367</u>	<u>46,372,450</u>
Income Tax reported in the Income Statement	<u>87,102,367</u>	<u>46,372,450</u>

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

	2010 Rs.	2009 Rs.
20.2 Deferred Tax		
Deferred Tax arising from		
Accelerated Depreciation for tax purposes	55,346	(330,374)
Future Rental Receivable	(14,771,750)	14,765,807
Retirement Benefits - Gratuity	(164,319)	(328,471)
Benefits arising from tax losses	-	31,582,588
	<u>(14,880,723)</u>	<u>45,689,550</u>



	2010 Rs.	2009 Rs.
20.3 Tax Losses Carried Forward		
Tax Losses brought forward for the Y/A 2008/2009	-	90,324,420
Effect of changes in taxable period for the Y/A 2008/2009	-	(45,963,407)
Tax Losses brought forward for the Y/A 2009/2010	-	44,361,013
Tax losses arising during the year	-	-
Utilization of tax Losses	-	(44,361,013)
Tax Losses carried forward for the Y/A 2010/2011	-	-

20.4 Tax liability for the year of assessment 2008/2009 was finalised on the basis of profits for the period from 01.04.2008 to 31.03.2009 as per the direction given by the Department of Inland Revenue. Tax liability for the year of assessment 2009/2010 onwards will be based on the profits earned for the calendar year which is the company's accounting year.

NOTE 21 BASIC EARNINGS PER SHARE

	2010 Rs.	2009 Rs.
Profit for the Period	146,445,673	57,282,803
Weighted Average Number of Shares in issue	20,000,000	20,000,000
Basic Earnings Per Share	<u>7.32</u>	<u>2.86</u>

NOTE 22 DIVIDEND PER SHARE

	2010 Rs.	2009 Rs.
Declared and Paid during the year	30,000,000	-
Dividend Per Share	<u>1.50</u>	<u>-</u>



NOTE 23 - CAPITAL COMMITMENTS AND CONTINGENCIES

The Company has capital commitments to Odessa Technologies Inc on the Software Licensing Agreement as follows;

- a) License fees amounting to Rs.7,489,125 (2009- Nil) payable to Odessa Technologies Inc upon completion of services and deliverables.
- b) Customization and implementation cost amounting to Rs.6,429,553 (2009-Nil) payable to Odessa Technologies Inc upon completion of services and deliverables in accordance with "payment schedule" to the statement of work pursuant to the software licensing agreement.
- c) Rs.931,980 (2009- Nil) on approved change request for the product payable upon completion of services and deliverables.

There are no capital commitments as at the balance sheet date other than the above.

NOTE 24 - POST BALANCE SHEET EVENTS

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

	2010 Rs.	2009 Rs.
25.1 AMOUNTS DUE TO RELATED PARTIES		
Associated Motorways (Pvt) Limited - Parent	518,158,920	1,000,143,145
	<u>518,158,920</u>	<u>1,000,143,145</u>
25.2 TRANSACTIONS WITH RELATED PARTIES		
Year Ended	2010 Rs.	2009 Rs.
Parent		
Management fees paid	1,237,115	1,200,000
Rent Paid	4,453,608	1,993,142
Interest Paid	93,228,121	158,557,835
Fees paid for repair services	483,460	221,745
Royalty Paid	20,708,075	-
Expense Reimbursements	4,722,496	-
Salary Reimbursements	6,185,571	-
	<u>131,018,446</u>	<u>161,972,722</u>
25.3 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL		
	2010 Rs.	2009 Rs.
Key Managerial Persons' Remuneration	12,399,063	8,748,300
25.4 TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES		

Transactions with related parties have been conducted under normal commercial terms. The interest on amount due to Associated Motorways (Pvt) Ltd is computed applying Average Weighted Prime Lending Rate plus 1.5% premium.



INVESTORS INFORMATION

Ninety per centum (90%) of the Shares of the Company are held by Associated Motorways (Private) Limited. The balance Ten per centum (10%) which constitute the public float, is held as setout below;

The Shareholders of the Company are given below;

Name of Shareholder	No. of Shares held	Percentage %
Associated Motorways (Private) Limited	18,000,000	90
Trading Enterprises Company LLC	1,999,999	9.9
Mr. Arumasinghe Aswin De Silva	01	0.1

NOTICE OF MEETING

NOTICE is hereby given that the *FIFTH ANNUAL GENERAL MEETING* of AMW CAPITAL LEASING LIMITED will be held at the Registered Office of the Company, No. 185 Union Place Colombo 2 on 30th June 2011 at 4.00 p.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 2010 and to receive the Report of the Directors and the Auditors thereon.
3. To re-elect Mr. A M Patrick as a Director appointed to the Board since the last Annual General Meeting.
4. To re-elect Mr. N S Welikala as a Director appointed to the Board since the last Annual General Meeting.
5. To elect Directors in place of Directors retiring by rotation.
6. To appoint Auditors and authorise the Directors to determine their remuneration.
7. 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 10th February 2011.

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.