Associated Motor Finance Company Ltd

Incorporated under the Companies Ordinance and Re-registered under the Companies Act No. 07 of 2007 under Registration No. PB 733

INTRODUCTORY DOCUMENT

to list

5,608,355

Ordinary Voting Shares

On the Diri Savi Board of the Colombo Stock Exchange

For further inquiries, please contact the Managers to the Introduction
If you are in any doubt regarding the contents of the document you should consult your Stockbroker, Bank Manager, Lawyer or any other Professional Advisor

The delivery of this Introductory Document shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this document

MANAGERS TO THE INTRODUCTION
P W Corporate Secretarial (Pvt) Ltd
3/17 Kynsey Road
Colombo 08

Tel : 011 4640360
Fax : 011 4614476

ASSOCIATED MOTOR FINANCE COMPANY LTD
No. 89, Hyde Park Corner
Colombo 02

Tel : 011 2687158
011 2682493
011 2687265
Fax : 011 2688760

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SCHEDULE I : FINANCIAL INFORMATION

SCHEDULE II: MEMBERS OF THE CSE, TRADING MEMBERS AND CUSTODIAN BANKS

The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in the Introductory Document. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in the Introductory Document.

ABBREVIATIONS USED IN THIS OFFER FOR SALE

CDS	Central Depository Systems (Pvt) Ltd
AMFCL	Associated Motor Finance Company Ltd
CBSL	Central Bank of Sri Lanka
CSE	Colombo Stock Exchange
RFC	Registered Finance Company

INTRODUCTORY DOCUMENT

1. CORPORATE INFORMATION

1.1 The Company	Associated Motor Finance Company Ltd
Legal Form	A Public Limited Liability Company
Company Registration No.	PBS 439
Company Re registration No.	PB 733
Registered Address	No. 89, Hyde Park Corner, Colombo 02
Principal Place of Business	No. 89, Hyde Park Corner, Colombo 02 Tel : 94-11-2687158 : 94-11-2682493 : 94-11-2687265 Fax : 94-11-2688760 E-mail : amfcoltd@sltnet.lk Website: www.amfcoltd.com
1.2 Date and Place of Incorporation	Incorporated in Sri Lanka under the Companies Ordinance on 25th July 1962 in Colombo, Sri Lanka. The Company was re-registered under the Companies Act No. 7 of 2007 on 4th November 2008.
1.3 Company Secretaries	Chart Business Systems (Pvt) Ltd No. 141/3, Vauxhall Street, Colombo 02
1.4 Auditors	SJMS Associates Chartered Accountants No. 2, Castle Lane, Colombo 04
1.5 Bankers to the Company	People' s Bank Hyde Park Corner Branch No.50, Sarathi Building Hyde Park Corner Colombo 02

Commercial Bank of Ceylon
No.82, W.A. De Ramanayake Mawatha
Colombo 02

Bank of Ceylon
Union Place Branch
No.278, Access Tower
Union Place
Colombo 2

Bank of Ceylon
Metropolitan Branch,
York Street
Colombo 01

Nations Trust Bank Ltd
P.O. Box 835,
No.242, Union Place
Colombo 2

1.6 Legal Advisor to the Company Gunawardena & Ranasinghe Associates
Attorneys –At-Law & Notaries Public
No.1056, Maradana Road
Colombo 08

1.7 Managers to the Introduction P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road
Colombo 08

2 INFORMATION RELEVANT TO THE INTRODUCTION

2.1 Listing

The Introductory Document dated 16th June 2011 is published for the purpose of obtaining a listing on the Diri Savi Board of the CSE for all the ordinary voting shares of AMFCL

The Central Bank of Sri Lanka has required all Finance Companies to list on the Colombo Stock Exchange prior to 30th June 2011.

2.2 Other Classes of Shares

There are no other classes of shares in issue.

2.3 The Objectives of the Introduction are as Follows;

The purpose of this introduction is to facilitate the listing of the 5,608,355 shares of the Company in issue in terms of the Directions issued by the Central Bank of Sri Lanka by their letter dated 17th September 2009.

The company does not raise any new funds through this process of introduction.

3.0 DETAILS OF THE BOARD OF DIRECTORS

3.1 The Board of Directors

Name	Designation	Address	Age
Dr. Rohan Karunaratne	Non-Executive Director	No. 115, New Parliament Road, Battaramulla	51
J P I Nalatha Dayawansa	Managing Director	361, Park Road Colombo 5	51
(Mrs) W A S Dayawansa	Executive Director	361, Park Road Colombo 5	47
J P I Shanil Dayawansa	Executive Director	361, Park Road Colombo 5	23
K D L Nanayakkara	Independent/Non Executive Director	No.1017, Sinharamulla Kelaniya	65
L Edirisooriya	Independent/Non Executive Director	No.1006/A, Gonawatta Road Malabe	55

3.2 Profiles of the Board of Directors

Dr. Rohan Karunaratne (Chairman / Non Executive Director)
Ph.D (U.S.A.), Ph.D (Sussex), M.B.A. (London), B. Eng. (India)

Dr. Karunaratne is a qualified Civil Engineer and a PhD holder in Construction Management and Business Management. He possesses an MBA in business administration and also a bachelor of Engineering.

In addition to the aforementioned academic qualifications, he has the following professional qualifications in relation to his field of civil engineering.

- Diploma in Civil Engineering (India) T.Eng.(C.E.I.) M.S.E. (London)
- Graduate of the Society of Engineers (London)
- Member of the Institute of Engineers & Technicians (London)
- Member of the Engineers Registration Board (London)
- Fellow of the International Institute of Management
- Fellow of the Ceylon Institute of Builders

He has over 27 years of post qualification experience in Civil Engineering, Building Construction, Engineering Consultancy, Construction Training, Lecturer in civil Construction, Designing & Planning.

Currently he holds numerous key positions in the following institutions and professional bodies.

- President : Ceylon Institute of Builders
- Chairman : Human Resource Development (Pvt) Ltd
- Chairman : A.K.K. Engineers (Pvt) Ltd
- Deputy Chairman : International Institute of Management
- Imm. Past Chairman : National Construction Association of Sri Lanka
- Imm. Past Chairman : Advanced Construction Training Academy
- Imm. Past Chairman : NCASL Constructors (Pvt) Ltd

Mr. J.P.I. Nalatha Dayawansa - Managing Director

Mr. J.P.I. Nalatha Dayawansa is a holder of Diploma in Automobile Engineering in Stuttgart Germany and has been an apprentice of the Dimo, Mercedes Benz AG and Bosch Gmbh. He has undergone an extensive training locally and internationally in relation to automobile engineering. He possesses a vast knowledge and experience in this field, which prompted him to start his own business venture namely Imperial Import & Export Company (Pvt) Ltd in 1983 and pioneered the import of used high end cars. It

also involves the importation of Farm and Earth Moving Equipments, Prime movers from UK.

He is also the holder of a Diploma in Economic & Management of the London School of Economics & Management in UK. He was appointed as an Executive Director to the Board of Associated Motor Finance Company Limited in 1982 and after the demise of his father Late Mr. J.P.I. Piyadasa in 1995; he succeeded as the Chairman & Managing Director of the Company. He has over 30 years of extensive experience in many industries such as Finance, Hospitality & Leisure, Garments, Exports and Imports.

