

ASSOCIATED MOTOR FINANCE CO. LIMITED

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT

31ST MARCH 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSOCIATED MOTOR FINANCE COMPANY LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Associated Motor Finance Company Ltd ("the Company"), which comprise the balance sheet as at 31st March 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 misstatements, 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 misstatements

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 principles 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, the company maintained proper accounting records for the year ended 31st March 2011 and the financial statements give a true and fair view of the company's state of affairs as at 31st March 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

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007 and the requirements of the Finance Companies Act No. 78 of 1988.


SJMS ASSOCIATES

Chartered Accountants

Colombo

8th August 2011

ASSOCIATED MOTOR FINANCE COMPANY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011

	Note	2010/2011 Rs.	2009/2010 Rs.
Income		184,349,918	146,858,544
Interest and similar income	10	152,498,743	122,891,330
Interest expense and similar charges	11	<u>(48,834,876)</u>	<u>(52,339,149)</u>
Net interest income		103,663,867	70,552,180
Other income	12	31,851,175	23,967,215
Personnel costs		(22,499,225)	(17,786,782)
Employee retirement benefit expenses		(3,638,157)	(2,744,370)
Provision for losses on loans, advances and assets		-	(8,082,991)
Administration and general expenses		<u>(27,423,256)</u>	<u>(23,589,066)</u>
Profit from operations		81,954,403	42,316,186
VAT on financial services		<u>(861,513)</u>	<u>(406,672)</u>
Profit before taxation		81,092,890	41,909,514
Income tax expense	14	<u>22,108,119</u>	<u>21,463,928</u>
Profit after tax		<u>103,201,009</u>	<u>63,373,442</u>
Basic/diluted earnings per share	15	18.40	11.83

The accounting policies and notes from 1 to 40 form an integral part of these financial statements.



ASSOCIATED MOTOR FINANCE COMPANY LTD
BALANCE SHEET
AS AT 31ST MARCH 2011

	Note	31.03.2011 Rs.	31.03.2010 Rs.
Assets			
Cash and cash equivalents		7,345,060	25,025,573
Investments in government securities	16	29,963,651	29,079,174
Deposits with banks	17	40,382,500	161,191,319
Long term investments	18	244,594	244,594
Investment in leases	19	501,708,334	246,907,074
Investment in hire purchase	20	18,170,273	13,998,843
Other assets	22	40,319,783	32,004,322
Inventories	23	36,174,188	14,914,040
Stock of Real Estate		21,732,142	5,559,238
Deferred tax assets	24	83,942,736	55,664,758
Investment properties	25	20,564,491	17,230,373
Intangible assets	26	4,677,917	50,625
Property and equipment	27	18,179,960	19,282,154
Loan against Fixed deposits	28	2,461,872	6,104,805
Total assets		825,867,500	627,256,892
Liabilities			
Bank overdraft		13,029,577	107
Public deposits		299,181,197	273,532,326
Interest payable on public deposits		15,385,341	14,609,736
Other liabilities	29	115,863,788	70,655,387
Retirement benefit obligations	30	3,520,816	2,773,563
Pledge loan from CFC		10,000,000	-
Total liabilities		456,980,719	361,571,120
Shareholders' Fund			
Stated capital	31	56,086,280	56,086,280
Other reserves	32	18,942,325	13,782,275
Retained earnings	33	293,858,176	195,817,217
		368,886,781	265,685,772
Total liabilities and shareholders' funds		825,867,500	627,256,892

The accounting policies and notes from 1 to 40 form an integral part of these financial statements.

I certify that these financial statements comply with the requirements of the Companies Act No 7 of 2007.



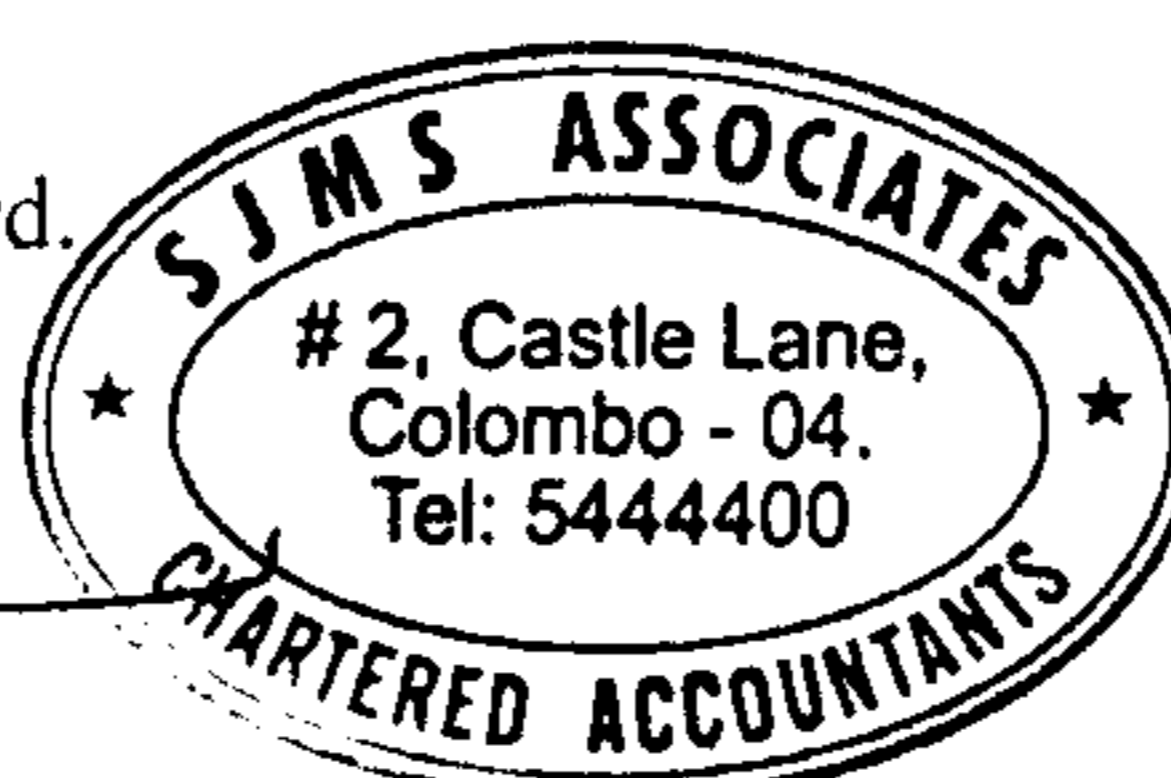
Head of Finance

The Board of Directors is responsible for the preparation and the presentation of these financial statements.

