

A M W C A P I T A L L E A S I N G P L C

Annual Report 2011

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Chairman's Message

It gives me great pleasure to present to you, the Annual Report and Financial Statements of AMW Capital Leasing PLC for the year ended 31st December 2011.

Sri Lanka has recorded a GDP growth exceeding 8% in 2011 building on the resurgence that commenced in 2010. The government was able to manage the economy well which resulted in a year of low interest rates, a stable exchange rate and low inflation. All sectors of the economy, manufacturing, agriculture and services contributed to the growth.

2011 also recorded the highest imports of all types of motor vehicles including three wheelers, motorcycles and passenger cars. The financial services industry too had a great year as majority of motor vehicles are financed at least partially.

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.

The company achieved an interest income of Rs. 643.1 Mn in the year under review compared with Rs. 484.2 Mn in the previous year, an increase of 32.8%. Net profit for the year increased from Rs. 146.4 Mn in the previous year to Rs. 194.3 Mn, an increase of 32.7% (This is reflected in the earning assets of the company growing by 63% to Rs. 3.3 Bn and the pre-tax profit growing by 32% from Rs. 218.6 Mn in 2010 to Rs. 289.4 Mn in 2011).

Another notable feature of the company's operations is the exceptional quality of its asset portfolio. In 2011 the ratio of Non-performing advances to Earning assets was 0.1% as against the industry

average of 7%. The high quality is attributed 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 2011 was 10% as compared to the industry average of 1.8%. We are pleased to inform you that in the year under review, the company has provided the shareholders an attractive return of 36.15% on their equity investment.

The Company has aggressive plans to expand the branch network which are detailed in the CEO's message. With the continuous support of the Principal shareholder Associated Motorways (Pvt) Ltd and the close affiliation to the Al-Futtaim Group, the company is well positioned to become a significant player in the financial services arena in the future.

Mr. Emmanuel Muttupulle, the Managing Director/ CEO continues 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. I also place on record our appreciation to our valued customers, bankers and all the stakeholders for their co-operation and support during the year under review.



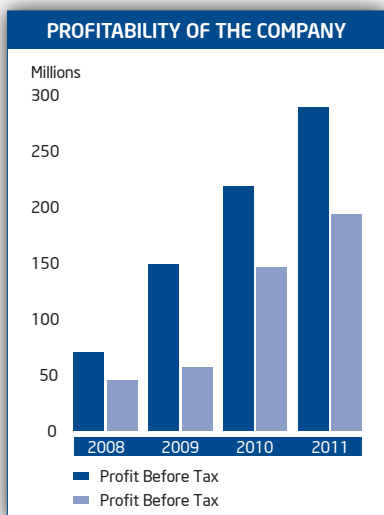
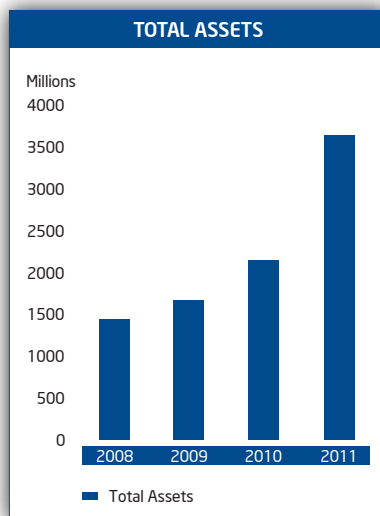
Deshabandu Tilak De Zoysa

Chairman

28th March 2012

MD/CEO's Message

The performance of your Company during the financial year 2011 ought to be reviewed in the background of the very positive macroeconomic environment and the other significant factors that influenced the performance. The end of the 30 year war and the expansion of the economic activities of the country presented immense opportunities to the Financial Services industry similar to many other sectors of the economy. The renewed optimism in all areas witnessed a significant growth in business activities which resulted in much higher demand for financial services. The sector experienced significant recovery from the crisis faced over the past several years. Vast improvement of economic fundamentals including falling inflation, reduction in interest rates and improvement of market liquidity directly contributed to the industry recovery.



The Company's total interest income for the year was Rs. 538.39 Mn which was a 28% growth over that of the corresponding period of the previous year. The increased interest income was attributed to the resurgence in demand for new vehicles as a result of favorable import tax duties.

The Company was able to achieve this growth through increasing the number of lease executions based on Maruti brand sales, expansion of branch network to Anuradhapura, Badulla and Nugegoda and by entering into the micro finance segment of the market.

The operational profit for the year under review was Rs. 301.17 Mn; which was a 25.6% increase over that of the previous year. The After-tax profit recorded a 32.69% increase to Rs. 194.32 Mn in 2011 from Rs.146.44 Mn in 2010.

MD/CEO's Message *Cont.*

Newly launched Auto loan business and Operating leases also contributed to enhance interest income; however there was a reduction in Hire purchase business compared to the previous year as company focused on leasing, as new prices of unregistered vehicles were very competitive in view of the attractive reduction in import duty for motor vehicles.

The total assets of the Company grew to Rs. 3.63 Bn from Rs. 2.14 Bn in 2010, an increase of 69%, while liabilities rose by 77% to Rs. 3.0 Bn from Rs. 1.7 Bn in 2010.

Company recorded a very satisfactory NPL ratio of 0.1% compared to the industry average of 6 to 7 percent.

The Company was able to maintain the gearing ratio at 5.8 which is a satisfactory position when compared to the industry.

The economic climate was ideal for geographic expansion as branches at Anuradhapura, Badulla and Nugegoda were added to the existing branch network. More branches are due to open in the near future, which will enable the Company to expand its reach to cover all provinces of the country.

In conclusion, I would like to thank our Chairman, Mr. Tilak de Zoysa, whose energy and commitment to the company's affairs has been an inspiration to everyone. I would like to thank the Board of Directors for their dedication and commitment in the company's affairs, and for their guidance and wisdom in all our meetings and deliberations.

I must also thank the management and staff of the company for their commitment and hard work which has contributed to the excellent results achieved this year.

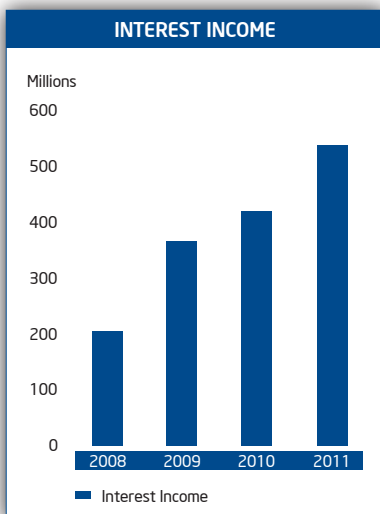
I would also like to place on record my appreciation of the assistance we have received during the year from the Director and the staff of the Department of Supervision of Non-bank Financial Institutions of the Central Bank of Sri Lanka.



E. C. S. R. Muttupulle

Managing Director/CEO

28th March 2012



Board of Directors

Mr. Tilak De Zoysa

Chairman

Mr. Tilak De Zoysa is a Fellow of the Chartered Management Institute, UK and a Fellow of the Plastics & Rubber Institute, Sri Lanka.

Mr. De Zoysa has over thirty years experience in the corporate and public sector and currently hold the following positions:

- President of Associated Motorways (Private) Limited.
- Chairman of Carsons Cumberbatch PLC.
- Chairman of Amaya Hotels and Resorts, New York, USA.
- Chairman of Jetwing Zinc Journeys Lanka (Pvt) Limited.
- Chairman Regional Industry (Service) Committee – (Ministry of Industries).

Mr. De Zoysa is on the Boards of John Keells PLC, Lanka Waltils PLC, Nawaloka Hospitals PLC, Taj Lanka Hotels PLC and served as a Member of the Monetary Board of Sri Lanka from 2003 to 2009.

He has also served as Chairman/ President of some of the following organisations:

- Ceylon Chamber of Commerce
- National Chamber of Commerce of Sri Lanka
- Ceylon Motor Traders Association of Sri Lanka
- Plastics and Rubber Institute of Sri Lanka

Mr. Emmanuel Cyril Stanford Rodrigo Muttupulle

Managing Director/ Chief Executive Officer

He holds a Bachelors Degree in Chemical Engineering UK, Masters Degree in Bio Chemical Engineering, UK and has completed a Graduate Training Program at Stanford University Graduate School of Business, USA and Summer leasing School in Utah, USA.

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

Mr. Muttupulle has held the following positions:

- Managing Director of Lanka Orix Leasing Company Limited from 1992 to 1999
- CEO, Vanik Bangladesh Limited in 2000
- Executive Director of LB Finance from 2003 to 2005
- Currently holds the position of MD/CEO of AMW Capital Leasing (from July 2005 to date)

Mr. Avijit Majumdar

Non-Executive Director

Mr. Majumdar is a Chartered Accountant and 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 head of Automotive Finance of the AI Futtaim Group since 2007. He joined the AI Futtaim Motors as the General Manager Finance. AI Futtaim Motors is the largest operating subsidiary of AI Futtaim Trading (Private) Limited.

Prior to joining the AI Futtaim Group he served as the 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.

Board of Directors *Cont.*

Mr. Nigel David Johnson

Non-Executive Director

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

He joined the organisation in April 2008 and is responsible for a AED 250 million turnover, over 240 employees and an operating fleet of 9,000 vehicles.

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

Mr. Nihal Senanayake Welikala

Non-Executive Independent Director

Mr. Nihal Welikala holds a Law Degree from the University of Ceylon.

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

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

Mr. Angelo Maharajah Patrick

Non-Executive Independent Director

Mr. Angelo Patrick holds an MBA from the University of Colombo.

He is a Fellow of the Chartered Institute of Management Accountants, UK and a Member of the Chartered Institute of Marketing, UK.

Currently he functions as a Non-Executive Independent Director of Amana Bank Ltd. He has held Directorates and Senior Management positions over the past 40 years in Sri Lanka, Indonesia and Canada, which include the following:

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

He also held the following positions;

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

Board of Directors *Cont.*

Mr. Asoka W Wickremesinghe, FCA, FCMA

Non-Executive Independent Director

Mr. Asoka Wickremesinghe is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka. He is presently the Chairman of the Board of Directors of Coca-Cola Beverages SL.

Mr. Wickremesinghe also served in the public sector as the Additional Secretary of the Ministry of Enterprise Development, Industrial Policy & Investment Promotion, from 2003 to 2005. He was appointed by The United Nations Industrial Development Organization (UNIDO) as a National Consultant, with responsibility for the oversight of the 16 sectors of the Ministry and to assist in providing a framework for restructuring the Ministry with Capacity Development Interventions.