In addition to the above, he is currently the Chairman & Managing Director of Poltech (Ceylon) Limited, a public company engaged in Garment exports and also the Chairman & Managing Director of Imperial Import & Export Company (Pvt) Limited, a private limited company engaged in importing and trading of used motor vehicles from UK.

Mrs. W.A.S Dayawansa - Director

Mrs. W.A.S Dayawansa was appointed as an Executive Director to the Board of Associated Motor Finance Company Limited in 1995. In addition to this, she has been holding directorships at Poltech (Ceylon) Limited, a public company engaged in Garment exports and also at Imperial Import & Export Company (Pvt) Limited, a company engaged in importing and trading of used motor vehicles from UK. She is also the Managing Partner of Ayathi, a dress boutique, which caters exclusively to the high end market.

She has over 15 years of experience in sectors such as Finance, Garments, Imports & Exports.

Mr. Shanil Dayawansa - (Ba) Acct & Mgt (London) -Executive Director

Mr. J.P.I. Shanil Dayawansa holds a degree in Accounting & Management (Ba) at the University of Essex (UK) and he is currently reading for his Masters degree in International Business (Ma) at the Monash University in Melbourne Australia. Both these qualifications focus on Finance and Management of business.

He was appointed as the Executive Director to the Board of Associated Motor Finance Company Limited in September 2009. He has been the recent inclusion to the Board to bring youthfulness to the Board of Associated Motor Finance Company Limited, with a view to strengthen it further, with the Financial & Accounting aspects and to improve the corporate governance of the company.

Mr. K D L Nanayakkara - Non Executive Independent Director

Mr. K D L Nanayakkara is a member of the Association of Accounting Technicians of Sri Lanka having over 30 years professional working experience in Accounting, Auditing, Management consultancy and Company Secretarial duties in Semi Government Corporations, Public Listed Companies and Private Companies in Sri Lanka and over 6 years of overseas experience working for Multi National Companies. He has completed examinations up to Professional Stage Part I of the Chartered Institute of Management Accountants, UK. He is a holder of Advanced Diploma in Personal Management and Industrial Law.

He functioned as an accountancy lecturer and an inquiring officer during his period of 7 years service with Paddy Marketing Board as an Accountant. He was the Director Finance of Ceylon and Foreign Trades PLC for a period of 6 years. He was the Group Accountant of Imperial Group of Companies during 1993 to 1996.He also functioned as a Marking Examiner and Examination Supervisor of the Association of Accounting Technicians of Sri Lanka for a period of over five years.

He is a Registered Company Secretary and an Authorized Representative of the Department of Inland Revenue. He is the Managing Director of Nanayakkara Management Services (Private) Ltd, a registered Company handling Company Secretarial duties, accounting, taxation and management consultancy. He is also the Managing Director of Majestic Investments (Private) Ltd, a registered company having investments in public and public listed companies etc.

Mr. L.C.W. Edirisooriya B.com, ACA, FCMA - Non Executive Independent Director

Mr. L.C.W. Edirisooriya is a practicing Chartered Accountant under the name of

3.3 Other Directorships held by the Directors

Name of Director	Other Directorships held
Dr. Rohan Karunaratne	A.K.K. Engineers (Pvt) Ltd Director of SMS (Pvt) Limited
J P I Nalatha Dayawansa	Imperial Import & Export Company (Pvt) Limited Poltech (Ceylon) Limited
(Mrs) W A S Dayawansa	Imperial Import & Export Company (Pvt) Limited Poltech (Ceylon) Limited
J P I Shanil Dayawansa	Imperial Import & Export Company (Pvt) Limited
K D L Nanayakkara	Majestic Investments (Private) Ltd Nation Lanka Securities and Investments Limited
L Edirisooriya	Access Company (Pvt) Ltd

3.4 Share Transactions and Share Holdings of Directors

Directors	Share Transactions within last one year		Shares held as at the date of the Application (25th February 2011)
	Purchases	Sales	
	Nil	Nil	

[redacted]

Financial Statements.

3.8 General

No Director of the Company has been involved in any petition under any bankrupts

3.5 Directors Emoluments

The aggregate emolument paid to Directors (including the Managing Director) in the Financial Year 2009/ 2010 is Rs.480,000/-.

The estimated aggregate emoluments payable to Directors (including the Managing Director) in the Financial Year 2010/ 2011 is Rs.480, 000/-.

3.6 Directors Interest in Assets Acquired, Disposed or Leased by the Company or Proposed to be Acquired, Disposed Or Leased by the Company

No Director has interest in assets acquired, disposed or leased by the Company during the past two years, or in any assets proposed to be acquired disposed or leased by the Company in the two years, succeeding the issue of shares.

3.7 Directors Interest in Contracts

4.1 Stated Capital

The Stated Capital of the Company as at the date of this Introductory Document is Rs. 56,083,550/- divided into 5,608,355 Ordinary Voting shares.

A detailed explanation on the movement of shares is given below;

Stated Capital

Issued and fully paid - ordinary shares

	No of shares	**Stated Capital (Rs)**
Balance at 1st April 2009	5,207,758	52,080,310
Issue of shares	400,597	4,005,970
Share buy-back	NIL	NIL
Balance at 31st March 2010	5,608,355	56,086,280

4.2 Class of Shares

The total Issued Shares of the Company consists of Ordinary Voting Shares only. There

2007 during the two years preceding the date of this Introductory Document.

4.4 Convertible Debt Securities

There are no convertible debt securities outstanding as at the date of this Introductory Document.

4.5 Securities Subscribed or Sold Privately in Conjunction with this Application for Listing

No securities of the same class or another class are subscribed or sold privately in

November 2009, by way of a Rights Issue to the existing shareholders in the proportion of one (01) new ordinary share for every thirteen (13) existing ordinary shares, which issue was fully subscribed.

There were no other shares issued within the last two years preceding this introductory document.

4.3 Shares Redeemed and Repurchased

No Shares of the Company have been redeemed, re-purchased in terms of Sections 63,

the highest ever profit and the deposit growth in the history of the company are a few to name.

AMFCL has been one of the two financial institutions to receive a 'Rating upgrade' (B to BB-) from RAM Ratings during the period 2008/2009 which has been a recognition of our performance.

The profits of the company dipped slightly in the financial year 2009/2010, due to the policy of restraint lending during the global financial crisis. However this trend has reversed in the subsequent financial year i.e. 2010/2011 as AMFCL had reversed its policy of "restraint lending" to "cautious lending", thereby enabling an increase in the lending portfolio, whilst maintaining a healthy Non Performing Loans ratio which was far below industry level. Hence, the Management is of the view that the Company will be sure to record the highest ever profits in the current financial year.

The company predominantly concentrates on providing Leasing and Hire Purchase facilities for unregistered and registered Motor Cycles and Three Wheelers. Although this segment is considered to be high risk by the peers, AMFCL has been able to handle this segment very effectively, with the financials of AMFCL bearing testimony to this effect.