Signed for and on behalf of the Board.


Director

Date: 08.08.2011



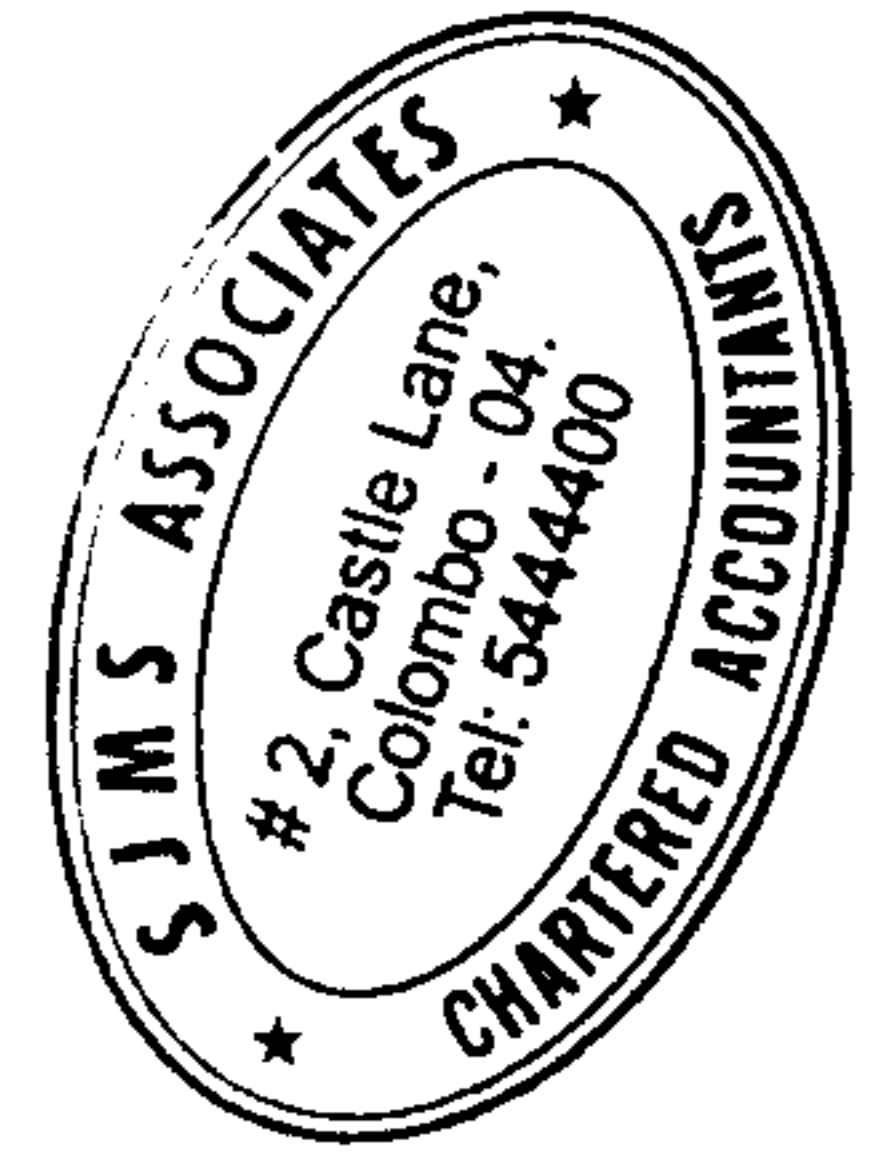

Director

Date: 08.08.2011

ASSOCIATED MOTOR FINANCE COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2011

	Stated capital	Capital reserves	General reserves	Statutory reserve fund	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2009	52,080,310	17,930	1,029,052	9,566,621	135,612,447	198,306,360
Net profit for the year	-	-	-	-	63,373,442	63,373,442
Rights Issue	4,005,970	-	-	-	-	4,005,970
Transfer to reserve fund	-	-	-	3,168,672	(3,168,672)	-
Balance as at 31st March 2010	56,086,280	17,930	1,029,052	12,735,293	195,817,217	265,685,772
Net profit for the year	-	-	-	-	103,201,009	103,201,009
Transfer to reserve fund	-	-	-	5,160,050	(5,160,050)	-
Balance as at 31st March 2011	56,086,280	17,930	1,029,052	17,895,343	293,858,176	368,886,781

The accounting policies and notes from 1 to 40 form an integral part of these financial statements.



ASSOCIATED MOTOR FINANCE COMPANY LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011

	2010/2011 Rs.	2009/2010 Rs.
Cash flow from operating activities		
Net profit before taxation	81,092,890	41,909,514
Adjustments for;		
Depreciation	6,429,283	5,599,167
Profit on disposal of property and equipment	(122,333)	-
Provision for obsolete inventory	-	-
Provision for fall in value of investments	-	-
Provision for bad and doubtful debts	(8,895,383)	8,088,922
Provision for gratuity	1,565,253	1,168,147
Interest on term deposits	47,479,865	50,995,422
Lease interest	1,355,012	1,343,727
Interest on commercial papers	-	-
Unabsorbed input VAT on lease creditor-irrecoverable tax	396,396	-
Operating profit before working capital changes	<u>129,300,983</u>	<u>109,104,899</u>
(Increase)/ decrease in government securities and other investments	119,924,342	(118,695,112)
(Increase)/ decrease in other assets	(4,672,528)	(29,571,204)
(Increase)/decrease in lease rental receivables	(245,841,818)	37,055,743
(Increase)/ decrease in inventories	(21,260,148)	15,082,695
Increase/(decrease) in public deposits	25,648,871	45,182,291
(Increase) /decrease in investments in hire purchase	(4,235,489)	(10,253,960)
Increase/ (Decrease) in other liabilities	46,924,945	21,959,191
Increase/ (Decrease) in pledge loan from CFC	10,000,000	-
	<u>(73,511,825)</u>	<u>(39,240,356)</u>
Cash generated from operations	55,789,158	69,864,543
Tax paid	(5,889,049)	(2,312,352)
Gratuity paid	(818,000)	-
Interest paid	(46,704,258)	(50,733,831)
Net cash flow from operating activities	<u>2,377,851</u>	<u>16,818,360</u>
Cash flow from investment activities		
Proceeds from disposal of property and equipment	218,000	-
Purchase of property and equipment	(4,758,127)	(900,274)
Purchase of investment property	(3,476,040)	-
Purchase of Real estate stock	(16,172,904)	-
Purchase of intangible assets	(5,150,000)	-
Net cash flow from investing activities	<u>(29,339,070)</u>	<u>(900,274)</u>



	2010/2011 Rs.	2009/2010 Rs.
Cash flow from financing activities		
Proceeds from rights issue	-	4,005,970
Repayment of lease creditor	(3,748,764)	(3,067,400)
Net cash flow from financing activities	<u>(3,748,764)</u>	<u>938,570</u>
Net increase / (decrease) in cash and cash equivalents	(30,709,983)	16,856,655
Cash and cash equivalent at the beginning of the year	25,025,466	8,168,811
Cash and cash equivalent at the end of the year	<u><u>(5,684,517)</u></u>	<u><u>25,025,466</u></u>
Cash and cash equivalents		
Cash in hand and at bank	7,345,060	25,025,573
Bank overdrafts	(13,029,577)	(107)
	<u><u>(5,684,517)</u></u>	<u><u>25,025,466</u></u>

The accounting policies and notes from 1 to 40 form an integral part of these financial statements.



**ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011**

1. General Information

1.1 Domicile and Legal Form

Associated Motor Finance Company Limited, (the "Company"), is an unquoted public limited liability company, incorporated and domiciled in Sri Lanka. The registered office and the principal place of business of the company is located at 89, Hyde Park Corner, Colombo 2.

The Company is a registered finance company under the Finance Companies Act No. 78 of 1988.

1.2 Principle Activities and Nature of Operations

The Company accepts deposits from the public, and provides loans, leasing and hire purchase financial accommodations to its customers.

2. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with SLAS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances and assumptions based on such knowledge and expectation of future events. Hence actual experience and results may differ from these judgments and estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods as well if the revision affects both current and future periods. Revision to accounting estimates are dealt with in accordance with Sri Lanka Accounting Standard No.10- (Revised 2005) Accounting Policies, Changes in Accounting estimates and errors.

2.1 Going concern

When preparing the financial statements, the directors have made an assessment of the ability of the constituents of the company to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading, taking into account all available information about the future.



2.2 Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and tax credits to the extent it is probable that taxable profits will be available against which these losses can be utilized. Significant management judgments are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with the future tax planning strategies.

3. Preparation of financial statements

3.1 Statement of compliance

The financial statements (income statement, balance sheet, statement of changes in equity and the cash flow statement, together with the accounting policies and notes) have been prepared in compliance with the Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No 7 of 2007 and the Finance Companies Act No.78 of 1988.

3.2 Date of Authorisation for issue

The financial statement for the year ended 31st March 2011 were authorized for issue by the Board of Directors on 8th August 2011.

3.3 Basis of preparation

The financial statements are prepared on an accrual basis under the historical cost convention. Where appropriate the accounting policies are disclosed in the succeeding notes. Assets and liabilities are grouped by nature and listed in an order that reflect their relative liquidity.

3.4 Foreign currency transactions

The financial statements of the Company are presented in Sri Lankan rupees, which is the Company's functional currency.

All transactions in currencies other than the functional currency are recorded in Sri Lankan rupees, using the exchange rates prevailing at the time the transactions were effected. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan rupee equivalents at the exchange rate prevailing on the balance sheet date. Exchange differences arising on settlement of monetary items and translation of monetary items, are recognized in profit or loss in the year in which they arise.

3.5 Events after the balance sheet date

All material events after the balance sheet date have been considered and where appropriate adjustments and/or disclosures have been made in the respective notes to the financial statements.



4. Significant accounting policies

4.1 Assets and the bases of their valuation

4.1.1 Cash and cash equivalents

Cash and cash equivalents comprise bank and cash balances. Bank overdrafts that are repayable on demand and form an integral part of the company's cash resources are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

4.1.2 Investment in government securities

Investment in government securities represent those securities held to maturity and stated at the value of the bills purchased and the discount accrued thereon.

4.1.3 Long term investments

Long term investments are valued at cost, with provision being made for any permanent diminution in value, such reductions being determined and made for each investment individually. Income from these investments is recognized only to the extent that the right to receive dividends is established.

4.1.4 Investment in leases

Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership other than legal title, are accounted for as finance leases in accordance with Sri Lanka Accounting Standards No.19 on Leases (Revised 2005). Rentals falling due in the future under finance leases net of initial rentals received, unearned lease income and provision for doubtful debts are classified as investment in leases in the balance sheet.

4.1.5 Hire purchase assets

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 Investment in Hire Purchase. Such assets are accounted for in a similar manner as finance leases.

4.1.6 Provision for loan losses

Provision for possible loan losses is made on the basis of a continuous review of all advances to customers in accordance with the Finance Companies (Provision for bad and doubtful debts) Direction No. 3 of 2006 issued by Central Bank of Sri Lanka. Accordingly, specific provisions have been made as follows:

All advances in arrears for a period of 6 to 12 months	50%
All advances in arrears over 12 months	100%

In addition, wherever it is considered prudent, further provisions are made on specifically



4.1.7 Trade and other receivables

Trade and other receivables are stated at the amounts they are estimated to realize, net of provisions for bad and doubtful debts.

4.1.8 Inventories

Inventories are valued at the lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization. Cost is calculated using FIFO method.

4.1.9 Investment property

Investment property which is property held to earn rentals and/or for capital appreciation, is stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Buildings are depreciated at a rate of 5% and no depreciation is charged on land. A review for impairment is done at the balance sheet date and market value of the property is disclosed.

4.1.10 Intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably in accordance with Sri Lanka Accounting Standard No. 37 on Intangible Assets. Accordingly, these assets are stated in the balance sheet at cost less accumulated amortization and impairment losses. Subsequent expenditure on acquisition and improvement of intangible assets is capitalised only when it increases the standard of performance of these assets and the future economic benefits embodied in these assets will flow to the company. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at the end of financial year. Intangible assets consist of computer software and are stated at cost less accumulated amortization. Amortization is effected at 10% per annum on cost on a straight line basis.

4.1.11 Finance leases

Assets held under finance leases are initially recognised as assets of the company at their fair

4.1.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. The cost of property and equipment is the cost of purchase or construction together with any incidental expenses thereon. Depreciation is not provided on freehold land. Depreciation is provided on a straight line basis calculated to write off the cost of the asset over its estimated useful life in equal installments as follows:



Asset	Rate
Motor vehicles	20%
Furniture and fittings	10%
Office equipment	10%
Generators and air conditioners	10%
Computer equipment	20%
Telephone system	20%

Depreciation of an asset begins when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

4.1.13 Impairment of assets

The company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exist, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued, where the revaluation was taken to equity. In this case, the impairment is recognised against the revaluation reserve to the extent that it reverses a previous revaluation surplus. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Previously recognized impairment losses other than in respect of goodwill, are reversed only if there has been an increase in the recoverable amount of such asset. Such increase is recognized to the extent of the carrying amount had no impairment losses been recognised previously.