He also served as a member of the Government appointed Compensation Board of the Land Reform Commission.

Mr. Wickremesinghe has served on several Boards of Directors, of both public & private companies. Prior to his appointment as the Chairman of Coca-Cola in Sri Lanka, he was the Finance Director of Pure Beverages Co. Ltd, the authorized bottler for Coca-Cola in Sri Lanka.

He is a keen Rotarian and was a past president of the Rotary Club of Colombo West. He had his early training with Ernst & Young, Chartered Accountants and was educated at Royal College, Colombo.

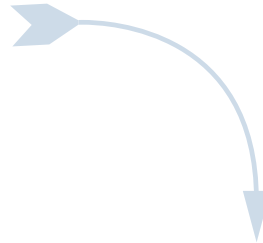
Mrs. Dilani Cornelia Yatawaka

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

Milestones of the Company

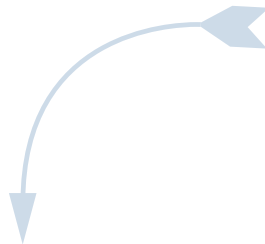
2006

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



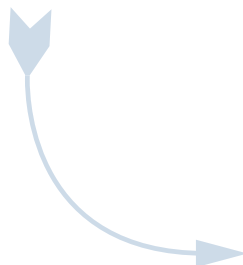
2007

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



2008

- Obtained Finance Company License



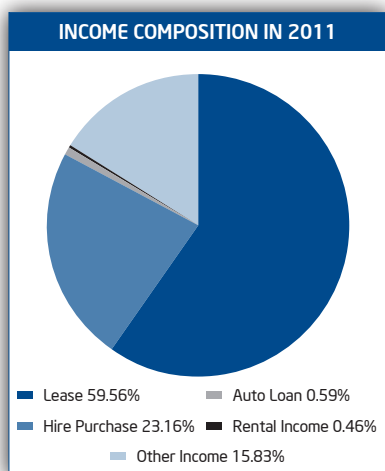
2011

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

Management Analysis

Income Distribution

The major income generator during 2011 was the finance leases which account for 60% of the total income earned. Out of finance leases, financing provided for Maruti/ Suzuki cars represents the highest and financing provided for "Piaggio" three wheelers could be treated as the second highest income generator of this sector. Apart from providing financing facilities for AMW group's own brands the company also leased non AMW brands during the year.



The Company started concentrating on Hire Purchase (HP) (i.e. financing used vehicles) aggressively from 2009 onwards. Opening of new branch offices assisted the company to penetrate into this market successfully. This currently brings the second biggest income to the company as indicated in the pie chart.

Auto Loans were introduced with the implementation of the new leasing system in February 2011 and has a very good demand as an alternative product to HP. Though Auto Loans represent relatively a lower portion of the total income, expectations during the coming years are much higher.

Rental income represents the income generated from Operating Leases (OL). OL was launched latter part of 2011 and AMWCL has a unique competitive edge over the rest of the players in the market due to its parent company's (AMW) workshops located around the country.

Other income mainly comprises of income generated from early settlements, insurance commissions, late fee and documentation charges.

Business Operation

AMWCL was originally floated with the idea of providing leasing facilities to customers who seek financial assistance when buying Maruti / Suzuki range of vehicles. The idea was to add more value to the AMW Maruti / Suzuki sales process by having an in-house financing arm which in turn would allow AMW group to make an extra income. Exclusive vendor leasing company AMWCL, however later realized there is much more potential in the leasing / financing market and if the company was to grow faster, it needs to exploit these opportunities. In latter part of 2009, company took the decision to change its business model by extending its services to the non-AMW brands of vehicles both registered and un-registered. However the company made sure that they will not ignore or lose its concentration on financing AMW brands of vehicles, instead the company also strengthened its focus on core market segment without harming its original objectives.

The Company had an aggressive business plan and did three major changes i.e. strengthening the existing branch marketing staff (idea was to dedicate new marketing staff to canvass non-AMW brands and Hire Purchase facilities), opening new branches in new potential areas, migrating to a new leasing system with increased product range and on line approvals. This combined strategy worked really well and they made inroads to establish and make AMWCL brand more popular among a wider market segment.

Management Analysis *Cont.*

Currently, the company has a wide product range which includes Finance Lease, Hire Purchase, Operating Lease, Auto Loans, Islamic related financing, Structured Leasing / Financing and Micro Financing.

On average, 70% of the portfolio represents finance leasing on which the company has the tax advantage receiving through "capital allowances". Auto Loans is another product which has a decent demand among the customers who seek financing for used vehicles. The results and the recovery ratios related to Micro financing business were very much better than the company's expectation hence has decided to increase the exposure to this sector. However, with an exposure limit, which will offer multiple benefits to the company including higher margins.

AMWCL currently has ten strategically located branch offices around the country (i.e. Borella, Nugegoda, Negombo, Matara, Kurunegala, Kandy, Ratnapura, Badulla, Anuradhapura, Avissawella and Gampaha) and is on a rapid but "cautious" expansion growth.

The company has been growing fast and steadily generating both very sound top and bottom line results since its inception. The success is due to a combination of many factors including unmatched turnaround time in finalizing a transaction for a Maruti/ Suzuki vehicle (company bench mark is "03 hours"), Faster and speedy supplier payment settlements, people friendly staff and its unique philosophy of being "SIMPLE" in everything they do.

Product/ Service Portfolio

Finance Leases

Company is providing various types of finance leases structured according to the choice of the customer such as Residual Value leases, Step-up & Step down leases etc. Facilities are provided for any type of asset/ equipment category but concentrate more on movables.

Hire Purchase

Facilities are granted for used vehicles and are sourced through business introducers, used vehicle dealers and also through referrals by existing customers. Maximum period of financing is four years but exceptions are entertained with high net worth creditworthy clients. Major amount of HP businesses are currently generated from the branches.

Auto Loans

Auto loans are granted to acquire any type of used vehicle. This differs from a HP due to its legal formality. Company started marketing this product recently and there is a very good market demand for auto loans due to some benefits attributed with it. Loans are provided to purchase motor vehicles.

Islamic Financing

A new product introduced with the development of the new Leasing System. Ijara and Murabaha are the two products marketed under Islamic financing.

Working Capital Loans

Short term loans provided to customers to meet their working capital requirements such as buy additional stocks etc.

Micro Finance

Financing provided for assets worth between Rs.100,000/- and Rs.500,000/-. Generally assets are financing for a shorter term than a finance lease. Facilities are mostly provided for self-employed people and they repay rentals usually through the income generated from the asset financed.

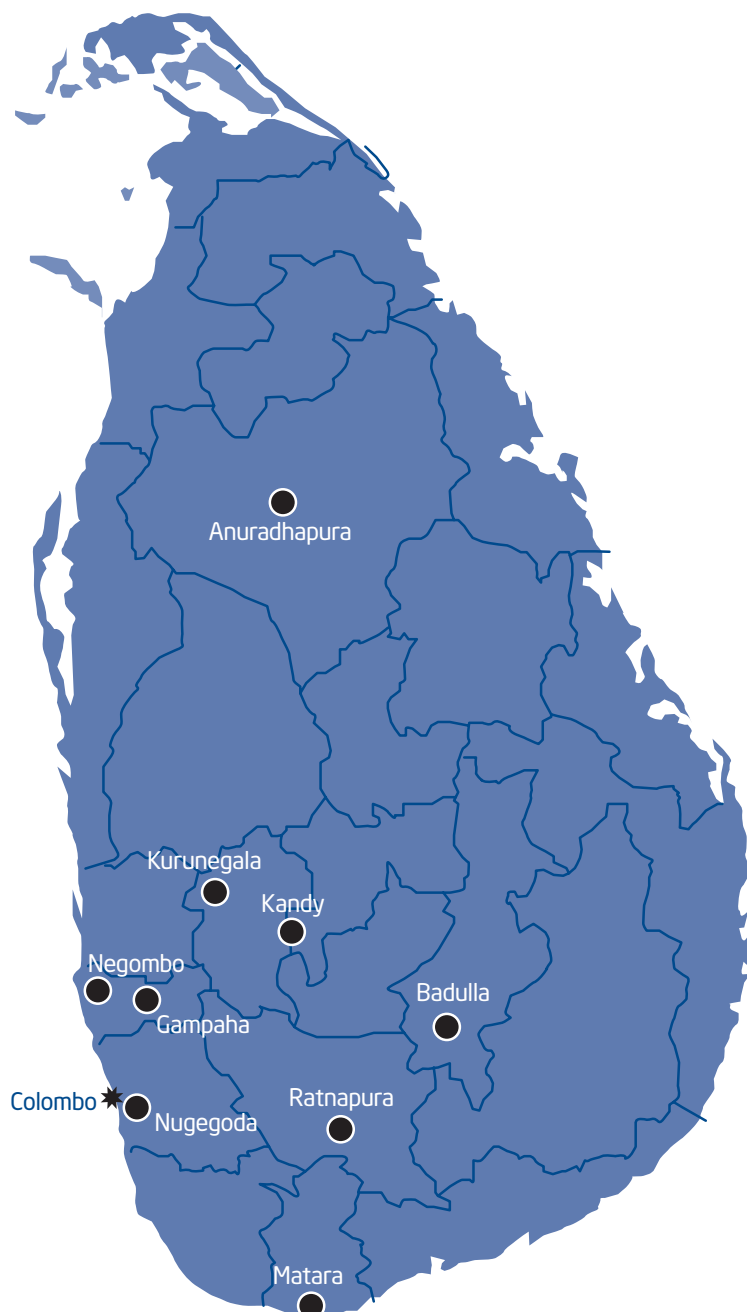
Three wheelers, motor bikes, Tractors, light trucks and agricultural equipment are the main asset types financed under Micro Finance.