The absence of a branch network has never been an impediment to the business activities of AMFCL, hence, the Company has effectively made use of the existing infrastructure, facilities of suppliers & bankers for the betterment of the Company i.e. the use of suppliers Island wide, dealer based networks to enable potential customers new leases and the facilities allowing AMFCL customers to pay their monthly instalments from any part of the Island to any Commercial Bank, thereby expanding the lease portfolio and improving the recovery effort of AMFCL simultaneously.

Principal activities of the company consist of the following;

- Acceptance of Public Deposits
- Leasing & Hire Purchase
- Loans for Small & Medium Entrepreneurs
- Real Estate Trading
- Promissory Loans
- Mortgage Loans
- Import and Trading of Private and Commercial Vehicles
- Rent a Car service

5.2 Names of the Ten Largest Shareholders

SHAREHOLDERS	NO. OF SHARES	%
M/S Imperial Import & Export Company (Pvt) Limited	2,422,308	43.19
Dayawansa John Paulu Irugalbandarage Nalatha	2,204,213	39.30
Geewandarage Jinawathie Perera	231,690	4.13
Dayawansa Ayanthi Shammalka	98,784	1.76
Dayawansa John Paulu Irugalbandarage Nadishka	92,386	1.65
Dayawansa John Paulu Irugalbandarage Shanil	92,386	1.65
Perera Ayoma Shyamali	90,000	1.60
Perera Akurana Wattege Prajith	90,000	1.60
Perera Akurana Wattege Shiyonica	90,000	1.60
Dayawansa John Paulu Irugalbandarage Nelaka	81,536	1.45

The Public holding(s)' as per the definition of the Listing Rules of the CSE is 10.31%

Mr. J P I N Dayawansa in addition to the aforestated direct shareholding of 2,204,213 shares, indirectly holds, a further 1/6th share (amounting to 38,615 shares) out of the 231,690 shares held by Mrs. G J Perera, as beneficiary thereto.

As stated above, M/S Imperial Import & Export Company (Pvt) Limited hold 43.19% of the shares of the Company. Given below are the names and the number of shares held by the Directors/Shareholders of the Company who are also Directors/Shareholders of Imperial Import and Export Company (Private) Limited.

Directors/Shareholders	No. of Shares
J P I N Dayawansa	19,000
A S Dayawansa	1,010

There were no sale/ or purchase of shares of the Company by the Major shareholders during the period 31st March 2010 to 31st March, 2011, except as stated below;

Date of Transfer	Name of Transferor	Name of Transferee	No. of Shares	Consideration Rs.
21.01.2011	Imperial Import & Export Company (Pvt) Ltd	Mr A. P. Perera	90,000	900,000/-
21.01.2011	Imperial Import & Export Company (Pvt) Ltd	Mr A. S. Perera	90,000	900,000/-
21.01.2011	Imperial Import & Export Company (Pvt) Ltd	Mrs Ayoma S. Perera	90,000	900,000/-

5.3 Number of Employees of the Company

As at 31/12/2010 the Company had 36 employees classified as follows:-

Senior Management	4
Middle Management	5
Other Staff	27
Total	**36**

The employees of the Company are not members of any Trade Union and there have been no industrial disputes in the past.

5.4 Degree of Dependence on Key Customers and Suppliers

Considering the structure of the entity and the nature and volume of the investments, the dependence on key customers and suppliers have been considered here.

Single Client exposure amounts to less than 6% of the total portfolio of the Company.

Supplier exposure amounts to less than 8% of the portfolio

5.5 Future Plans, Investment Considerations and Associated Risk Factors of AMFCL.

Future Plans

The initial objective of AMFCL is to achieve the status of the medium size company in the RFC sector by the end of the financial year 2013/2014.

In order to achieve the above objective, our immediate plans are to improve the current level of the company's core operations further, as the management has identified the new market potentials in the company' s core businesses namely Leasing of Motor cycles & Three Wheelers & Import and sale of Prime movers, which the company has been engaged very successfully hitherto.

Leasing of Motor Cycles

Our immediate plan is to increase our current Market share of 7% to 10% in leasing of Motor cycles. We are currently maintaining the 03rd position in the Island with 7% market share, nevertheless our market share in the Western Province is around 26% and we have ranked 02nd in the list. Our presence in the other provinces of the country, except for Western & Sabaragamuwa provinces, has been negligible. Hence our expected growth of the market share by a further 03% can be easily achieved if we can tap some of the provinces such as Southern, Wayamba & Central provinces which totally accounts for around 35% of the total leasing of Motor cycles of the country and whereas Western & Sabaragamuwa provinces in total accounts for 37%.

Source of all the statistics are from RMV & the Dealers.

Import and Sale of Prime movers & 4X4 Utility vehicles

AMF has been the leading importer of Used Renault, DAF, ERF & Volvo prime movers from UK. Since the current economic outlook has been favourable for businesses, Transportation and logistics currently play a vital role in this backdrop. Hence the demand for prime movers has been on the rise.

In view of this, the management has decided to invest a further sum of Rs.50 Million to meet the working capital requirements of this operation. The investment will be utilised to purchase Stocks of Vehicles.

Investment Considerations and Financing decisions

The company will require an investment of around Rs.100 Million to fulfill the above objectives.

The company has made the following decisions on the basis of moderate financing policy in financing this impending investment.

- To obtain a bank overdraft facility upon a property mortgage to meet the temporary working capital requirement in the importation of Prime movers.
- To utilize the internally generated cash flow from operations.
- To actively mobilize a campaign to solicit public deposits.

Associated Risk Factors of AMFCL

The following risk factors have been identified pertaining to the Core operation of AMFCL.

Leasing of Motor Cycles

- Since AMFCL has no branches, it is mainly dependent on the dealer net work of the suppliers and the Commercial bank branches for the new business and recoveries respectively. Hence the supplier dealer net work may pose a hindrance when we enter into new provinces which we have targeted at until we become accustom to their mode of operandi. The presence of Commercial bank branches will also be a major factor in the payment of monthly rentals by the potential customers.
- The presence of a considerable number of unregulated leasing companies operating in the target provinces may cause concern for AMCLF operations.
- AMFCL has been the only Finance company to be specialized in this business mainly due to the lucrative ness of this market segment, which will attract new competitors to the existing and the potential markets of AMFCL.
- AMFCL is exposed to product concentration risk as the bulk of its portfolio consist of Motor cycle leases, however the broader dealer base has mitigated this risk considerably.

Import and Sale of Prime movers & 4X4 Utility vehicles

The risk associated in this operation will be mainly dependent on the prevailing economic conditions of the country. However AMFCL has been in this operation for a considerable period and has been in forefront, even during the worst economic crisis in the past, hence looking forward we don't foresee any major risk pertaining to the demand for these vehicles.

5.6 The Company is not a holding company, hence there is no group structure. The Company has no Subsidiary/Associate Companies.

6 DIVIDEND POLICY AND PAYMENTS DURING THE PAST THREE FINANCIAL YEARS

The Company adopts a policy of paying out dividends based on a number of factors, including but not limited to the Company's earnings, Capital requirements, growth potential of the business, investment opportunities and the overall financial conditions.