4.2 Liabilities and provisions

4.2.1 Taxation

4.2.1.1 Current taxation

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

4.2.1.2 Deferred taxation

Deferred tax is recognised using the balance sheet 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 liabilities generally are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carry-forward of unused tax credits or unused tax losses 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 recovered. 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 in the year when the liability is settled or asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

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 those deferred taxes relate to the same taxable entity and the same taxation authority

4.2.2 Defined benefit plan - Gratuity

The Company is liable to pay gratuity in terms of the payment of Gratuity Act No. 12 of 1983, according to which a liability to pay gratuity arises only on completion of 5 years of continued service. In order to meet this liability, a provision is carried forward in the balance sheet, determined using the formula method prescribed in the SLAS 16 (revised 2006), The interest cost and the gratuity charge for the period, if any, is included as an expense in the income statement. The provision is not externally funded, nor has it been actuarially valued.

4.2.3 Defined Contribution Plans

Employees' Provident Fund Contribution and Employees' Trust Fund Contribution

Employees are eligible for E.P.F and E.T.F contributions in line with respective statutes and regulations. The Company contributes the defined percentages of gross emoluments of employees to the approved Employees' Provident Fund and to the Employees' Trust Fund. All contributions made are recognized as an expense in the income statement.

4.2.4 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.



4.2.5 Capital commitments and contingenc

Capital commitments and contingent liabilities as at the date of the balance sheet are disclosed in the respective notes to the financial statements. Contingent assets are disclosed, where the inflow of an economic benefit is probable.

5. Income Statement

5.1 Revenue recognition

5.1.1 Lease

In accordance with Sri Lanka Accounting Standards No. 19 (Revised 2005) on Leases, recognition of finance income on leasing is accounted based on a pattern reflecting a constant periodic rate of return on capital outstanding. The excess of aggregate lease rentals receivable over the cost of the leased asset constitutes the total unearned interest income at the commencement of the contract. The unearned interest income is taken into revenue on an accrual basis over the term of the lease commencing from the month in which the first rental is due, in proportion to the declining capital outstanding balance. Non-performing leases are those leases where the rentals are overdue for 6 months or more. Interest income accrual is suspended from the date on which a lease is classified as non-performing and credited to "Interest in suspense". Thereafter such income is recognised on a cash basis.

5.1.2 Hire purchase

Recognition of interest income from hire purchase facilities is similar to that of leases, which recognizes interest income based on a pattern reflecting a constant periodic rate of return on capital outstanding. Interest income is taken into revenue on an accrual basis over the term of the contract commencing from the month in which the first rental is due, in proportion to the declining capital outstanding balance. Non-performing hire purchase facilities are facilities in which the rentals are overdue for 6 months or more. Interest income accrual is suspended from the date on which the facility is classified as non-performing and credited to "Interest in suspense". Thereafter, such income is recognised on a cash basis.

5.1.3 Loans and advances

Interest receivable on loans and advances is recognized on accrual basis. Interest ceases to be taken into revenue when the relevant loans and advances are classified as non-performing. Accrual of interest income is suspended from the date on which the loan or advance is classified as non-performing, and is credited to "Interest in suspense". Thereafter such income is recognized on cash basis.

5.1.4 Dividend income

Dividend income from investments is recognized when the company's right to receive payment is established

5.1.5 Interest income on investments in government securities

Interest receivable is taken to the income statement on an accrual basis, based on a pattern reflecting a constant periodic rate of return.



5.1.6 Interest income on deposits with banks

Interest receivable is taken to the income statement on an accrual basis.

5.1.7 Overdue interest

Overdue interest from rental receivables are accounted for on a cash basis.

5.1.8 Rental income

Rental income is recognized on an accrual basis.

5.1.9 Recovery of bad debts

Bad debts recovered are recognized on a cash basis as and when the debts are recovered.

5.1.10 Profit/loss from sale of property plant and equipment.

Profit/loss from sale of property plant and equipment is recognized in the period in which the sale occurs.

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 expenses incurred in the running of the business and in maintaining the property and equipment in a state of efficiency has been charged to the income statement. In terms of the provisions of Sri Lanka Accounting Standard No.33 on Revenue Recognition and Disclosures in the Financial Statements of Finance Companies, interest and other expenses payable are recognized on an accrual basis.

5.3 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

5.4 Earnings per share

The company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

6. Cash flow statement

The cash flow statement has been prepared using the indirect method in accordance with Sri Lanka Accounting Standard No. 9 on Cash Flow Statements.



7. Segmental reporting

The Company's internal organization and management is structured based on individual products and services which are similar in nature and process and where the risk and return are similar. The primary segments represent this business structure.

8. Directors responsibility statement

The Directors' acknowledge the responsibility for true and fair presentation of the financial statements in accordance with the books of accounts and Sri Lanka Accounting Standards.

9. New Accounting Standards issued but not effective as at the balance sheet date.

9.1 General

The Institute of Chartered Accountants of Sri Lanka, decided to converge fully with International Financial Reporting Standards (IFRS) with effect from 1st January 2012. In accordance with this decision, new accounting standards have been issued and existing accounting standards have been upgraded in line with corresponding International Accounting Standards (IAS) and IFRS.

9.2 Title of new Standards

- (i) LKAS 32 (previously issued as Sri Lanka Accounting Standard no 44 - "Financial Instruments Presentation")
- (ii) LKAS 39 (previously issued as Sri Lanka Accounting Standard no 45 - "Financial Instruments Recognition and Measurement")
- (iii) SLFRS 7 (previously issued as Sri Lanka Accounting Standard no 46 - "Financial Instruments Disclosure")
- (iv) SLFRS 1 - First time adoption of Sri Lanka Financial Reporting Standards