Branch Network

Information of Company Branch Network

Location	District	Province	Address	Contact Person	Telephone	Fax
Borella (Head Office)	Colombo	Western	AMW Capital Leasing PLC, 445, Baudhaloka Mawatha, Colombo 08.	Pio Perera	011-2671371	011-2671272
Kurunegala	Kurunegala	North Western	AMW Capital Leasing PLC, 204, Colombo Road, Wanduragala, Kurunegala.	Indika Vijayapathirana	037-2231759	037-2229867
Negombo	Gampaha	Western	AMW Capital Leasing PLC, 262, Chillaw Road, Periyamulla, Negombo.	Indika Jayamanna	031-5677677	031-2225552
Kandy	Kandy	Central	AMW Capital Leasing PLC, 400, Katugastota Road, Kandy.	Dineeth Premachandra	081-5677677	081-2212952
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing PLC, 282, Colombo Road, Moragahayata, Ratnapura.	Lahiru Artigala	045-5677677	045-2226940
Matara	Matara	Southern	AMW Capital Leasing PLC, 215E, Galle Road, Pamburana, Matara.	Vipul Shantha	041-5677677	041-2220460
Badulla	Badulla	Uva	AMW Capital Leasing PLC, No.08, Lower King Street, Badulla.	Wickramarathna Wijesinghe	055-7609615-8	055-7609619
Anuradhapura	Anuradhapura	North Central	AMW Capital Leasing PLC, 521/40, 4th Cross street, NewTown, Anuradhapura.	Lalith Bodipala	025-7609622	025-7609625
Nugegoda	Colombo	Western	AMW Capital Leasing PLC, 675, High Level Road, Wijerama, Nugegoda.	Chathura Jayendra	011-7609647-8	011-7609649
Gampaha	Gampaha	Western	AMW Capital Leasing PLC, 163/A, Ja-Ela Road, Gampaha.	Eroshan Anuradha	033-7609640	033-7609644

Branch Network *Cont.*



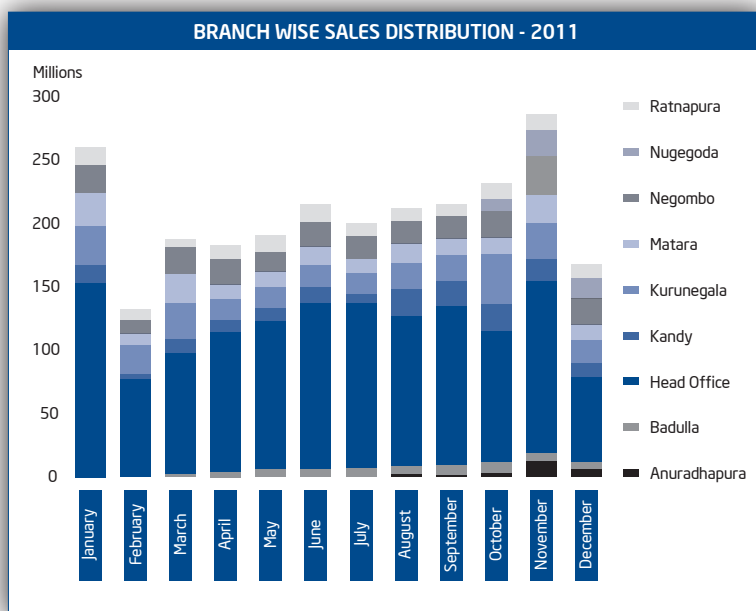
Branch Performance

By the end of the year 2011, AMWCL had 8 branches located in Matara, Kurunegala, Negombo, Kandy, Ratnapura, Badulla, Anuradhapura and Nugegoda covering many provinces and successfully catering to a large customer base. These branches provide significant contribution to the company's expected rapid growth targets.

Our branches mainly focus on small and medium business entrepreneurs, business community including government servants; Anuradhapura & Badulla branches basically concentrate on agricultural sector to finance agricultural equipment to farmers.

Below bar chart shows branch wise performance for the period ended year 2011.

Branch wise Executions - 2011



Risk Management

At AMW Capital Leasing PLC (AMWCL) we believe that risk-taking is an inherent element of AMWCL 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. 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 Management Process

Risk Identification :

- recognize and understand risks that may arise from both existing and new business initiatives; risks inherent in our activities credit, liquidity, interest rate and operational risks and strategic risks.
- risk identification is a continuing process, and is understood at both the transaction and portfolio levels.

Risk Measurement :

- once risks have been identified, they are measured in order to determine their impact on AMWCL's profitability and capital.
- accurate and timely measurement of risk.
- periodically test risk measurement tools to make sure they are accurate.

Risk Monitoring :

- put in place an effective management information system (MIS) to monitor risk levels and facilitate timely review of risk positions and exceptions.

Risk Control :

- establish and communicate risk limits through policies, standards, and procedures that define responsibility and authority.
- these limits serve as a means to control exposure to various risks associated with AMWCL's activities.
- apply various mitigating tools in minimizing exposure to various risks.
- 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.

Risk Management *Cont.*

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 and regulations on both a long-term and day-to-day basis.

Risk Management Framework

At present the company does not have an independent risk management function and is in the process of setting up this unit and a Risk Manager is being recruited to head this division. The Risk Manager who will report to the Board level Integrated Risk Management Committee (IRMC) is responsible for the risk management function which 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.

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 Policies

Senior Management is responsible for developing and establishing credit policies and credit administration procedures as well as implementing AMWCL's credit risk management strategies and policies and ensuring that procedures are put in place to manage and control credit risk and the quality of credit portfolio in accordance with these policies. 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. At AMWCL, lending authority is assigned to the loan originating function, with compensating processes and measures to ensure adherence to lending standards.

Risk Management *Cont.*

Credit Process

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 senior management examines the risk and makes a yes/no 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. We have a diversified portfolio with almost zero exposure to high risk asset categories and segments. Our credit policies are reflected in our NPL ratio of 0.1% as compared to the industry standard of 6-7%.

Mismatch Risk

The structural position of AMWCL consists of lending for longer maturities than those of liabilities with the lending rate fixed over the period of the loan and the borrowing rate floating and linked to an index. 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 no way to know 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.

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. We face liquidity needs by collecting deposits or facing financial debt. Liquidity risk is the risk of not being able to raise liquidity or of raising liquidity at a high cost.

Liquidity Management

Liquidity management is 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 shortage. We control liquidity risk by spreading over time the required amounts of funding, and avoiding unexpected important needs for raising additional funds. The Board sets limits for liquidity gaps for making sure that raising funds will be within acceptable boundaries. Liquidity management is aimed at target time profile of gaps after raising new resources, which complies with liquidity gap limits.

Interest Rate Risk

Structural interest rate risk arises from customers wanting certainty in interest payments and therefore ask 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, a rise in interest rates will result in a reduction in net interest income (NII).

Risk Management *Cont.*

Interest Rate Risk Management

Interest rate risk is managed through interest rate gaps which measures the sensitivity of NII to a shift of rates. We keep interest rate gaps open when we have a mismatch risk for taking advantage of beneficial variations of interest rates. We hedge NII volatility by setting limits on interest rate Gaps.

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. A technical unit prepares all analysis necessary for taking decisions and runs the ALM models.

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. 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. Audit periodically validates that the company's operational risk management framework is being implemented effectively across the company.

Strategic Risk

Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment.

We have implemented robust strategic risk mitigation measures and techniques to enhance the achievement of strategic objectives. These include engaging qualified board and senior management, formulation of strategic and operational plans, high quality of personnel and proper training, comprehensive risk management systems and adequate access to information. 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.

Corporate Governance

AMW Capital Leasing PLC is influenced by good governance practices to ensure that its responsibilities are delivered to its stakeholders on whom they place great value.

The Company is listed on the Diri Savi Board of the Colombo Stock Exchange (CSE) and is governed by the Listing Rules of the CSE (including those on corporate governance).

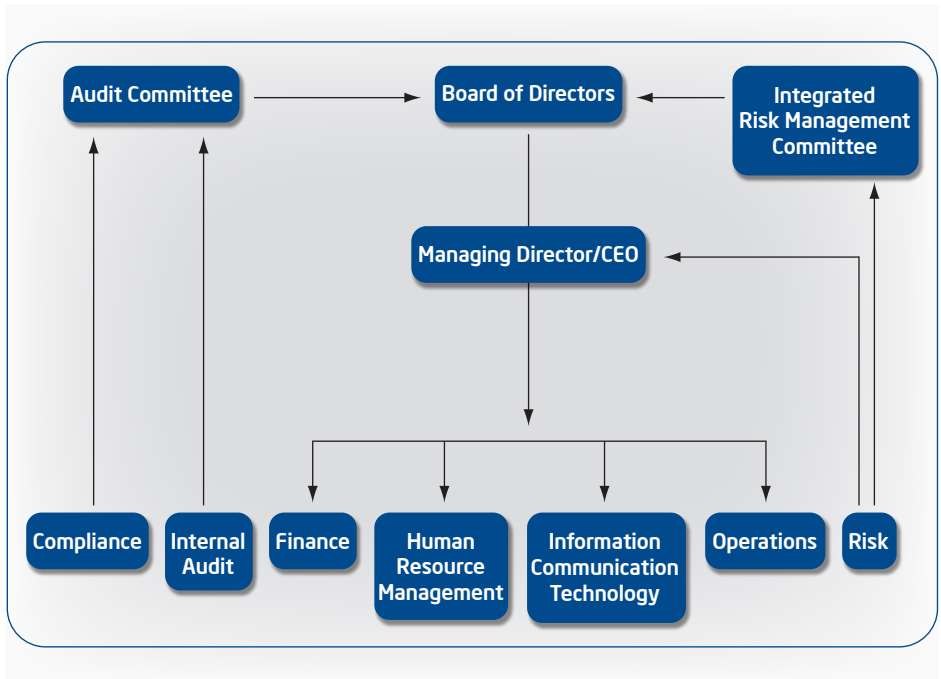
In 2008, AMW Capital Leasing PLC obtained the license to practice as a Finance Company and is thus

governed by the Directions of the Central Bank of Sri Lanka (CBSL).

The Board recognizes that good corporate governance is vital for facilitating growth and development and a means of ensuring that the interests of its stakeholders are safeguarded.

Operating in a highly competitive market, the company has formulated a framework within which it operates to enhance transparency and integrity to all its stakeholders.

Governance Structure of the Company.