The Company did not declare dividends over the recent past in order to increase the reserves to meet the Rs. 200 million core capital requirement.

	Year ended 31/03/2008	Year ended 31/03/2009	Year ended 31/03/2010	Year ended 31/03/2011
Gross Dividend	**Nil**	**Nil**	**Nil**	**Nil**

7.MANAGEMENT

7.1 Chief Executive Officer / Business Experience of CEO

No.94/9b, Borella Road Depanama - Pannipitiya

Mr. T.M.A. Sallay has completed the final Managerial level of the Chartered Institute of Management Accountants of UK. He is a Financial professional with 30 years of extensive and diverse working experience in the fields of Finance, Auditing, Marketing, Credit and Recoveries, Project management and Event Management. He has held many positions from operational to Strategic levels of organizations and has wide exposures in diverse sectors such as Finance, Hospitality, Healthcare, International event organizers, Communications, Trading & Manufacturing.

He joined Associated Motor Finance Company Limited in 1997 as the Group Accountant and was promoted subsequently, as the CEO/General Manager. Although his core strength has been on finance which counts around 20 years of experience at financial institutions regulated by the Central Bank of Sri Lanka, consequent to his elevation to CEO/GM of the company, he has placed more emphasis on the management of the overall aspects of the finance institution. However he has retained and strengthened his role of finance, due to the current regulatory requirements which are stringent and made mandatory to all the financial institutions to comply and as they, most importantly revolve around the financial aspect of the institution.

The CEO is not currently and has not been involved in;

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer; nor

- been convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE may considers a disqualification.

7.2 Senior Management of the Company

Mr. M.K.P.J.A. Perera - Senior Manager – Fixed deposits & Leasing/ Hire Purchase

Mr. Perera counts over 35 years of experience in the finance industry, of which 20 years has been at managerial level.

Mr. K.I. Grero - Senior Manager – Administration & Personnel

Mr. Grero has 40 years of experience in the fields of Administration, Personnel & Marketing. He has 30 years experience at managerial level in the Apparel and Finance industries.

Mr. K.I.S. Grero - Manager – Marketing
Mr. Grero has 17 years of experience in the field of Sales & Marketing in sectors such as Travel, Tourism and Finance, of which 10 years is at managerial level.

7.3 Emoluments of Management

The aggregate emolument paid to the Management in the Financial Year 2009/ 2010 is Rs. 3,060,000/-.

The estimated aggregate emoluments payable to Management in the Financial Year 2010/ 2011 is Rs. 4,140,000/-.

7.4 Management Agreements

There are no Management Agreements in force entered into by AMFCL with any party to date AMFCL is currently not considering entering into such agreements.

8. Financial information

8.1 No new or revised Sri Lanka Accounting Standard (SLAS's) became effective during the current financial year. The company had adopted all relevant SLAS's during previous financial periods.

Standards in issue but not yet effective:

At the date of authorisation of these financial statements, the following Standards were in issue but not yet effective:

SLAS 44 Financial Instruments: Presentation – Effective 1st January 2012

SLAS 45 Financial Instruments: Recognition and Measurement – Effective 1st January 2012

SLAS 46 Financial Instruments : Disclosures – Effective 1st January 2012

The directors anticipate that all these standards will be adopted in the company's financial statements for the period commencing on or after 1st January 2012. The adoption will require the use of fair values in measuring most financial investments of the company and providing additional disclosures in respect of these investments as well as borrowings. As a result, the company financial statements in future periods could show significantly different information in respect of financial assets and liabilities.

The company's obligations under finance leases are secured by the lessors' title to the leased assets, which have a carrying amount of Rs 4,191,250 as at 31st March 2009 & Rs.7,550,250 as at 31/03/2010. No other freehold land and buildings have been pledged as security for bank loans under mortgages.

Maturity analysis

	Up to 3 Months	3 to 12 Months	More than 1 less than 3 years	More than 3 less than 5 years	More than 5 years	Total as at 31.03.2010
			Rs.		**Rs.**	**Rs.**
Interest earning assets						
Investments in Government securities	7,318,652.05	21,760,522.00				29,079,174
Investments in fixed deposits	29,691,319.00	101,500,000.00	30,000,000			161,191,319
Investments in hire purchase	1,596,192.00	6,506,047.00	5,768,267	128,336		13,998,842
Investments in leases	51,994,772.52	92,627,962.00	96,054,861	6,229,479		246,907,075
Investments in Loans against FD	336,538.00	5,768,267.00				6,104,805
Investments in Pronotes & Other loans	1,044,212.00	3,987,527.00				5,031,739
	91,981,686	232,150,325	131,823,128	6,357,815	-	462,312,954

Non interest earning assets						
Cash in hand and at banks	25,025,573.00					25,025,573
Inventories	20,473,278.00					20,473,278
Investments in shares	244,594.00					244,594
Deferred tax assets				58,780,789		58,780,789
Other assets		19,614,704.00	9,024,002	359,643		28,998,349
Property and equipment				19,282,154		19,282,154
Intangible assets				50,625		50,625
Investment property				17,230,373		17,230,373
	45,743,445	19,614,704	9,024,002	95,703,584	-	170,085,735
Total assets	137,725,131	251,765,029	140,847,130	102,061,399	-	632,398,689
Percentage	21.78%	39.81%	22.27%	16.14%	0.00%	100.00%

Maturity analysis

	Up to 3 Months	3 to 12 Months	More than 1 less than 3 years	More than 3 less than 5 years	More than 5 years	Total as at 31.03.2010
			Rs.		**Rs.**	**Rs.**
Interest bearing liabilities						
Public deposits	54,020,253.00	179,699,737.00	39,812,335			273,532,325
Bank overdraft	107.00					107
Interest bearing public deposits						-
	54,020,360	179,699,737	39,812,335	-	-	273,532,432

Non interest bearing liabilities						
Other liabilities	42,903,981.00	10,288,021.00	31,918,454	154,668		85,265,124
Retirement benefit obligations				2,773,563		2,773,563
Deferred tax liabilities						-
Total liabilities	42,903,981	10,288,021	31,918,454	2,928,231	-	88,038,687
Total assets	96,924,341	189,987,758	71,730,789	2,928,231	-	361,571,119
Percentage	26.81%	52.55%	19.84%	0.81%	0.00%	100.00%

Cost of fully depreciated assets

The cost of fully depreciated assets of the company amounts to Rs. 4,277,354 as at 31/03/2009 and Rs.4,670,415 as at 31st March 2010.

Aggregate amount of non performing contracts;

Aggregate amount of non performing loans and advances, lease receivables and hire purchase receivables as at 31st March 2010 is given below.

	31.03.2010		**31.03.2009**	
	Rs.	%	Rs.	%
Lease receivable	25,003,102	9.33%	13,180,025	4.31%
Hire purchase receivable	175,490	1.22%	73,630	1.93%
Total	**25,178,592**		**13,253,655**	

Lease receivable within one year and after one year can be improved as follows.