9.3 Effective date for mandatory application

Financial year ending 31st March 2013

9.4 Financial impact on the application of these standards in the financial year ending 31st March 2013

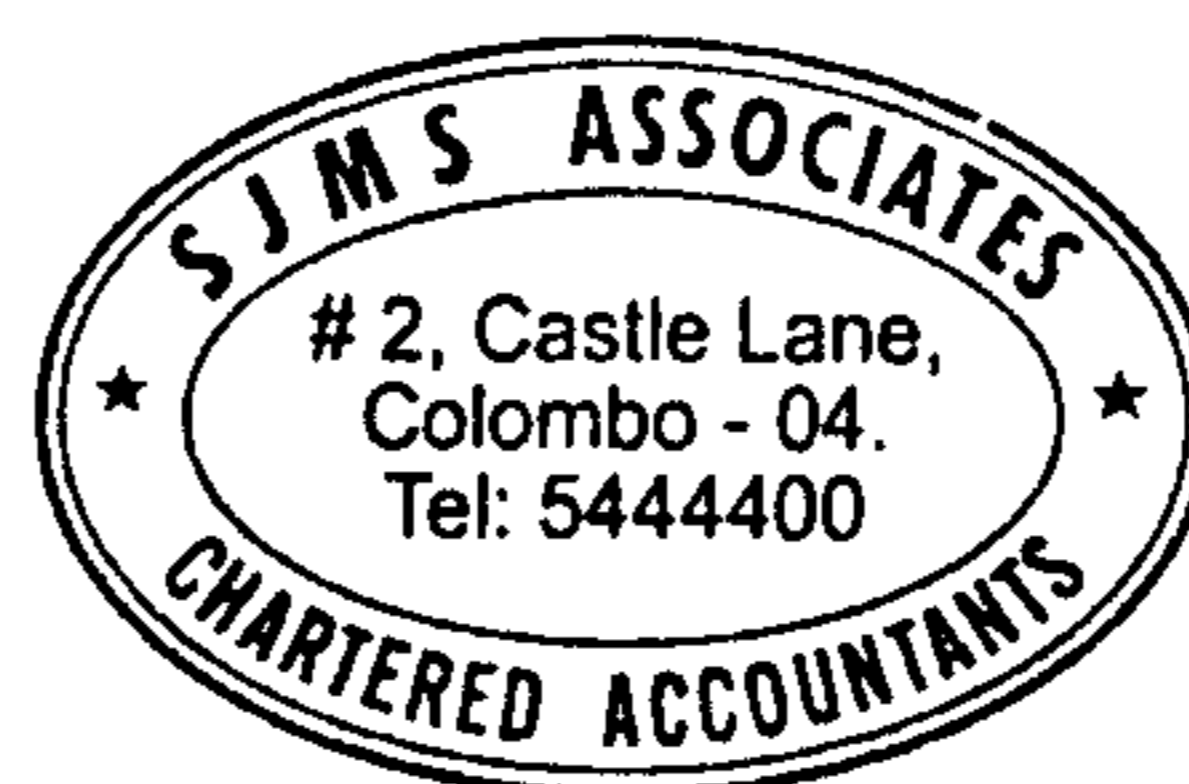
The impact is not currently know or reasonably estimated



	2010/2011 Rs.	2009/2010 Rs.
10. Interest and similar income		
Interest income from leasing	103,519,629	78,456,111
Interest income from the hire purchases	7,364,907	2,894,443
Income on service finance	8,982,414	2,551,152
Interest on overdue rentals	17,089,642	17,918,329
Interest on investments in government securities	15,542,152	21,071,295
	<u>152,498,743</u>	<u>122,891,330</u>
11. Interest expense and similar charges		
Interest on public deposits	47,479,865	50,995,422
Interest on commercial papers	-	-
Other interest expenses	1,355,012	1,343,727
	<u>48,834,876</u>	<u>52,339,149</u>
12. Other income		
Income from sale of motor vehicles (12.1)	20,384,788	21,758,705
Dividend income	56,567	21,878
Interest income on savings accounts	-	5,030
Rent income	1,178,568	687,498
Sundry income	330,063	572,890
Bad debt recoveries	392,688	270,363
Reversal of NPL Provision	9,023,501	-
Vehicle hire income	485,001	606,342
Exchange gain	-	44,508
	<u>31,851,175</u>	<u>23,967,215</u>
12.1 Income from sale of motor vehicles		
Sales	126,826,783	121,567,857
Less: 1% sales tax	(1,453,400)	(1,041,610)
Less: Cost of sales	(91,413,081)	(86,032,704)
Less : Direct costs	(13,575,514)	(12,734,838)
Profit for the year	<u>20,384,788</u>	<u>21,758,705</u>
13. Operating expenses include the following:		
Directors' remuneration	480,000	480,000
Staff costs (Note 13.1)	19,929,399	14,940,379
Depreciation	5,906,575	5,429,167
Auditor's remuneration	172,125	162,225



	2010/2011 Rs.	2009/2010 Rs.
13.1 Staff costs		
Staff salaries	13,510,723	10,282,008
Overtime and allowance	2,780,519	1,914,001
Defined contribution plan costs	2,072,904	1,576,223
Defined benefit plan costs	1,565,253	1,168,147
	<u>19,929,399</u>	<u>14,940,379</u>
14. Income tax expense		
14.1 Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	4,444,247	3,052,465
Deemed Dividend tax	1,725,612	1,888,237
	<u>6,169,859</u>	<u>4,940,702</u>
Deferred tax expense relating to the origination and reversal of temporary differences	(28,277,978)	(26,404,630)
	<u>(22,108,119)</u>	<u>(21,463,928)</u>
14.2 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:		
Accounting profit/(loss) chargeable for income taxes	81,092,890	41,909,514
Tax effect on chargeable profits (35%)	28,382,511	14,668,330
Tax effect on allowable credits	(21,984,900)	(10,953,894)
Tax effect on deductible expenses	(3,352,207)	(2,049,730)
Tax effect on disallowable items	3,791,897	3,031,394
Tax effect on losses claimed	(2,393,056)	(1,643,635)
Charged to income statement	<u>4,444,247</u>	<u>3,052,465</u>
Social Responsibility Levy	-	-
Deemed dividend taxes	1,725,612	1,888,237
Deferred tax charge /(reversal)	(28,277,978)	(26,404,630)
	<u>(22,108,119)</u>	<u>(21,463,928)</u>
Effective tax rate (excluding deferred taxation)	<u>7.61%</u>	<u>11.79%</u>