Corporate Governance *Cont.*

Tabulated below are the corporate governance requirements of the relevant regulators and compliance thereto

Corporate Governance Principle	Level of Compliance
The Board of Directors	
Composition of the Board	The Company is headed by a Board which takes decisions, directs, controls and manage the company in the best interest of its stakeholders and comprise of Directors with varied experience and skills including Financial, Marketing, Management and Entrepreneurial. The Board of AMW Capital Leasing PLC (AMWCL) comprise of Eight Directors of whom Three Directors are Independent Non-Executive Directors thereby complying with the corporate governance requirements of the CSE and CBSL regulations currently applicable. The names of the Directors and their profiles are given on pages 4 to 6.
Board Charter	The Company is controlled by a team of Senior Managers headed by the Managing Director. The Board plays an active role in setting the directions for the Company and the process of implementation of strategies. The Senior Managers are given the authority and responsibility to implement strategies. Annual budgets and corporate plans are the key tools in this process. The Board ensures that the Company's plans are directed towards the achievement of set objectives which are regularly monitored and updated through a well-established monitoring process. Key Performance Indicators are used to assess the performance at each Board Meeting. The Board of Directors is primarily responsible for – • 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.

Corporate Governance *Cont.*

	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.
Roles of Chairman and Chief Executive Officer to be separate	The roles of Chairman and Chief Executive Officer have been separate from the inception of the Company.
Chairman to be Non-Executive	In accordance with CBSL regulations, this requirement is met.
Relationship between Board Members	There is no financial, business, family or other relationships with related parties between the Chairman, Chief Executive Officer and any other member of the Board.
Directors Shareholdings	The Directors or their families or connected parties do not hold any shares in the Company.
Disclosure of details of New Directors	All disclosures are made to the CSE for dissemination to the public. Disclosure is made of directorates and significant holdings to the Central Bank of Sri Lanka.
Meetings	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. 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. - Agenda - The Agenda items include regular reports which facilitate and monitor performance and compliance with regulatory authorities. Non-routine issues which require Board attention are specifically mentioned as separate items. - Attendance - is monitored as per requirement of the Company's Articles. - Minutes - Detailed Minutes are recorded of the proceedings of the meeting with special emphasis on decisions taken.
Independence of Directors	The Independent Non-Executive Directors are responsible for bringing independent judgment and scrutinizing the decisions taken by the Board on all issues of strategy, performance, resources and business conduct.
Signed Declaration of Independence by the Non-Executive Directors	The Non-Executive Directors have made written submissions as to their independence.

Corporate Governance *Cont.*

Senior Independent Director	In compliance with CBSL regulation reference item 4.7(2) of the Finance Companies (Corporate Governance) Direction No.03 of 2008, Mr. Angelo Patrick was appointed as the Senior Independent Director.
Procedure for appointment of New Directors	Although the Company has not formed a specified Nomination Committee, all new appointments of Directors involve a process of test to ascertain whether their combined knowledge and experience match the strategic demands facing the Company.
Training for new Directors	Currently there is no formal process for providing training on the induction of new Directors. Adequate knowledge sharing opportunities are provided at Board Meetings. The Directors are notified and attendance encouraged for any Symposiums, Seminars or Lectures carried out by the Regulators.
Access to Independent professional advice	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.
Conflict of Interest	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 conflict of interest between their duty to the Company and their own interest. The Board has adopted a procedure to ensure that conflict of interest 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.
Supply of Information	Board Meetings are conducted based on formal agenda, covering the main responsibilities of the Board. The Board receives a standard set of documents which are timely, accurate, relevant and comprehensive. The Board may call for additional information or clarify any issues with any member of the Executive Committee.
Dedication of adequate time and effort to matters of the Board and the Company	The Chairman and the Board dedicate adequate time for the affairs of the Company by attending Board Meetings, Committee Meetings in which they are members and by making decisions via Circular Resolutions. In addition the Executive Directors of the Board have regular meetings with the Management as and when required.
Company Secretary	The Company Secretary is a Fellow Member of the Institute of Chartered Secretaries & Administrators UK as well as the Institute of Chartered Corporate Secretaries of Sri Lanka. She is responsible for supporting and advising the Chairman and the Board on all Board procedures and compliance with applicable rules and regulations.

Corporate Governance *Cont.*

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 the 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 half of the Shareholders' funds	The situation has not arisen. However, should the situation arise, an EGM will be called for and shareholders will be notified.
Internal Control - Maintaining a sound system of internal control and risk management	In order to ensure that a sound system of internal control is maintained, the Board ensures that • An internal audit programme is prepared covering all operations. • Internal and external audit reports are reviewed by management on a timely basis and control weaknesses are corrected.
Review of external audit function and Relationship with External Auditor	The Board is responsible for the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements. The Board has the primary responsibility for making a recommendation on the appointment, re-appointment or removal of the External Auditor in line with professional standards and regulatory requirements.
Other Corporate Governance Initiatives	
The Company's responsibility towards its customers	To better cater to the public the Company is expanding its reach island wide, both in independent locations and through the AMW branch showrooms in some of the major cities.

Corporate Governance *Cont.*

Board appointed Committees	
Audit Committee	The Audit Committee comprises of Independent Non-Executive Directors. The Chairman of the Audit Committee is Mr. Angelo Maharajah Patrick. The Committee regularly reviews financials of the Company, Internal Audit Reports, meets with External Auditors, discuss the scope of Audit and Management Letter, review Internal Audit functions including any investigations.
Integrated Risk Management Committee	The Committee comprises of Independent Non-Executive Directors and the CEO of the Company. The Chairman of the Integrated Risk Management Committee is Mr. Nihal Welikala. The Committee reviews all relevant types of risk.
Remuneration Committee	The Committee comprises of Independent Non-Executive Directors. The Chairman of the Remuneration Committee is Mr. Asoka Wickremesinghe.
ALCO and Credit Committees	These Committees were formed in November 2011.

Meetings

The number of meetings of the Board, Board appointed sub-committees and individual attendance by members for the Financial Year Ended 31st December 2011 are given below.

Board Meetings

Number of meetings held		10
Names	Directorship Status	Number of Meetings
T De Zoysa	Chairman	9
E C S R Muttupulle	MD/CEO	10
M Brightmore (resigned w.e.f:14/12/2011)	Director	10
A Majumdar	Non-Executive Director	7
N D Johnson	Non-Executive Director	5
N S Welikala	Independent Non-Executive Director	8
A M Patrick	Independent Non-Executive Director	8
A W Wickremesinghe	Independent Non-Executive Director	1
D C Yatawaka	Director	2

Audit Committee

Number of meetings held		5
Names	Directorship Status	Number of Meetings
A M Patrick	Chairman	5
N S Welikala	Member	4
M Brightmore (resigned w.e.f:14/12/2011)	Member	4
A W Wickremesinghe (appointed w.e.f:14/12/2011)	Member	1

Integrated Risk Management Committee

Number of meetings held		1
Names	Directorship Status	Number of Meetings
N S Welikala	Chairman	1
A M Patrick	Member	1
E C S R Muttupulle	Member	1
M Brightmore (resigned w.e.f:14/12/2011)	Member	-
A W Wickremesinghe (appointed w.e.f:14/12/2011)	Member	1

Report of the Directors

The Directors are pleased to present their Report for the Financial Year Ended 31st December 2011 together with the Audited Balance Sheet and the Profit & Loss Account for the period under review.

Review of the Period

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

Financial Statements

The Financial Statements prepared in compliance with the requirements of section 151 of the Companies Act No.7 of 2007 are given on pages 32 to 59 in this Annual Report.

Independent Auditors Report

The Auditors Report on the financial statements is given on page 31 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements is given on pages 36 to 44 There were no changes in the Accounting Policies adopted by the Company during the period under review.

Directors' Responsibilities for Financial Statements

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

Stated Capital

The Stated Capital of the Company on 31st December 2011 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

Mr. A W Wickremesinghe, Mrs. D C Yatawaka and S A B Rajapaksa were appointed to the Board as Non-Executive Independent Director and Executive Directors respectively since the last Annual General Meeting.

In accordance with the Articles of Association Messrs. A Majumadar and N S Welikala retire, and being eligible offer themselves for re-election.

Directors' Interests

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

Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 28.4 to the Financial Statements on page 57.

Auditors

Messrs. Ernst & Young have expressed their willingness to continue in office as Auditors of the Company for the year ending 31st December 2012. 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

03rd February 2012

Directors' Responsibility for Financial Reporting

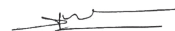
The Financial Statements are prepared in conformity with generally accepted accounting principles and the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements reflect a true and fair view of the state of affairs of the Company as at 31st December 2011 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 check the effectiveness of internal controls as they consider appropriate and necessary for providing their opinion on the financial statements.

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

By Order of the Board



Mrs. D. De Silva

Company Secretary

03rd February 2012

Report of the Board Audit Committee

The Board Audit Committee was appointed by the Board in February 2011 comprising of Independent Non-Executive Directors, Angelo Patrick as Chairman and Nihal Welikala. The other member was the Managing Director of the Parent Company, Michael Brightmore who resigned from the Committee in December 2011 on his resignation from his office as Managing Director. In November 2011 Mr. Asoka Wickremasinghe joined the Board as an Independent Non-Executive Director and was appointed to the Audit Committee on the 14th of December 2011. Hence all three members of the Committee are Independent Non-Executive Directors and are also Members of a recognized Professional body of Accountants. The Company Secretary functions as the Secretary to the Committee.

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

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

The Board further approved detailed implementation practices and processes to achieve the above Objectives in accordance with the Rules specified by the Central Bank for Audit Committees.

The Committee had to on appointment immediately deal with the problem of the accuracy of the Financial Reports which arose as a consequence of the Company changing its Operations Software in February 2011. This caused several problems in updating the General Ledger software. In view of the inaccuracies in several areas, the Management notified the Central Bank of the problems. They undertook an Audit of the operations and made several recommendations to the Board, which the Audit Committee undertook as its first and urgent task for implementation. Since its appointment the Audit Committee met almost every month to monitor the progress on the rectification of the problems with the support of the software vendor to ensure we abide by the Central Bank requirements and to generate accurate Financial Reports. The Committee closely monitored the undertakings given to the Central Bank in terms of resolution of each issue and the time frame within which it was to be completed. All the major issues were resolved in time for the preparation of the year-end Financial Statements to the satisfaction of the Committee and the External Auditors.

The Internal Audit functions are carried out by the Internal Audit Division of the Parent Company. They report direct to the Audit Committee. The Managing Director of the Company along with an Executive Director who is the Group Finance Director, the Senior Finance Manager and the Internal Auditor attend the Audit Committee meetings by invitation. The Group IT Head and the support staff were present as 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

Report of the Board Audit Committee *Cont.*

on Compliance with the Regulatory framework, compliance with Accounting Standards and reports on Internal controls & Operational monitoring indicators. Branch Audits could not be undertaken during the year in view of the priority given to resolving the system related issues which were necessary to ensure accuracy of the Financial Reports, but have commenced in February this year.