	31.03.2010 (Rs)	**31.03.2009 (Rs.)**
Investment in Lease		
Lease receivable with in one year		
Total lease rental receivable with in one year	147,240,882	159,752,941
Less – Unearned income	(59,971,016)	(80,177,158)
Loan loss provision	(16,777,248)	(8,705,203)
Interest in suspense	(1,996,375)	(989,020)
Total	**68,496,243**	**69,881,560**

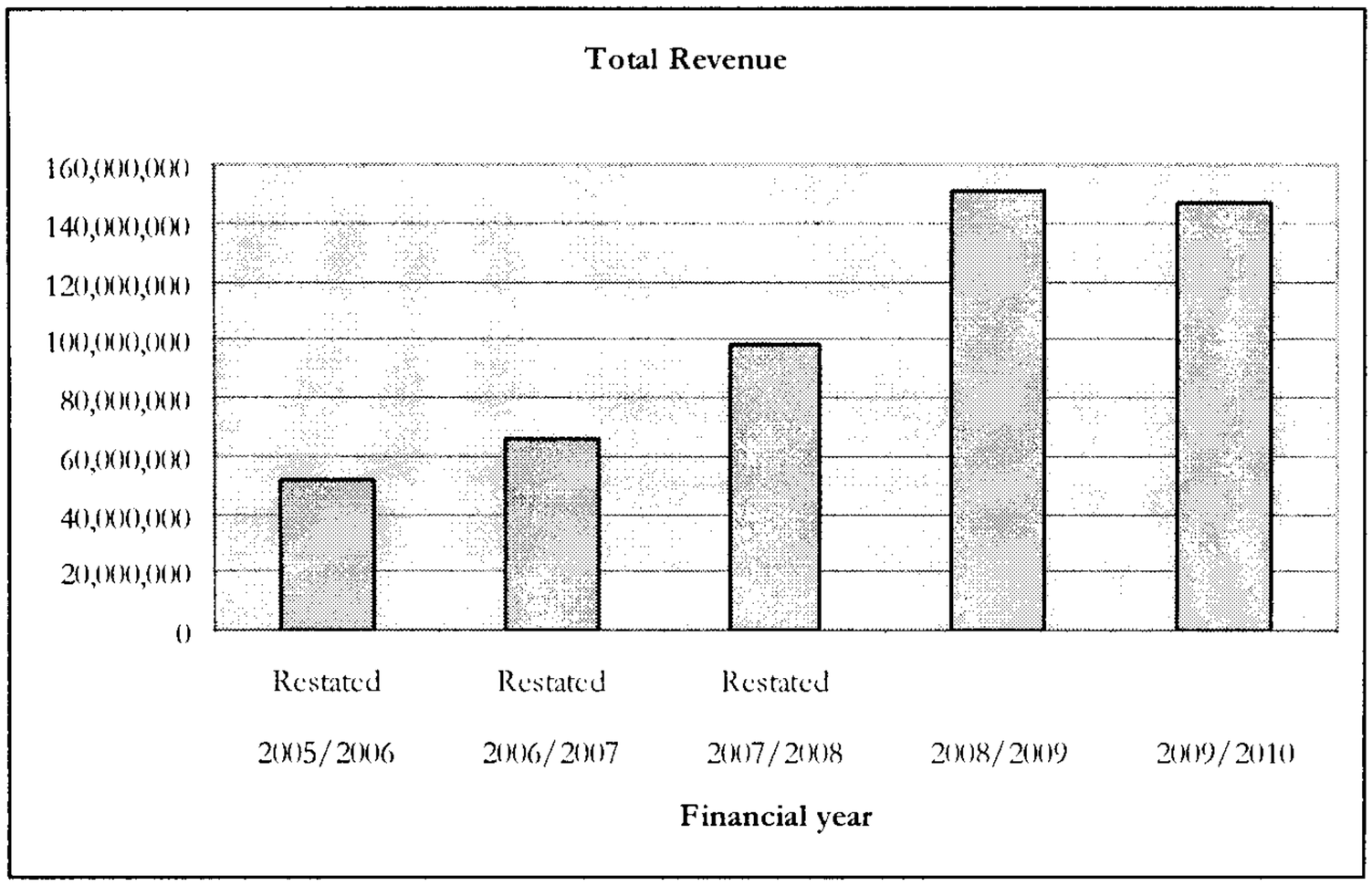
Lease receivable from one to five year		
Total lease rental receivable from one to five year	252,798,291	267,655,375
Less – Unearned income	(74,387,459)	45,502,073
Loan loss provision	(Nil)	(Nil)
Interest in suspense	(Nil)	(Nil)
Total	**178,410,831**	**222,153,302**
Lease receivable after five year		
Total lease rental receivable after five years	Nil	Nil
Less – Unearned income	(Nil)	(Nil)
Loan loss provision	(Nil)	(Nil)
Interest in suspense	(Nil)	(Nil)
Total	**246,907,074**	**292,034,862**