	2010/2011 Rs.	2009/2010 Rs.		
15. Earnings per share				
Basic earnings per share	<u>18.40</u>	<u>11.83</u>		
15.1 Basic/ diluted earnings per share				
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:				
Profit for the year attributable to equity holders	<u>103,201,009</u>	<u>63,373,442</u>		
Weighted average number of ordinary shares for the purposes of basic/ diluted earnings per share (all measures)	<u>5,608,355</u>	<u>5,357,982</u>		
	31.03.2011 Rs.	31.03.2010 Rs.		
16. Investment in government securities				
Treasury Bills	31,180,227	30,637,936		
REPO Agreements	-	-		
	<u>31,180,227</u>	<u>30,637,936</u>		
Less: Interest to be earned	<u>(1,216,576)</u>	<u>(1,558,762)</u>		
	<u>29,963,651</u>	<u>29,079,174</u>		
17. Deposits with banks				
Fixed deposits	<u>40,382,500</u>	<u>161,191,319</u>		
18. Long term investments				
Investment in shares (Note 16.1)	125,000	125,000		
Other investments (Note 16.2)	119,594	119,594		
	<u>244,594</u>	<u>244,594</u>		
18.1 Investment in shares				
	31.03.2011		31.03.2010	
	No. of shares	Cost Rs.	No. of shares	Cost Rs.
Lanka Synthetic Industries Ltd.		10,500	-	10,500
Hotel Tours & Trades Ltd.	-	7,500	-	7,500
Poltech (Ceylon) Ltd	12,715	125,000	12,715	125,000
Lace Industries	1,800	20,140	1,800	20,140
		<u>163,140</u>		<u>163,140</u>
Less: Provision for fall in value of shares		<u>(38,140)</u>		<u>(38,140)</u>
		<u>125,000</u>		<u>125,000</u>
18.2 Other investments				
Credit Information Bureau	43	4,300	43	4,300
Namal Unit Trust	19,608	115,294	19,608	115,294
		<u>119,594</u>		<u>119,594</u>



	31.03.2011 Rs.	31.03.2010 Rs.
19. Investment in leases		
Gross investment in leases	696,331,894	372,505,432
Lease rental receivables	30,345,825	26,485,292
	<u>726,677,719</u>	<u>398,990,724</u>
Less : Unearned income	(212,275,484)	(134,358,475)
	<u>514,402,235</u>	<u>264,632,249</u>
Less: Interest in suspense	(2,314,137)	(1,996,375)
	<u>512,088,098</u>	<u>262,635,874</u>
Lease expenses recoverable	2,845,009	3,372,296
Less: Provision for bad and doubtful debts	(7,817,806)	(16,777,248)
	<u>507,115,301</u>	<u>249,230,923</u>
Less: Prepaid rentals	(5,406,967)	(2,323,848)
Net investment in finance leases	<u><u>501,708,334</u></u>	<u><u>246,907,074</u></u>
19.1 Investment in Leases		
Lease receivable within one year		
Total lease rental receivable within one year	360,568,353	291,698,596
Less – Unearned income	(131,139,781)	(59,971,016)
Loan loss provision	(7,817,806)	(16,777,248)
Interest in suspense	(2,314,137)	(1,996,375)
Total	<u><u>219,296,628</u></u>	<u><u>212,953,958</u></u>
Lease receivable from one to five year		
Total lease rental receivable from one to five years	363,547,409	108,340,576
Less – Unearned income	(81,135,703)	(74,387,459)
Loan loss provision	-	-
Interest in suspense	-	-
Total	<u><u>282,411,706</u></u>	<u><u>33,953,117</u></u>
Lease receivable after five years		
Total lease rental receivable after five years	-	-
Less – Unearned income	-	-
Loan loss provision	-	-
Interest in suspense	-	-
Total	<u><u>-</u></u>	<u><u>-</u></u>
Total lease rental receivable	724,115,761	400,039,172
Less – Unearned income	(212,275,484)	(134,358,475)
Loan loss provision	(7,817,806)	(16,777,248)
Interest in suspense	(2,314,137)	(1,996,375)
Total	<u><u>501,708,334</u></u>	<u><u>246,907,074</u></u>



	31.03.2011 Rs.	31.03.2010 Rs.
20. Investments in hire purchase		
Hire purchase stock	15,310,143	13,676,049
Hire purchase rental receivable	3,091,514	643,840
	<u>18,401,657</u>	<u>14,319,889</u>
Less: Interest in suspense	(53,172)	(6,867)
	<u>18,348,485</u>	<u>14,313,022</u>
Hire purchase expense recoverable	69,072	32,007
Less: Provision for bad debts	(117,751)	(53,692)
	<u>18,299,805</u>	<u>14,291,337</u>
Less: Hire purchase rental paid in advance	(129,533)	(292,494)
Net investment in hire purchase	<u><u>18,170,273</u></u>	<u><u>13,998,843</u></u>

21. Non performing contracts

Aggregate amounts of non-performing loans and advances, lease receivables and hire purchase receivables as at the balance sheet date are given below.

	31.03.2011 Rs.	31.03.2010 Rs.
Lease receivables		
Lease stock receivables	1,767,807	7,532,643
Lease rental receivables	8,142,847	15,392,143
Lease expenses recoverable	1,309,684	2,078,316
Gross NPL	<u>11,220,338</u>	<u>25,003,102</u>
Less: Interest in suspense	(2,314,137)	(1,996,375)
Net NPL	<u><u>8,906,200</u></u>	<u><u>23,006,727</u></u>

Hire purchase & Other Loans receivables

Hire purchase stock	120,301	-
Hire purchase rental receivable	158,952	182,376
Hire purchase expense recoverable	6,993	6,520
Gross NPL	<u>286,246</u>	<u>188,896</u>
Less: Interest in suspense	(53,172)	(6,867)
Net NPL	<u><u>233,074</u></u>	<u><u>182,029</u></u>



	31.03.2011	31.03.2010
	Rs.	Rs.
22. Other assets		
Deposits and prepayments	457,377	241,428
Debtors on sale of vehicle	-	6,528,000
Promissory notes (Note 20.1)	3,292,948	5,031,736
Amount due from related company (Note 20.2)	-	283,546
Staff loans and advances	1,779,512	1,561,996
Rent receivable	105,600	110,000
VAT receivables	1,978,936	3,124,389
Income tax refund due (Note 20.3)	-	3,873,851
Fixed deposit interest receivable	7,901,576	11,249,377
VAT Uuabsorbed input tax	18,820,248	-
Debtors on hire of motor vehicle	30,164	-
VAT Uuabsorbed input tax 2010/2011	5,953,424	-
	<u>40,319,783</u>	<u>32,004,322</u>
22.1 Promissory notes		
Promissory note debtors	3,785,576	5,210,045
Less: Interest in suspense	(492,628)	(178,308)
	<u>3,292,948</u>	<u>5,031,737</u>
22.2 Amount due from related company		
AMF Duty Free Company (Pvt) Ltd	-	283,546
	<u>-</u>	<u>283,546</u>
22.3 Income tax refund due		
Balance at the beginning of the year	-	6,502,201
Provision for the year	-	(4,940,702)
Economic Service Charge receivable	-	1,908,642
Self Assessment Payment	-	-
SRL	-	-
Withholding tax	-	403,711
Balance at the end of the year	<u>-</u>	<u>3,873,851</u>