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. The Committee recommends their re appointment at a fee to be mutually agreed.

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 five occasions since its appointment and the attendance at the meetings was:

Angelo Patrick	(Appointed February 2011)	5
Nihal Welikala	(Appointed February 2011)	4
Asoka Wickremesinghe	(Appointed December 2011)	1



Angelo M. Patrick

Chairman - Audit Committee

28th March 2012

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee comprises of three Independent Directors.

(Mr. Nihal Welikala, the Committee Chairman, Mr. Angelo Patrick and Mr. Asoka Wickremesinghe), the MD/CEO Mr. Emmanuel Muttupulle and Key Management Personnel supervising broad risk areas. The latter include officers whose responsibilities include the management of credit, market, liquidity, operations and strategic risk.

The Committee was formed in August 2011 and held one meeting in December 2011. Subsequently the Committee met monthly to set up the process needed to assess all risks as defined in Central Bank guidelines, with progress being reported to the Board. The credit and funding risk profile of the company is relatively low, with NPL's at 0.1% at 31st December

2011 and funding reliance in wholesale providers of medium tenor funds. The main risk during the year related to the IT system, as detailed in the Audit Committee report. As the Company expands in 2012 the risk processes will be enhanced accordingly and the organization strengthened with the hiring of a Chief Risk Officer.



N. S. Welikala

Chairman

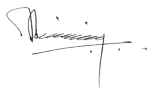
Integrated Risk Management Committee

28th March 2012

Report of the Remuneration Committee

The Remuneration Committee was formed in February 2011 with Mr. Nihal Welikala and Mr. Angelo Patrick as Independent Non-Executive Directors and Mr. Michael Brightmore. Following the resignation of Mr. Brightmore in December 2011, the Committee was reconstituted and Mr. Asoka Wickremesinghe was appointed to fill the vacancy as an Independent Non-Executive Director. He will also act as Chairman of the committee.

The Remuneration Committee will review and evaluate the Compensation Packages payable to the Chief Executive Officer and Key Senior Managers, based on the Remuneration Policies of the parent Company.



A. W. Wickremesinghe

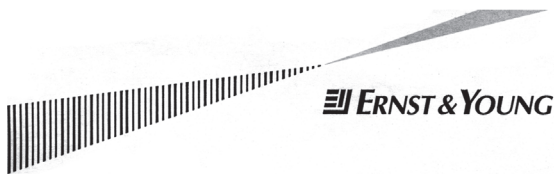
Chairman

Remuneration Committee

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Independent Auditor's Report



Chartered Accountants

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P.O. Box 101
Colombo 10
Sri Lanka

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Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

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

Report on the Financial Statements

We have audited the accompanying Financial Statements of AMW Capital Leasing PLC which comprise the Balance Sheet as at 31 December 2011, 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 2011 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 December 2011 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.

03 February 2012
Colombo

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

Balance Sheet

As at 31 December	Note	2011 Rs.	2010 Rs.
ASSETS			
Cash and Bank	2	29,303,010	17,757,985
Investment in Treasury Bills		16,830,000	500,000
Short Term Receivables	3	171,879,522	91,687,034
Rentals Receivable on Lease and Hire Purchase Assets	4	3,249,276,672	2,023,025,995
Loans and Advances	5	41,639,816	-
Advance for Vehicle Stock		33,641,000	4,202,000
Long Term Investments	6	80,400	80,400
ESC Recoverable		-	3,175,406
Plant & Equipment	7	62,705,637	5,405,731
Intangible Assets	8	29,885,105	1,199,889
Total Assets		3,635,241,162	2,147,034,440
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	2	28,744,099	11,661,578
Trade & Other payables	9	364,627,369	130,676,197
Time Deposits		3,784,375	300,000
Amounts due to Related Parties	10	317,362,512	518,158,920
Interest Bearing Borrowings - Amount Payable within one year	11	1,274,020,000	842,720,000
Interest Bearing Borrowings - Amount Payable after one year	11	905,316,000	58,050,000
Provision for Income Tax	12	26,191,154	67,581,958
Deferred Taxation	13	82,288,177	68,708,827
Retirement Benefit Obligation	14	4,642,324	2,234,826
Total Liabilities		3,006,976,010	1,700,092,306
Equity			
Stated Capital	15	200,000,000	200,000,000
Retained Profit		384,669,954	226,291,166
Statutory Reserve Fund	16	22,543,923	12,827,772
Investment Reserve	17	13,228,079	-
General Reserve Fund	18	7,823,196	7,823,196
Total Equity		628,265,152	446,942,134
Total Equity and Liabilities		3,635,241,162	2,147,034,440

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.



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



Tilak De Zoysa - Chairman

Accounting Policies and Notes on pages 36 to 59 form an integral part of these Financial Statements.

03 February 2012
Colombo

Income Statement

Year Ended 31 December	Note	2011 Rs.	2010 Rs.
Interest Income	19	538,396,154	420,094,367
Rental Income from Operating Leases		2,967,014	-
Other Operating Income	20	101,814,570	64,126,884
		643,177,738	484,221,251
Less: Expenses			
Administration Cost		(93,848,363)	(47,436,303)
Personnel Cost		(74,487,290)	(51,920,736)
Distribution Cost		(2,896,685)	(1,270,401)
Provision for Bad and Doubtful Debts		(7,054,350)	(7,036,991)
Other Operating Cost		(6,010,500)	(70,000)
Finance Cost	21	(157,705,430)	(136,672,662)
Profit from Operations		301,175,120	239,814,158
Less: Value Added Tax on Financial Services		(11,772,117)	(21,146,841)
Profit Before Tax	22	289,403,003	218,667,317
Taxation	23	(95,079,985)	(72,221,644)
Profit for the year		194,323,018	146,445,673
Earnings Per Share - Basic	24	9.72	7.32
Dividend Per Share	25	0.65	1.50

Accounting Policies and Notes on pages 36 to 59 form an integral part of these Financial Statements.

Statement of Changes in Equity

Year Ended 31 December	Stated Capital	Retained Profit	Statutory Reserve Fund	General Reserve Fund	Investment Fund	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
Net Profit for the year	-	194,323,018	-	-	-	194,323,018
Dividend Paid	-	(13,000,000)	-	-	-	(13,000,000)
Transfers	-	(22,944,230)	9,716,151	-	13,228,079	-
Balance as at 31 December 2011	200,000,000	384,669,954	22,543,923	7,823,196	13,228,079	628,265,152

Accounting Policies and Notes on pages 36 to 59 form an integral part of these Financial Statements.

Cash Flow Statement

Year Ended 31 December	Note	2011 Rs.	2010 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net Profit before Income Tax		289,403,003	218,667,317
Adjustments for :			
Interest Income from Treasury bills	20	(430,113)	(305,964)
Dividend Income	20	(15,000)	(5,000)
Retiring Gratuity - Charge for the year	14	2,407,498	916,447
Depreciation & Amortization	7 & 8	13,095,935	2,293,712
Operating Profit Before Changes in Working Capital		304,461,323	221,566,512
Increase / (Decrease) in Related Party Payable	10	(200,796,408)	(481,984,225)
Increase / (Decrease) in Trade & Other Payables	9	233,951,172	4,227,194
(Increase) / Decrease in Other Receivables		(106,456,082)	(13,290,682)
Net Investment in Lease, Hire Purchase and Loans and Advances	4 & 5	(1,267,890,492)	(461,415,058)
Increase / (Decrease) in Deposits from customers		3,484,375	300,000
Net Cash Generated from Operations		(1,033,246,112)	(730,596,259)
Income Tax Paid	12	(122,792,627)	(55,715,229)
WHT Paid	12	(98,812)	(224,267)
Net Cash from/ (used in) Operating Activities		(1,156,137,551)	(786,535,755)
CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	20	15,000	5,000
Acquisition of Plant, Equipment and Intangible Assets	7 & 8	(99,081,057)	(2,333,865)
Investments made during the Year		(16,330,000)	(500,000)
Interest Received from Treasury Bills	20	430,113	305,964
Net Cash from/ (used in) Investing Activities		(114,965,944)	(2,522,901)
CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES			
Dividends Paid	25	(13,000,000)	(30,000,000)
Net Increase/(Decrease) in borrowings		1,278,566,000	815,970,000
Net Cash from/ (used in) Financing Activities		1,265,566,000	785,970,000
Net Increase / (Decrease) in Cash & Cash Equivalents		(5,537,495)	(3,088,656)
Cash & Cash Equivalents at the beginning of the year		6,096,407	9,185,063
Cash & Cash Equivalents at the end of the year	2	558,912	6,096,407

Accounting Policies and Notes on pages 36 to 59 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year Ended 31 December 2011

1. GENERAL

1.1 Corporate Information

AMW Capital Leasing PLC was incorporated on 23.02.2006 under the Companies Act No. 17 of 1982 and was re-registered under the New Companies Act No. 07 of 2007 on 27.06.2007. The new Registration Number of the Company is PB14.

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

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

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

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) & the requirement of the Companies Act No. 7 of 2007 & Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995.

The Financial Statements for the year ended 31 December 2011 were authorised for issue by the directors on 03 February 2012.

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 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

1.2.7 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.

Notes to the Financial Statements *Cont.*

1.2.8 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	1.2.9	13
Employee Benefit Liabilities	1.4.3	14

1.2.9 Tax

a) 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.

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 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.

c) 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.

Notes to the Financial Statements *Cont.*

d) 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.

e) 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.

f) 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.

1.3 Valuation of Assets and their bases of measurement

1.3.1 Plant & Equipment

a) Cost and Valuation

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 expenditure 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.

b) Depreciation

Provision for depreciation is calculated 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.

Notes to the Financial Statements *Cont.*

The principle annual rates of depreciation used are as follows:

Assets

On Cost / Valuation

Computer Equipment	20%
Office Equipment	20%
Furniture & Fittings	20%
Motor Vehicles	20%
Fixtures	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.

1.3.2 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 de-recognition policy.

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

1.3.3 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 amortization 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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.

1.3.4 Purchased Software

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

1.3.5 Leases & Hire Purchases

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.

Notes to the Financial Statements *Cont.*

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.

1.3.6 *Bad and Doubtful Debts - Lease & Hire Purchase*

Bad and doubtful debts comprise of rentals receivable on 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 Purchases 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.