8.2 Interim Financial Statements for the period 1st April 2010 to 31st March 2011 (Refer Schedule I)

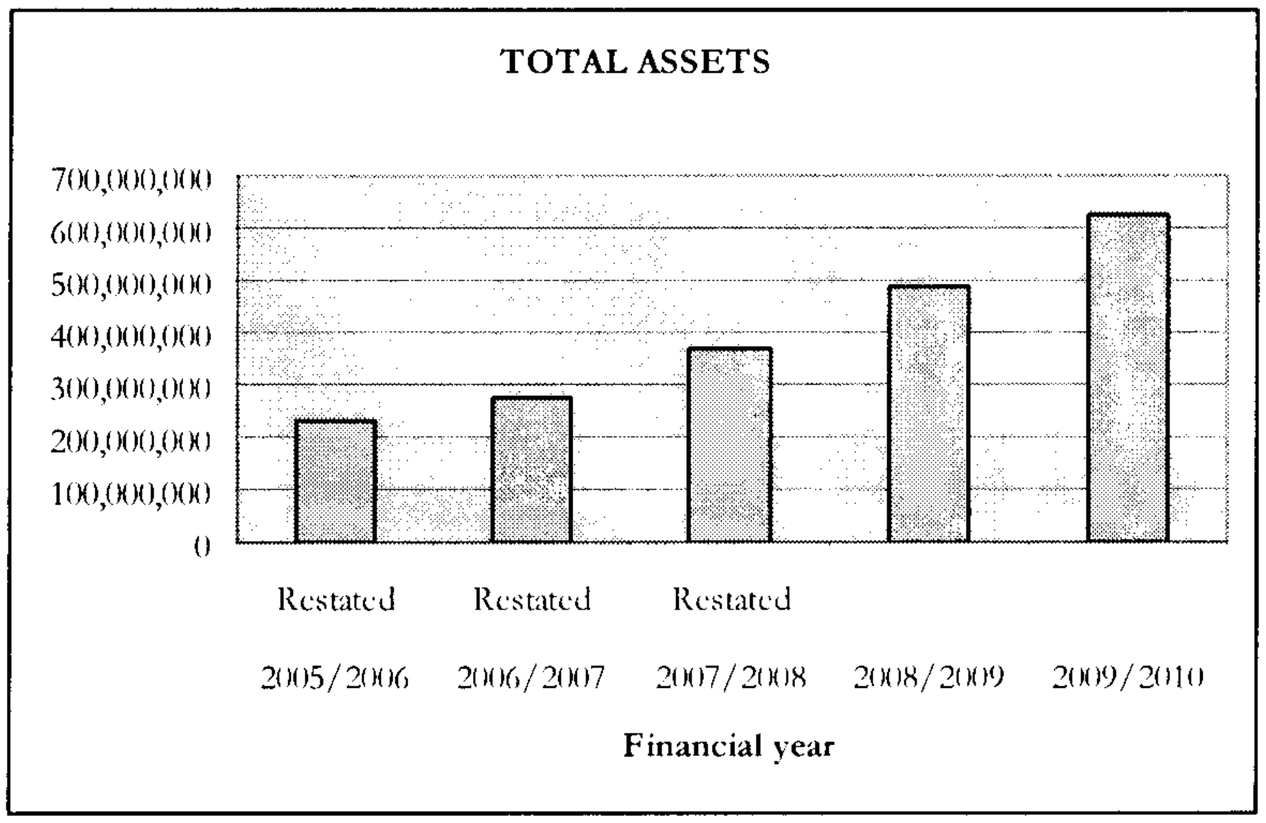
8.3 Company

	2009/2010	2008/2009	2007/2008 Restated	2006/2007 Restated	2005/2006 Restated
Total Revenue	146,858,544	151,276,344	98,063,946	65,618,502	51,387,775
Profit/(Loss) before Taxation	41,909,514	50,104,694	29,828,271	12,148,947	(925,302)
Profit/(Loss) after Taxation	63,373,442	71,321,972	36,204,292	8,579,500	(1,211,314)
Earnings per Share	11.83	13.32	6.95	9.44	(1.33)
Non-current Assets	98,332,715	65,662,172	35,660,014	23,590,671	24,722,076
Current Assets	528,924,176	422,507,061	334,866,870	251,470,203	204,808,897
Share Capital	56,086,280	52,080,310	52,080,310	9,087,850	9,087,850
Retained Earnings	195,817,217	135,612,447	67,760,475	32,567,568	24,417,043
Non-current Liabilities	2,773,563	1,605,416	3,485,751	4,431,662	2,128,362
Current Liabilities	358,797,556	288,258,157	240,855,573	223,258,557	188,993,035
Net Assets Per Share	47.37	38.08	24.39	51.71	42.27