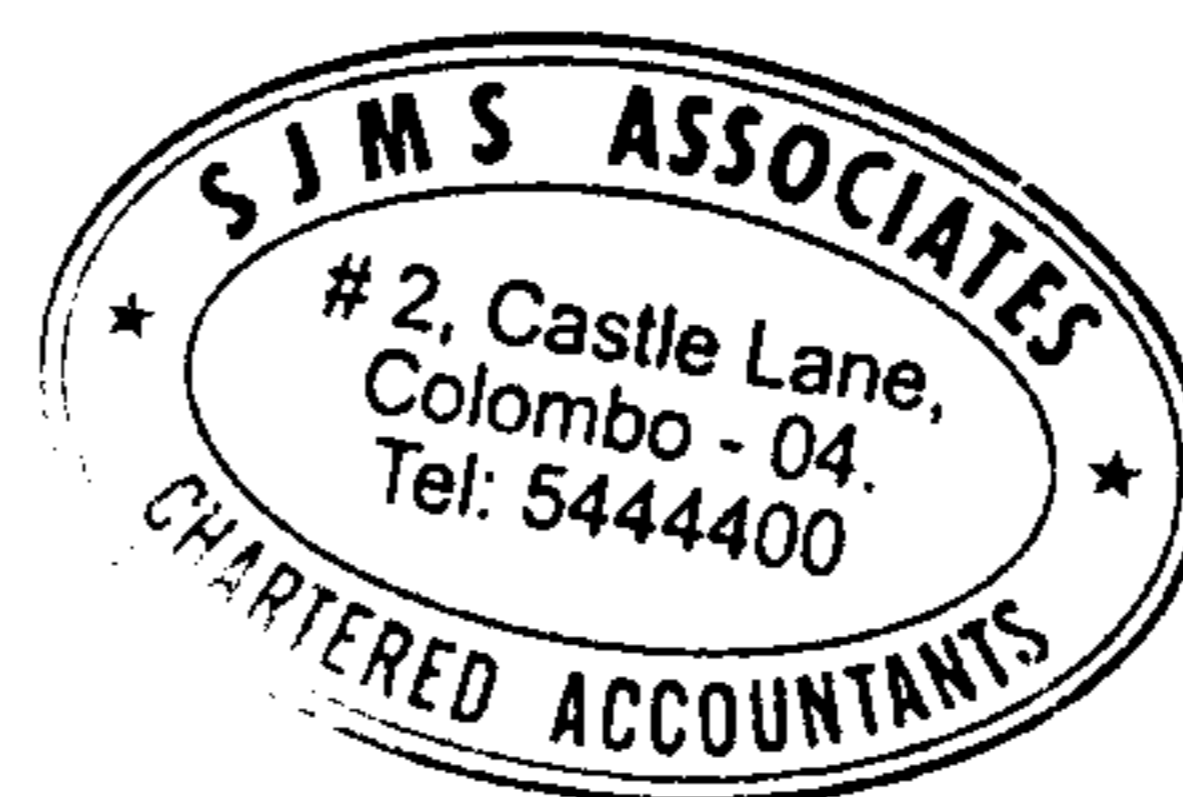
	31.03.2011 Rs.	31.03.2010 Rs.
23. Inventories		
Generators	156,835	156,835
Motor vehicles	36,174,188	14,914,040
	<u>36,331,023</u>	<u>15,070,875</u>
Less: Provision for generator stock	<u>(156,835)</u>	<u>(156,835)</u>
	<u><u>36,174,188</u></u>	<u><u>14,914,040</u></u>
24. Deferred tax assets / (liabilities)		
The movement in the deferred tax is as follows:		
Balance at the beginning of the year	55,664,758	29,260,128
Transfer to Income statement	28,277,978	26,404,630
Balance at the end of the year	<u><u>83,942,736</u></u>	<u><u>55,664,758</u></u>

24.1 Deferred tax assets, liabilities, and income tax relate to the following:

	Balance Sheet	Income Statement	Equity
Deferred tax liability			
Capital allowances for tax purposes	(24,210,886)	(18,897,917)	-
Deferred tax assets			
Bad debt provision	41,213	22,421	-
Defined benefit plans	945,986	(24,761)	-
Income tax losses	107,166,423	47,178,236	-
Deferred tax income/(expense)		<u><u>28,277,978</u></u>	<u><u>-</u></u>
Net deferred tax liability	<u><u>83,942,736</u></u>		



	Balance at the beginning of the year Rs.	Additions Rs.	Balance at the end of the year Rs.
25. Investment property			
Cost			
Paddy land	32,185	-	32,185
Land - Battaramulla	14,916,472	-	14,916,472
Building	2,903,041	-	2,903,041
Kirinda Land	-	3,476,040	3,476,040
	<u>17,851,698</u>	<u>3,476,040</u>	<u>21,327,738</u>
Accumulated depreciation			
Building	621,325	141,922	763,247
	<u>621,325</u>	<u>141,922</u>	<u>763,247</u>
Carrying amount	<u>17,230,373</u>		<u>20,564,491</u>
26. Intangible assets			
Cost			
Software	850,000	-	850,000
Computer system-OPENARC	-	5,150,000	5,150,000
	<u>850,000</u>	<u>5,150,000</u>	<u>6,000,000</u>
	Balance at the beginning of the year Rs.	Charge for the year Rs.	Balance at the end of the year Rs.
amortization			
Software	799,375	50,625	850,000
Computer system-OPENARC	-	472,083	472,083
	<u>799,375</u>	<u>522,708</u>	<u>1,322,083</u>
Carrying amount	<u>50,625</u>		<u>4,677,917</u>



27. Property and equipment

	31.03.2011	31.03.2010
	Rs.	Rs.
<i>Freehold (Note 27.1)</i>	12,616,710	11,731,904
<i>Leasehold (Note 27.2)</i>	5,563,250	7,550,250
	<u>18,179,960</u>	<u>19,282,154</u>