1.3.7 *Loans and Advances*

Loans and Advances to customers are stated net of provision for bad and doubtful loans and interest not accrued to revenue.

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.

Notes to the Financial Statements *Cont.*

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 Deposits from Customers

Deposits include time deposits payable at maturity. They are stated in the Balance Sheet at amounts payable. Interest paid / payable on these deposits is charged to the Income Statement.

1.4.2 Current Liabilities

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.

1.4.3 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.

1.4.4 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.

Notes to the Financial Statements *Cont.*

1.4.5 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.

1.4.6 Trade and Other Payables

Trade and Other Payables are stated at their cost.

1.4.7 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.

However, accrual of income from leases and hire purchase agreements ceases when the account is overdue for more than six months in compliance with Direction No.15 of 1991 (Accrued Interest) and thereafter recognized on cash basis.

Operating Lease Income

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

Interest Income from Loans and Advances

Interest Income from Loans and Advances is recognized on an accrual basis. However, income from loans and advances ceases when the account is overdue for more than six months in compliance with Direction No.15 of 1991 (Accrued Interest) and thereafter recognized on a cash basis.

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 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.

Notes to the Financial Statements *Cont.*

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.

1.8 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective:

The Company will be adopting the new Sri Lanka Accounting Standards (SLAS) comprising of LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Company has commenced transitioning its accounting policies and financial reporting in readiness for the transition. As the Company has a 31 December year end, priority has been given to considering the preparation of an opening Balance Sheet in accordance with the new SLASs as at 01 January 2011. This will form the basis of accounting for

Notes to the Financial Statements *Cont.*

the new SLASs in the future, and is required when the Company prepares its first fully SLAS compliant Financial Statements for the year ending 31 December 2012. Set out below are the key areas where accounting policies will change and may have an impact on the Financial Statements of the Company. At this stage the Company has not been able to reliably quantify the impact on the Financial Statements. The Company is in the process of quantifying the impact on the Financial Statements arising from such changes in accounting policies.

SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Company to prepare and present an opening SLFRS Financial Statement at the date of transition to SLFRS. The Company shall use the same accounting policies in its opening SLFRS Financial Statements and throughout all periods presented in its first SLFRS Financial Statements. Those accounting policies should comply with each SLFRS effective at the end of the first SLFRS reporting period.

IAS 1 – Presentation of Financial Statements

LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. The standard will require measurement of financial assets and financial liabilities at Fair Value at initial measurement. The subsequent measurement of Financial Assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the comprehensive income and other comprehensive income respectively.

Financial Assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The current method of loan loss provisioning will no longer be applicable under this test.

Financial Liabilities will be either classified as fair value through profit or loss or at amortized cost. As at present, the Company does not identify, categorize and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognized on the Balance Sheet, and hence would require a change in accounting policy.

SLFRS 3 – Business combinations will require the Company to evaluate acquisitions under new accounting principles which will entail that the transaction should comprise of an acquisition of business inputs, processes and output, as opposed to a mere asset acquisition. It will also be required to record the assets and liabilities acquired in the business combination at fair value, and recognize certain intangibles and deferred tax assets/ liabilities arising from such transaction. Such adjustments will have an impact on the recognition of goodwill.

LKAS 12 – Income Tax needs to be provided in respect of temporary differences which will rise as a result of adjustments made in complying with the new accounting standards.

Notes to the Financial Statements *Cont.*

As at 31 December

2. CASH & CASH EQUIVALENTS

	2011 Rs.	2010 Rs.
Cash in Hand	3,162,229	6,353,718
Cash at Bank	26,140,781	11,404,267
	<u>29,303,010</u>	<u>17,757,985</u>
Bank Overdraft	(28,744,099)	(11,661,578)
	<u>558,911</u>	<u>6,096,407</u>

3. SHORT TERM RECEIVABLES

	2011 Rs.	2010 Rs.
VAT Recoverable	150,438,845	61,411,364
Other Receivables	29,305,768	30,275,670
	<u>179,744,613</u>	<u>91,687,034</u>
Less: Provision for Receivables	(7,865,091)	-
	<u>171,879,522</u>	<u>91,687,034</u>

4. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS

4.1 Rentals Receivable on Lease Assets

	2011 Rs.	2010 Rs.
Receivable after five years		-
Rentals Receivable	3,639,043	-
Unearned Income	(166,193)	-
	<u>3,472,850</u>	<u>-</u>
Receivable from one to five years		
Rentals Receivable	2,208,046,267	1,125,207,147
Unearned Income	(436,720,687)	(230,436,498)
	<u>1,771,325,580</u>	<u>894,770,649</u>
Receivable within one year		
Rentals Receivable	1,096,641,345	682,950,149
Unearned Income	(370,167,817)	(228,639,186)
	<u>726,473,528</u>	<u>454,310,963</u>
Overdue Rental Receivable		
Rentals Receivable	25,030,380	11,433,471
Interest in Suspense	(370,085)	(70,192)
	<u>24,660,295</u>	<u>11,363,279</u>
Total		
Future Rentals Receivable	3,308,326,655	1,808,157,296
Overdue Rentals Receivable	25,030,380	11,433,471
Total Rentals Receivable	<u>3,333,357,035</u>	<u>1,819,590,767</u>
Unearned Income	(807,054,697)	(459,075,684)
Interest in Suspense	(370,085)	(70,192)
Balance as at 31 December	<u>2,525,932,253</u>	<u>1,360,444,891</u>

Notes to the Financial Statements *Cont.*

4.2 Rentals Receivable on Hire Purchase Assets

	2011 Rs.	2010 Rs.
Receivable after five years		
Rentals Receivable	525,605	97,615
Unearned Income	(17,396)	(3,525)
	<u>508,209</u>	<u>94,090</u>
Receivable from one to five years		
Rentals Receivable	584,437,535	540,639,298
Unearned Income	(106,660,447)	(105,710,254)
	<u>477,777,088</u>	<u>434,929,044</u>
Receivable within one year		
Rentals Receivable	364,795,730	359,987,180
Unearned Income	(115,558,715)	(128,611,951)
	<u>249,237,015</u>	<u>231,375,229</u>
Overdue Rental Receivable		
Rentals Receivable	16,570,703	9,666,528
Interest in Suspense	(431,667)	(221,208)
	<u>16,139,036</u>	<u>9,445,320</u>
Total		
Future Rentals Receivable	949,758,870	900,724,093
Overdue Rentals Receivable	16,570,703	9,666,528
Total Rentals Receivable	966,329,573	910,390,621
Unearned Income	(222,236,558)	(234,325,730)
Interest in Suspense	(431,667)	(221,208)
Balance as at 31 December	<u>743,661,348</u>	<u>675,843,683</u>
Total Rentals Receivable on Lease Assets and Hire Purchase Assets		
Future Rentals Receivable	4,258,085,525	2,708,881,389
Overdue Rental Receivable	41,601,083	21,099,999
Total Rentals Receivable	4,299,686,608	2,729,981,388
Unearned Income	(1,029,291,255)	(693,401,414)
Interest in Suspense	(801,752)	(291,400)
	<u>3,269,593,601</u>	<u>2,036,288,574</u>
less: Provision for Bad and Doubtful Debts - General	(17,878,236)	(11,878,236)
Provision for Bad and Doubtful Debts - Specific	(2,438,693)	(1,384,343)
Balance as at 31 December	<u>3,249,276,672</u>	<u>2,023,025,995</u>

4.3 Capital Outstanding on Non Performing Assets as at 31.12.2011 amounts to Rs. 3,473,017.52.
(As at 31.12.2010 - Rs. 1,957,157/-)

Notes to the Financial Statements *Cont.*

5. LOANS AND ADVANCES

	2011 Rs.	2010 Rs.
Term Loans	41,639,816	-
	<u>41,639,816</u>	<u>-</u>

6. LONG TERM INVESTMENTS

	2011 Rs.	2010 Rs.
Credit Information Bureau (100 Shares of Rs 804/- each)	80,400	80,400
	<u>80,400</u>	<u>80,400</u>

7. PLANT & EQUIPMENT

	As at 01.01.2011 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2011 Rs.
Cost				
Computer Equipments	4,951,478	5,491,176	-	10,442,654
Office Equipment	1,243,237	2,078,411	-	3,321,648
Furniture & Fittings	1,079,679	914,273	-	1,993,952
Motor Vehicles	1,575,000	52,133,839	-	53,708,839
Fixtures	-	2,278,950	-	2,278,950
	<u>8,849,394</u>	<u>62,896,649</u>	<u>-</u>	<u>71,746,043</u>

	As at 01.01.2011 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2011 Rs.
Depreciation				
Computer Equipments	2,118,468	1,818,492	-	3,936,960
Office Equipment	528,855	417,656	-	946,511
Furniture & Fittings	455,090	299,216	-	754,306
Motor Vehicles	341,250	2,948,936	-	3,290,186
Fixtures	-	112,443	-	112,443
	<u>3,443,663</u>	<u>5,596,743</u>	<u>-</u>	<u>9,040,406</u>

	2011 Rs.	2010 Rs.
Written Down Value		
Computer Equipments	6,505,694	2,833,010
Office Equipment	2,375,137	714,382
Furniture & Fittings	1,239,646	624,589
Motor Vehicles	50,418,653	1,233,750
Fixtures	2,166,507	-
	<u>62,705,637</u>	<u>5,405,731</u>

Notes to the Financial Statements *Cont.*

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

7.2 Operating lease assets are classified under plant and equipment. Rental receivable on operating lease assets are given below.

Rental receivable on Operating Leases	2011 Rs.	2010 Rs.
Within one year	14,667,097	-
After one year	43,712,814	-
Total	58,379,911	-

8. INTANGIBLE ASSETS

	As at 01.01.2011 Rs.	Additions during the year Rs.	Transfers during the year Rs.	As at 31.12.2011 Rs.
Cost/Carrying Value				
Computer Software	4,326,921	36,184,408	-	40,511,329
	4,326,921	36,184,408	-	40,511,329

	As at 01.01.2011 Rs.	Amortization for the period Rs.	Transfers Rs.	As at 31.12.2011 Rs.
Amortization				
Computer Software	3,127,032	7,499,192	-	10,626,224
	3,127,032	7,499,192	-	10,626,224

	2011 Rs.	2010 Rs.
Written Down Value		
Computer Software	29,885,105	1,199,889
	29,885,105	1,199,889

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

8.2 During the financial year, Company acquired Intangible Assets to the value of Rs. 36,184,408/- (2010-Rs. 58,921/-). Cash Payments amounting to Rs. 35,133,598/-were made during the year for purchase of Intangible Assets.