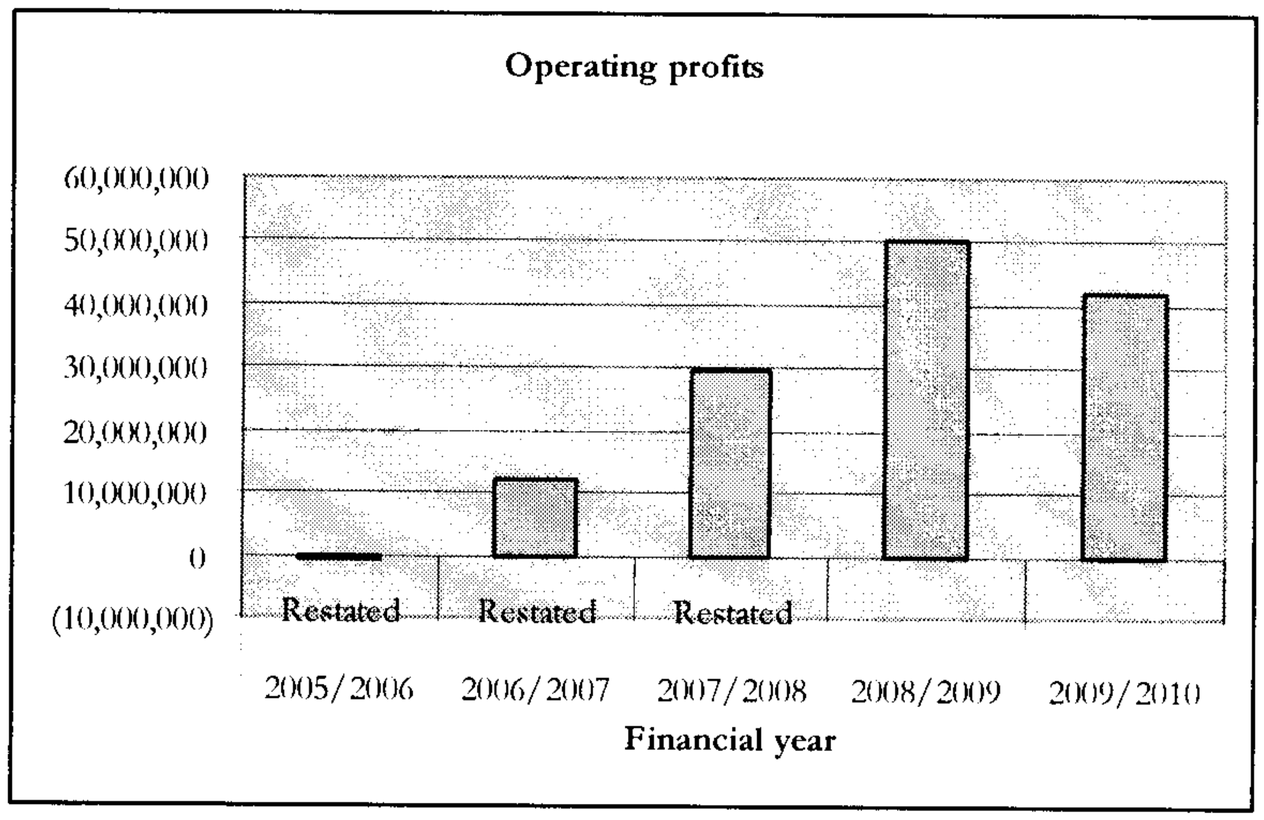
8.4 Gross Income



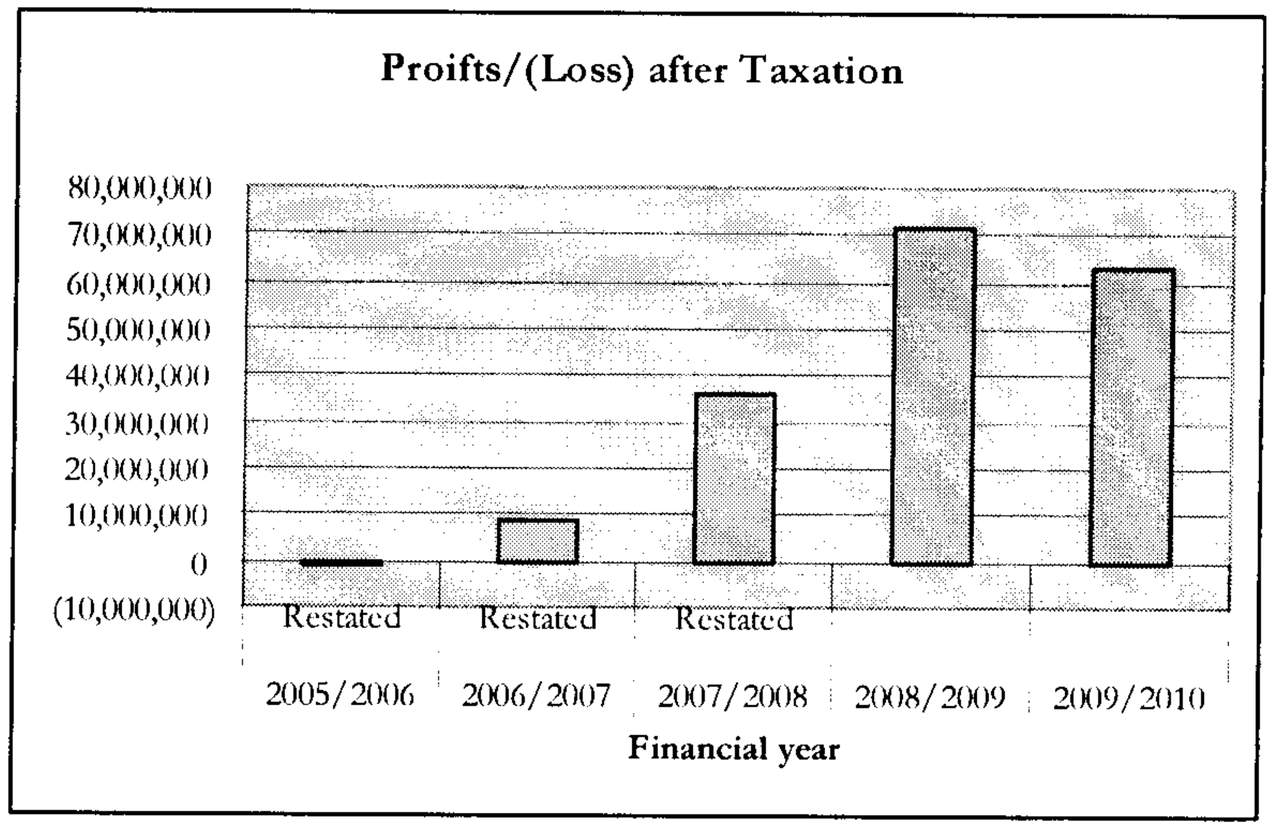
8.5 Total Assets



8.6 Operating Profits



8.7 Net Profit after Tax



8.8 KEY FINANCIAL RATIOS

	Years		
	3/31/2008	**3/31/2009**	**3/31/2010**
Pritability			
Net Interest Margin	16.26%	16.62%	12.21%
Cost to Income	47.61%	43.74%	47.24%
Return on Assets	9.24%	11.24%	7.53%
Retun on Equity	34.44%	29.87%	18.14%
Asset Quality			
Gross NPL	2.54%	3.85%	7.88%
Net NPL	1.06%	1.04%	2.21%
Liquidity			
Liquid Asset Ratio	30.51%	34.98%	78.76%
Statutory Liquid Asset	30.43%	34.92%	78.71%
Loans to Deposits Ratio	106.00%	130.90%	100.03%
Loans to Stable Funds	69.67%	73.68%	52.63%
Capital Adequacy			
Shareholders funds to Total Assets	34.06%	40.39%	42.36%
Tire 1 Risk Weighted Capital Adequacy ratio	43.42%	51.28%	58.60%
Overall Risk Weighted Capital Adequacy ratio	43.42%	51.28%	58.60%
Internal Rate of Capital Generation	41.81%	43.02%	27.43%

9. Share Purchase Offers

There has not been any share purchase offers at the date of this Introductory Document

10. Litigation, Disputes and Contingent Liabilities

The Company has not been involved in any legal, arbitration or mediation proceedings in the recent past, which would have significant effects on the entity's financial position or profitability.

The Company does not have any contingent liabilities that would affect its current and future profit.

No Penalties have been imposed by any Statutory or State Authority against the Company.

11.Corporate Governance Practices

The Board of Directors is responsible for providing strategic direction, leadership and guidance as well as supervising the management of the Company. A Board meeting is conducted quarterly.

Following Directors are Non Executive Directors

- K D L Nanayakkara
- L Edirisooriya
- Dr. Rohan Karunaratne

The Board of Directors plays a large role in placing the necessary controls and formulating the corporate strategies of the Company. The authority to implement policy decisions and achieve strategic objectives has been delegated to the Managing Director by the Board.

The Board ensures that at all Board meetings:

- There is a participation of executive and non executive directors, their contribution is encouraged and their views on issues under consideration are determined. Since the majority of the Board comprises of non executive directors a sense of independence is brought to all decisions made.
- The Board is in control of the Company's affairs and remains sensitive to its obligations to all its stakeholders.
- A balance of power is maintained.

11.1 Independent Directors

In accordance with the definition given in the Listing rules, the following are the independent Directors-

- K D L Nanayakkara
- L Edirisooriya

11.2 Remuneration Committee

The remuneration committee which performs this role for the Company consists of the following members:-

- K D L Nanayakkara – Chairman
- L Edirisooiya - Director

The Committee is responsible for;

- determining the remuneration policy (salaries, allowances and other cash/non cash benefits) relating to the Managing Director/CEO.

- evaluating the performance of the Managing Director/CEO against the set targets and goals periodically and determining the basis for revising remuneration, benefits and other payments of performance based incentives.

11.3 Audit Committee

The Audit Committee consists of 02 Directors. The committee provides a forum for the appraisal of the control framework within the Company, oversees disclosure in financial statements in accordance with SLAS, Company's Act and other relevant financial reporting related regulations and requirements, assesses the independence and performance of the external auditors and makes recommendations to the Board with regard to the appointment/removal of external auditors and their remuneration.

The committee consists of the following;

- L Edirisooiya – Chairman
- K D L Nanayakkara - Director

12. Inspection of Documents

The Introductory Document, Articles of Associations of AMFCL and Audited Financial Statements of the last five (5) financial years are available for inspection at the registered office of the Company.
The Introductory Document and Articles of Association of the Company are hosted on the CSE website www.cse.lk and the Company Website www.amfcoltd.com for a period of not less than fourteen days.
Copies of the Introductory Document may be obtained from the following places

Registered Office of the Company

Associated Motor Finance Company Ltd
No. 89, Hyde Park Corner
Colombo 02

Office of the Managers to the Introduction

P W Corporate Secretarial (Pvt) Ltd
3/17 Kynsey Road
Colombo 08

Any Member Firm and Trading Member Firm of the Colombo Stock Exchange

Please refer Schedule II

13.DECLARATION BY THE DIRECTORS

This Introductory Document has been seen and approved by the Directors of AMFCL and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate.