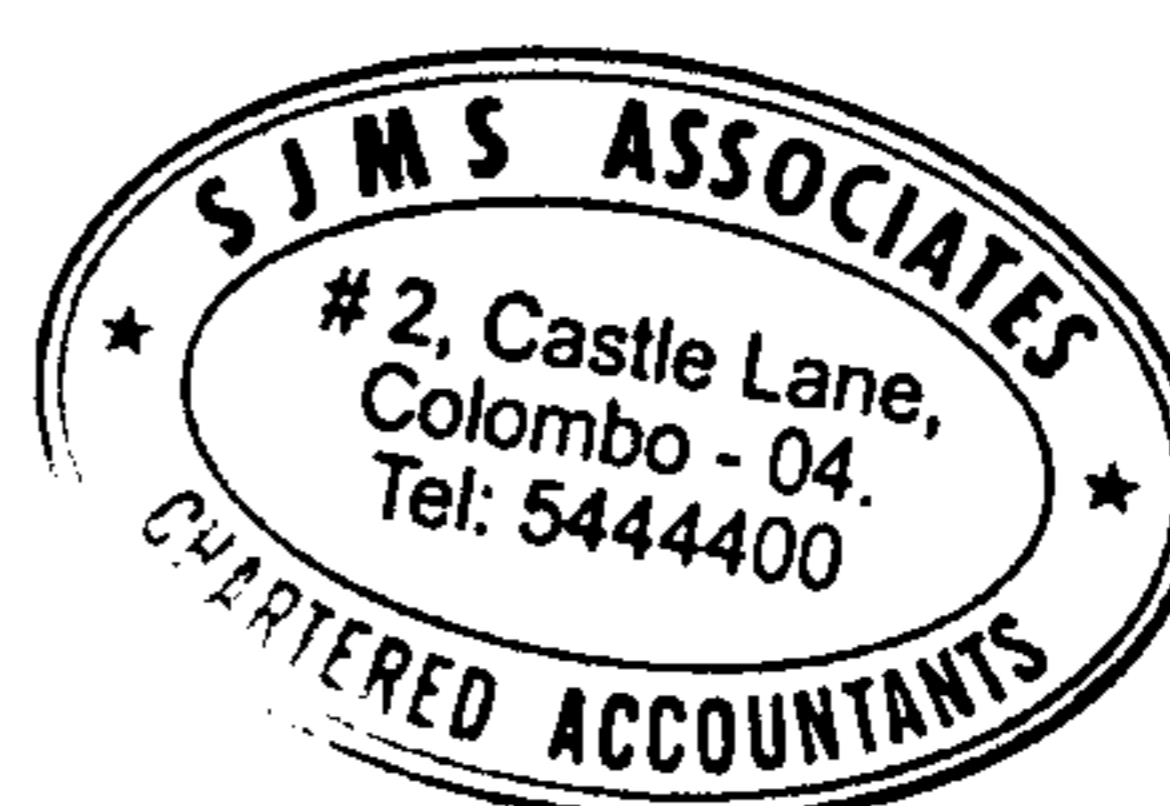
27.1 Freehold

Cost

	Balance at the beginning of the year	Additions	(Disposals)/ (Transfer)	Balance at the end of the year
	Rs.	Rs.	Rs.	Rs.
<i>Freehold</i>				
Motor vehicles	13,878,286	180,000	(307,399)	13,750,887
Furniture fittings & fixtures	4,081,338	306,145	-	4,387,483
Office equipment	2,238,972	346,700	-	2,585,671
Generator	1,516,803	311,336	-	1,828,139
Computer equipment	3,457,498	336,650	-	3,794,148
Telephone system	245,815	-	-	245,815
Agricultural Equipments	-	946,714	-	946,714
Tractor and Trailer	-	2,330,583	-	2,330,583
	<u>25,418,712</u>	<u>4,758,127</u>	<u>(307,399)</u>	<u>29,869,440</u>

Accumulated depreciation

	Balance at the beginning of the year	Charge for the year	On disposals	Balance at the end of the year
	Rs.	Rs.	Rs.	Rs.
Motor vehicles	6,865,780	2,576,106	(211,732)	9,230,154
Furniture fittings & fixtures	2,284,879	421,202	-	2,706,081
Office equipment	1,049,529	200,070	-	1,249,599
Generator	1,208,016	92,722	-	1,300,738
Computer equipment	2,050,810	474,770	-	2,525,580
Telephone system	227,794	12,783	-	240,577
Agricultural Equipments	-	-	-	-
Tractor and Trailer	-	-	-	-
	<u>13,686,808</u>	<u>3,777,653</u>	<u>(211,732)</u>	<u>17,252,730</u>
<i>Carrying amount</i>	<u>11,731,904</u>			<u>12,616,710</u>



27.2 Leasehold

Cost

	Balance at the beginning of the year Rs.	Additions Rs.	(Disposals)/ (Transfer) Rs.	Balance at the end of the year Rs.
Motor vehicles	9,935,000	-	-	9,935,000
	<u>9,935,000</u>	<u>-</u>	<u>-</u>	<u>9,935,000</u>

Accumulated depreciation

	Balance at the beginning of the year Rs.	Charge for the year Rs.	On disposals Rs.	Balance at the end of the year Rs.
Motor vehicles	2,384,750	1,987,000	-	4,371,750
	<u>2,384,750</u>	<u>1,987,000</u>	<u>-</u>	<u>4,371,750</u>
Carrying amount	<u>7,550,250</u>			<u>5,563,250</u>

Company's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of Rs 5,563,250 (Rs 7,550,250 as at 31st March 2010).

The cost of fully depreciated assets of the company as at the balance sheet date amounted to Rs. 4,210,435.23.



	31.03.2011	31.03.2010
	Rs.	Rs.
28 Loans against Fixed deposits		
Loans against Fixed deposits	2,472,845	6,289,039
Less: Interest in suspense	(10,973)	184,234
	<u>2,461,872</u>	<u>6,104,805</u>
29. Other liabilities		
Accrued expenses	4,279,820	7,631,837
Amount due to related parties (Note 29.1)	154,668	154,668
Lease Creditor (Note 29.2)	5,427,741	7,425,097
Other payables	88,664,006	30,950,429
Rental Received in Advance	17,056,743	24,493,357
Income Tax payable (Note 29.3)	280,811	-
	<u>115,863,788</u>	<u>70,655,387</u>
29.1 Amounts due to related parties		
Imperial Transport Service	27,280	27,280
Kottawa Tours & Industries Ltd	13,950	13,950
Hotel Tours & Traders Ltd	87,161	87,161
J.P.I.N. Trust	26,277	26,277
	<u>154,668</u>	<u>154,668</u>
29.2 Other payables - Lease Creditor		
Balance at the beginning of the year	11,040,019	6,896,495
Additions during the year	-	6,662,976
Payments made during the year	(3,303,243)	(2,519,452)
Lease other expenses	(49,125)	-
	<u>7,687,651</u>	<u>11,040,019</u>
Less: Interest In Suspense	(1,504,740)	(2,859,751)
	<u>6,182,911</u>	<u>8,180,267</u>
Less: Rentals paid in advance	(755,170)	(755,170)
	<u>5,427,741</u>	<u>7,425,097</u>