Notes to the Financial Statements *Cont.*

9. TRADE & OTHER PAYABLES

	2011 Rs.	2010 Rs.
Trade Creditors - Related (9.1)	236,248,791	13,572,073
- Non Related	7,889,701	1,729,173
Other Payables	120,488,877	115,374,951
	<u>364,627,369</u>	<u>130,676,197</u>

9.1 Trade Creditors - Related Parties

	Relationship	2011 Rs.	2010 Rs.
Associated Motorways (Pvt) Limited	Parent	236,248,791	13,572,073
		<u>236,248,791</u>	<u>13,572,073</u>

10. AMOUNT DUE TO RELATED PARTIES

	Relationship	2011 Rs.	2010 Rs.
Associated Motorways (Pvt) Limited	Parent	317,362,512	518,158,920
		<u>317,362,512</u>	<u>518,158,920</u>

11. INTEREST BEARING BORROWINGS

	2011 Amount Repayable Within one year Rs.	2011 Amount Repayable After one year Rs.	2011 Total Rs.	2010 Total Rs.
Securitization Loan (11.1)	323,450,000	467,816,000	791,266,000	-
Term Loan (11.2)	208,050,000	437,500,000	645,550,000	158,250,000
Money Market Loan (11.3)	742,520,000	-	742,520,000	742,520,000
	<u>1,274,020,000</u>	<u>905,316,000</u>	<u>2,179,336,000</u>	<u>900,770,000</u>

11.1 Securitization Loan

	As at 01.01.2011 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2011 Rs.	Term of the Loan	Interest Rate	Security Offered
Deutsche Bank Securitization 500 M	-	500,000,000	138,450,000	361,550,000	48 months	Floating and Fixed Interest rate	Lease Portfolio
Deutsche Bank Securitization 500 M	-	500,000,000	70,284,000	429,716,000	48 months		Lease Portfolio
	<u>-</u>	<u>1,000,000,000</u>	<u>208,734,000</u>	<u>791,266,000</u>			

Notes to the Financial Statements *Cont.*

11.2 Term Loan

	As at 01.01.2011 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2011 Rs.	Term of the Loan	Interest Rate	Security Offered
Nations Trust Bank Term Loan 200M	158,250,000	-	100,200,000	58,050,000	24 months	Average 4 weeks AWPLR +1.0% p.a (re-priced monthly)	Corporate Guarantee from AMW
HSBC Term Loan 600 M	-	600,000,000	12,500,000	587,500,000	48 months	Overnight SLIBOR +2.75%	Corporate Guarantee from AMW
	158,250,000	600,000,000	112,700,000	645,550,000			

11.3 Money Market Loan

	As at 01.01.2011 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.12.2011 Rs.	Term of the Loan	Interest Rate	Security Offered
HSBC Money Market Loan 592.5M	592,520,000	-	-	592,520,000	12 months	Based on Money Market Rates	Corporate Guarantee from AMW
Commercial Money Market Loan 150M	150,000,000	-	-	150,000,000	12 months	Based on Money Market Rates	Corporate Guarantee from AMW
	742,520,000	-	-	742,520,000			

Notes to the Financial Statements *Cont.*

12. PROVISION FOR INCOME TAX

	2011 Rs.	2010 Rs.
Balance as at 01 January	67,581,958	36,419,088
Provision for the year	78,065,753	87,102,367
Under provision in respect of previous year	3,434,882	-
	149,082,593	123,521,454
Payments made during the year	(103,905,449)	(42,854,305)
WHT on Treasury Bill Interest	(25,666)	(30,270)
WHT on Insurance Commission	(71,646)	(193,497)
SRL Paid	(1,054,795)	(830,739)
WHT on Dividends	(1,500)	(500)
ESC setoff against Income Tax	(17,832,384)	(12,030,185)
Balance as at 31 December	26,191,154	67,581,958

13. DEFERRED TAXATION

	2011 Rs.	2010 Rs.
Balance as at 01 January	68,708,827	83,589,550
Provision/ (reversal) made during the year	13,579,350	(14,880,723)
Balance as at 31 December	82,288,177	68,708,827
The closing Deferred Tax Liability balance relates to the following		
Accelerated Depreciation for tax purposes	3,912,948	1,026,648
Future Rentals Receivable - Lease	79,675,080	68,307,930
Retirement Benefits - Gratuity	(1,299,851)	(625,751)
	82,288,177	68,708,827

14. RETIREMENT BENEFIT OBLIGATION

	2011 Rs.	2010 Rs.
Balance as at 01 January	2,234,826	1,318,379
Current Service Cost	1,289,048	784,610
Interest for the Year	223,483	131,837
Actuarial (Gain)/Loss on obligation	894,967	-
Balance as at 31 December	4,642,324	2,234,826

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

Discount rate	10%
Future Salary Increment	11%

Notes to the Financial Statements *Cont.*

15. STATED CAPITAL

	2011	2010
Number of Ordinary Shares issued & fully paid	20,000,000	20,000,000
	2011 Rs.	2010 Rs.
Balance as at 01 January	200,000,000	200,000,000
Shares Issued during the year	-	-
Balance as at 31 December	200,000,000	200,000,000

16. STATUTORY RESERVE FUND

	2011 Rs.	2010 Rs.
Balance as at 01 January	12,827,772	5,178,326
Transfers during the year	9,716,151	7,649,446
Balance as at 31 December	22,543,923	12,827,772

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

17. INVESTMENT FUND RESERVE

	2011 Rs.	2010 Rs.
Balance as at 01 January	-	-
Transfers during the year	13,228,079	-
Balance as at 31 December	13,228,079	-

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

18. GENERAL RESERVE FUND

	2011 Rs.	2010 Rs.
Balance as at 01 January	7,823,196	7,823,196
Transfers during the year	-	-
Balance as at 31 December	7,823,196	7,823,196

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

Notes to the Financial Statements *Cont.*

Year Ended 31 December

19. INTEREST INCOME

	2011 Rs.	2010 Rs.
Lease	385,658,322	257,655,577
Hire Purchase	148,972,923	162,438,790
Term Loan	3,764,909	-
	538,396,154	420,094,367

20. OTHER OPERATING INCOME

	2011 Rs.	2010 Rs.
Overdue Interest Income - Lease	17,245,699	9,858,683
Overdue Interest Income -Hire Purchases	11,104,583	7,455,151
Overdue Interest Income -Term Loan	106,718	-
Profit from Pre-Termination of Leases	21,060,745	9,253,780
Profit from Pre- Termination of Hire Purchases	21,519,763	17,623,324
Profit from Pre- Termination of Term Loans	110,899	-
Service Charges	1,926,640	746,875
Income from Reshedulement	66,211	674,897
Dividend income	15,000	5,000
Commission from Insurance	10,952,863	7,277,827
Interest Income from Treasury Bills	430,113	305,964
Income from additional charges - Leases	13,494,098	6,071,943
Income from additional charges - Hire purchases	2,199,362	3,720,740
Income from additional charges - Term Loan	164,227	-
Transfer Fee Income	1,084,477	397,822
Sundry Income	119,246	82,945
Bank Charges Claimed on cheque returns	213,926	256,100
Proceeds from sale of vehicles	-	395,833
	101,814,570	64,126,884

21. FINANCE COST

	2011 Rs.	2010 Rs.
On Inter-company Current Account	43,458,533	93,228,121
Securitization Loan	28,168,853	7,670,845
Bank Borrowings	85,864,842	35,773,696
Interest on Time Deposits	213,202	-
	157,705,430	136,672,662

Notes to the Financial Statements *Cont.*

22. PROFIT BEFORE TAXATION

is stated after charging :

	2011 Rs.	2010 Rs.
Staff Salaries	48,276,407	33,386,030
Define Contribution Plan Cost - E.P.F & E.T.F	6,075,470	4,218,935
Auditors' Remuneration		
- Audit	588,670	405,830
- Non Audit	380,980	384,765
Management Fee	1,216,000	1,237,115
Gratuity	2,407,498	916,447
Depreciation & Amortization	13,095,935	2,293,712

23. INCOME TAX

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

	2011 Rs.	2010 Rs.
Current Income Tax		
Current Income Tax Charge (23.1)	81,500,635	87,102,367
Deferred Income Tax		
Deferred Taxation Charge (23.2)	13,579,350	(14,880,723)
Income tax expense reported in the Income Statement	95,079,985	72,221,644

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

	2011 Rs.	2010 Rs.
Profit Before Tax	289,403,003	218,667,317
Aggregate Accounting Profit	289,403,003	218,667,317
Aggregated Disallowed Expenses	811,485,093	501,511,011
Aggregated Allowed Expenses	(791,749,847)	(455,854,868)
Adjusted Profit/(Loss)	309,138,249	264,323,460
Royalty Paid	(30,331,988)	(18,860,756)
Taxable Income	278,806,261	245,462,704
Income Tax at the rate of 28% on Taxable Income (2010-35%)	78,065,753	85,911,947
Social Responsibility Levy at 1.5%	-	1,288,679
Under / Over provision in respect of previous year	3,434,882	(98,259)
	81,500,635	87,102,367
Income Tax reported in the Income Statement	81,500,635	87,102,367

Notes to the Financial Statements *Cont.*

23.2 Deferred Tax

Deferred Tax arising from

Accelerated Depreciation for tax purposes

Future Rental Receivable

Retirement Benefits - Gratuity

2011 Rs.	2010 Rs.
2,886,299	55,346
11,367,150	(14,771,750)
(674,099)	(164,319)
13,579,350	(14,880,723)

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

24. BASIC EARNINGS PER SHARE

24.1 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.

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

Amounts Used as the Numerators:

Net Profit Attributable to Ordinary Shareholders

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

2011 Rs.	2010 Rs.
194,323,018	146,445,673
20,000,000	20,000,000

24.3 Basic Earnings Per Share

9.72	7.32
------	------

25. DIVIDEND PER SHARE

Declared and Paid during the year

Dividend Per Share

2011 Rs.	2010 Rs.
13,000,000	30,000,000
0.65	1.50

Notes to the Financial Statements *Cont.*

26. CAPITAL COMMITMENTS AND CONTINGENCIES

There are no significant commitments or contingencies at the Balance Sheet date.

27. POST BALANCE SHEET EVENTS

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

28. RELATED PARTY DISCLOSURES

28.1 Amounts due to Related Parties

	2011 Rs.	2010 Rs.
Associated Motorways (Pvt) Limited - Parent	553,611,303	531,730,993
	<u>553,611,303</u>	<u>531,730,993</u>

28.2 Transactions with Related Parties

Year Ended 31 December

	2011 Rs.	2010 Rs.
Parent - Associated Motorways (Pvt) Ltd		
Management fees paid	1,200,000	1,237,115
Rent Paid	4,680,000	4,453,608
Interest Paid	43,194,178	93,228,121
Fees paid for repair services	397,427	483,460
Royalty Paid	30,331,988	20,708,075
Expense Reimbursements	13,553,689	4,722,496
Salary Reimbursements	6,000,000	6,185,571
	<u>99,357,282</u>	<u>131,018,446</u>

28.3 Associated Motorways (Pvt) Limited has given following corporate guarantees on behalf of AMW Capital Leasing PLC as at 31.12.2011.

- (i) Hongkong and Shanghai Banking Incorporation an overdraft / money market loan facility amounting to Rs. 1200 mn.
- (ii) Commercial Bank of PLC an overdraft / short term / money market loan facility amounting to Rs. 200 mn.
- (iii) Nations Trust Bank PLC a term loan / overdraft facility amounting to Rs. 304.8 mn.

Notes to the Financial Statements *Cont.*

28.4 Transactions with Key Management Personnel

	2011 Rs.	2010 Rs.
Key Managerial Persons' Remuneration	14,696,235	12,399,063

Key management personnel include members of the Board of Directors and key employees of the Company.

28.5 Terms and Conditions of Transactions with Related Parties

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

Notes to the Financial Statements *Cont.*

29. FINANCIAL REPORTING BY SEGMENT

	Finance Lease		Hire Purchase		Term Loans		Operating Lease		Unallocated		Total	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Interest Income	385,658,322	257,655,577	148,972,923	162,438,790	3,764,909	-	-	-	-	-	538,396,154	420,094,367
Other Operating Income	51,800,542	25,184,406	34,823,708	28,799,215	381,844	-	-	-	-	-	87,006,094	53,983,621
Rental Income	-	-	-	-	-	-	2,967,014	-	-	-	2,967,014	-
Unallocated Revenue	-	-	-	-	-	-	-	-	14,808,476	10,143,263	14,808,476	10,143,263
Total Revenue	437,458,864	282,839,983	183,796,631	191,238,005	4,146,753	-	2,967,014	-	14,808,476	10,143,263	643,177,738	484,221,251
Unallocated Expenses											(353,774,735)	(265,553,934)
Profit Before Tax											289,403,003	218,667,317
Taxation											(95,079,985)	(72,221,644)
Profit After Tax											194,323,018	146,445,673
Segment Assets	2,719,316,723	1,428,291,086	744,244,086	675,726,894	41,682,975	-	49,420,569	-	-	-	3,554,664,353	2,104,017,980
Unallocated Assets	-	-	-	-	-	-	-	-	80,576,809	43,016,460	80,576,809	43,016,460
Total Assets	2,719,316,723	1,428,291,086	744,244,086	675,726,894	41,682,975	-	49,420,569	-	80,576,809	43,016,460	3,635,241,162	2,147,034,440
Segment Liabilities	2,315,522,665	1,247,605,788	478,226,891	296,334,207	26,077,687	-	35,141,700	-	-	-	2,854,968,943	1,543,939,995
Unallocated Liabilities	-	-	-	-	-	-	-	-	152,007,067	156,152,311	152,007,067	156,152,311
Total Liabilities	2,315,522,665	1,247,605,788	478,226,891	296,334,207	26,077,687	-	35,141,700	-	152,007,067	156,152,311	3,006,976,010	1,700,092,306

Notes to the Financial Statements *Cont.*

30. MATURITY OF ASSETS AND LIABILITIES

An analysis of the total assets employed and total liabilities at the year end, based on the remaining period from the Balance Sheet date to the respective contractual maturity dates are given below.

	01 month Rs.	01-03 months Rs.	03 months - 01 year Rs.	01-05 years Rs.	05 years and over Rs.
Assets					
Cash and Bank	29,303,010	-	-	-	-
Investment in Treasury Bills	-	16,830,000	-	-	-
Short Term Receivables	15,756,606	450,144	155,672,771	-	-
Rentals Receivable on Lease and Hire Purchase Assets	83,668,370	166,658,122	745,866,455	2,249,102,667	3,981,059
Loans and Advances	1,223,552	1,568,587	7,653,616	30,709,358	484,703
Advance for Vehicle Stock	-	33,641,000	-	-	-
Long Term Investments	-	-	-	-	80,400
ESC Recoverable	-	-	-	-	-
Plant & Equipment	-	-	-	-	62,705,637
Intangible Assets	-	-	-	-	29,885,105
As at 31.12.2011	129,951,539	219,147,853	909,192,842	2,279,812,025	97,136,904
Liabilities					
Bank Overdraft	28,744,099	-	-	-	-
Trade & Other payables	51,622,387	311,416,526	1,588,456	-	-
Time Deposits	104,375	900,000	1,930,000	850,000	-
Amounts due to Related Parties	-	317,362,512	-	-	-
Interest Bearing Borrowings - Amount Payable within one year	51,250,000	843,520,000	379,250,000	-	-
Interest Bearing Borrowings - Amount Payable after one year	-	-	-	905,316,000	-
Provision for Income Tax	-	-	26,191,154	-	-
Deferred Taxation	-	-	-	-	82,288,177
Retirement Benefit Obligation	-	-	-	-	4,642,324
As at 31.12.2011	131,720,861	1,473,199,038	408,959,610	906,166,000	86,930,501

31. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

		Carrying Amount Pledged		Included Under
Nature of Liability		2011 Rs.	2010 Rs.	
Nature of assets				
Lease Receivables	Securitization Loan	1,408,901,568	-	Rentals Receivables on Lease Assets

Share Information

Stock Exchange

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

Ordinary Shares as at 31 December 2011 - 20,000,000

(Stated Capital of the Company solely represents voting ordinary shares.)

Distribution of Shareholders

There were 3 registered shareholders as at 31 December 2011, distributed as follows.

Distribution of shareholders	As at 31.12.2011				As at 31.12.2010			
	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	100.00	20,000,000	100.00	3	100.00	20,000,000	100.00

Analysis of Shareholders

Resident / Non-Resident

Resident/Non-Resident								
	As at 31.12.2011				As at 31.12.2010			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Category								
Resident	2	90.01	18,000,001	90.01	2	90.01	18,000,001	90.01
Non-Resident	1	9.99	1,999,999	9.99	1	9.99	1,999,999	9.99
Total	3	100.00	20,000,000	100.00	3	100.00	20,000,000	100.00

Shareholders of the Company

Shareholders	As at 31.12.2011		As at 31.12.2010	
	No. of shares	%	No. of shares	%
Associated Motorways (Pvt) 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
Total	20,000,000	100.00	20,000,000	100.00

Public Shareholding

Shareholding	As at 31.12.2011		As at 31.12.2010	
	No. of Shares	%	No. of Shares	%
Public	2,000,000	10.00	2,000,000	10.00
Controlled Companies	18,000,000	90.00	18,000,000	90.00
Total	20,000,000	100.00	20,000,000	100.00

Share Information *Cont.*

DIRECTORS' AND CEO'S SHARE HOLDING AS AT 31 DECEMBER 2011

NIL

SHARE PRICES FOR THE YEAR

Market price per share

Highest

Lowest

As at end

31.12.2011
Rs.

*Not Traded

*Not Traded

*Not Traded

KEY RATIOS

Dividend Per Share (Rs.)

Dividend Payout Ratio

Net Asset Value Per Share (Rs.)

31.12.2011

0.65

7%

31.41

31.12.2010

1.50

20%

22.35

Notes

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Corporate Information

DATE OF INCORPORATION	: 23rd February 2006
DATE OF RE-REGISTRATION	: 27th June 2007
COMPANY REGISTRATION NO.	: PB14PQ
IMPORTANT DATES	: - Formed as a Leasing Establishment in July 2006 - Obtained Finance Company Licence in November 2008 - Listed on the Diri Savi Board of the Colombo Stock Exchange w.e.f. 08th June 2011
PRINCIPAL ACTIVITY	: Hire Purchase Leasing Auto Loans Operating Leases Acceptance of Deposits
STATED CAPITAL	: Rs. 200,000,000/-, (20,000,000 shares)
LEGAL FORM	: Quoted on the Diri Savi Board of the CSE with Limited Liability
BOARD OF DIRECTORS	: T De Zoysa - <i>Chairman</i> E C S R Muttupulle - <i>MD/CEO</i> A Majumdar N D Johnson N S Welikala (<i>appointed w.e.f. 10-02-2011</i>) A M Patrick (<i>appointed w.e.f. 10-02-2011</i>) A W Wickremesinghe (<i>appointed w.e.f. 07-11-2011</i>) D C Yatawaka (<i>appointed w.e.f. 07-11-2011</i>) M Brightmore (<i>resigned w.e.f. 14-12-2011</i>) S A B Rajapaksa (<i>appointed w.e.f. 20-04-2012</i>)
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 02.
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 - <i>Chairman</i> N S Welikala A W Wickremesinghe - (<i>appointed w.e.f. 14-12-2011</i>) M Brightmore - (<i>resigned w.e.f. 14-12-2011</i>) S A B Rajapaksa (<i>appointed w.e.f. 30-04-2012</i>)
INTEGRATED RISK MANAGEMENT COMMITTEE	: The Integrated Risk Management Committee of the Company was formed on 02-08-2011 N S Welikala - <i>Chairman</i> A M Patrick A W Wickremesinghe - (<i>appointed w.e.f. 14-12-2011</i>) E C S R Muttupulle M Brightmore - (<i>resigned w.e.f. 14-12-2011</i>) S A B Rajapaksa (<i>appointed w.e.f. 30-04-2012</i>)
REMUNERATION COMMITTEE	: The Remuneration Committee of the Company was formed on 10-02-2011 A W Wickremesinghe - <i>Chairman</i> (<i>appointed w.e.f. 26-01-2012</i>) A M Patrick N S Welikala M Brightmore - (<i>resigned w.e.f. 14-12-2011</i>) S A B Rajapaksa (<i>appointed w.e.f. 30-04-2012</i>)



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