Name	**Date**
(Sgd) Dr. Rohan Karunaratne	This 16th day of June 2011
(Sgd) Mr. J P I Nalatha Dayawansa at Colombo	This 16th day of June 2011
(Sgd) Mrs. W A S Dayawansa at Colombo	This 16th day of June 2011
(Sgd) Mr. J P I Shanil Dayawansa at Colombo	This 16th day of June 2011
(Sgd) Mr. K D L Nanayakkara at Colombo	This 16th day of June 2011
(Sgd) Mr. L Edirisooriya at Colombo	This 16th day of June 2011

SCHEDULE I

AUDITORS' REPORT AND FINANCIAL STATEMENTS

Financial Statements for the years ended 31st March 2008, 31st March 2009, 31st March 2010 and Interim Financial Statements for the period 1st April 2010 to 31st March 2011.

ASSOCIATED MOTOR FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2008

ASSOCIATED MOTOR FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2008

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Auditors' Report	1
Financial Statements:	
Statement of Income	2
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Statement of Changes in Equity	4
Statement of Cash Flow	5-6
Notes to the Accounts	7- 28

.SJMS.
A S S O C I A T E S
Independent Correspondent Firm to
Deloitte Touche Tohmatsu
SJMS Associates
Chartered Accountants
Level -01, Mannapperuma Building,
No. 228, Galle Road,
Colombo 04, Sri Lanka.
Tel : +94(11)5360151-4, 5332477
Fax : +94 (11) 2586060
E-mail : sjmsa@sjmsassociates.com
Website : www.sjmsassociates.lk

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 2008, 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, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2008 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2008 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.
Also these financial statements provide information required by the Finance Companies Act No: 78 of 1988.

SJMS Associates
CHARTERED ACCOUNTANTS
Colombo,
29th July, 2008

P. E. A. Jayewickrema, M. B. Ismail, Ms. A. M. J. Patrick, T. Krishnakumar,
Ms. S. L. Jayasuriya, D. S. W. Andradi, G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, Ms. A. U. M. Keppetipola

ASSOCIATED MOTOR FINANCE COMPANY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	Year ended 31/03/2008 Rs.	(Restated) Year ended 31/03/2007 Rs.
Income		98,063,946	65,618,502
Interest and similar income	7	91,626,260	63,434,249
Interest expense and similar charges	8	(36,344,019)	(30,265,238)
Net interest income		55,282,240	33,169,012
Other income	9	6,437,687	2,184,253
Personnel costs		(12,546,889)	(9,674,871)
Employee retirement benefit expenses		(2,397,725)	(845,549)
Provision for losses on loans, advances and assets		(2,586,226)	(583,293)
Administration and general expenses		(14,117,147)	(11,897,710)
Profit from operations		30,071,941	12,351,842
VAT on financial services		(243,669)	(202,895)
Profit before taxation		29,828,271	12,148,947
Income tax expense	11	6,376,021	(3,569,447)
Profit after tax		36,204,292	8,579,500
Basic/diluted earnings per share	12	15.30	9.44

The notes to the financial statements on pages 7 to 28 form an integral part of the financial statements.

ASSOCIATED MOTOR FINANCE COMPANY LTD
BALANCE SHEET
AS AT 31ST MARCH 2008

	Note	31/03/2008 Rs.	(Restated) 31/03/2007 Rs.
ASSETS			
Bank and cash balances		7,334,598	9,723,240
Investments in governments securities	13	44,150,303	28,559,375
Investment in bank deposits	14	15,500,000	-
Investment in hire purchase	15	4,358,560	5,332,013
Investment in leases	16	221,539,278	185,031,694
Other assets	17	25,922,481	16,095,845
Inventories	18	16,061,651	6,728,036
Deferred income tax assets	19	6,400,623	0
Long term investments	20	282,734	282,734
Property and equipment	21	11,042,166	5,323,143
Intangible assets	22	390,625	442,500
Investment properties	23	17,543,866	17,542,294
Total assets		370,526,884	275,060,874
LIABILITIES AND EQUITY			
Liabilities			
Public deposits		220,112,506	206,933,397
Interest payable on public deposits		7,398,694	6,283,710
Other liabilities	25	13,344,267	9,939,621
Bank overdraft		107	2,566,665
Deferred income tax liabilities	19	-	381,850
Retirement benefit obligations	24	3,485,751	1,966,826
Total liabilities		244,341,324	228,072,068
Equity			
Stated capital	26	52,080,310	9,087,850
Other reserves	27	7,143,603	5,333,388
Retained earnings	28	66,961,646	32,567,568
		126,185,559	46,988,806
Total liabilities and shareholders' funds		370,526,884	275,060,874

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

Director

The Accounting policies and notes to the financial statements from page 7 to 28 form an integral part of these financial statements.

ASSOCIATED MOTOR FINANCE COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2008

	Stated capital	Capital reserves	General reserves	Statutory reserve fund	Retained earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April 2006	9,087,850	17,930	1,029,052	3,857,431	24,417,043	38,409,306
Net profit for the year	-	-	-	-	8,579,500	8,579,500
Transferred to reserve fund	-	-	-	428,975	(428,975)	-
Balance as at 31st March 2007	9,087,850	17,930	1,029,052	4,286,406	32,567,568	46,988,806
Net profit for the year	-	-	-	-	36,204,292	36,204,292
Shares issued during the year	42,992,460	-	-	-	-	42,992,460
Transferred to reserve fund	-	-	-	1,810,215	(1,810,215)	-
Balance as at 31st March 2008	52,080,310	17,930	1,029,052	6,096,621	66,961,646	126,185,558

The notes to the financial statements on pages 7 to 28 form an integral part of the financial statements.

ASSOCIATED MOTOR FINANCE COMPANY LTD
CASH FLOW STATEMENT
FPR THE YEAR ENDED 31ST MARCH 2008

	Year ended 31/03/2008 Rs.	(Restated) Year ended 31/03/2007 Rs.
Cash flow from operating activities		
Net profit before taxation	29,828,271	12,148,947
Adjustments for;		
Depreciation	1,720,727	2,076,426
Profit on disposal of property and equipment	(1,022,000)	(196,683)
Provision for bad and doubtful debts	2,586,226	583,293
Provision for gratuity	1,518,925	214,188
Interest on term deposits	36,344,019	30,265,238
Operating profit before working capital changes	70,976,169	45,091,409
Increase in government securities and other investments	(31,090,928)	(2,543,723)
Increase in other assets	(1,673,133)	(372,519)
Increase in lease rental receivables	(39,093,810)	(51,996,791)
(Increase)/ decrease in inventories	(9,333,615)	5,522,633
Increase in public deposits	13,179,109	30,255,577
Increase investments in hire purchase	973,453	1,407,202
(Decrease)/ increase in other liabilities	(2,498,045)	3,120,936
	(69,536,968)	(14,606,685)
Cash generated from operations	1,439,200	30,484,724
Tax paid	(2,657,262)	(948,822)
Gratuity paid	-	(221,325)
Interest paid	(35,229,035)	(29,632,624)
Net cash flow from operating activities	(36,447,098)	(318,047)
Cash flow from investment activities		
Proceeds from disposal of property and equipment	1,022,000	235,615
Purchase of property and equipment	(7,248,592)	(983,953)
Acquisition of investment property	(140,855)	-
Net cash flow from investing activities	(6,367,447)	(748,338)
Cash flow from financing activities		
Proceeds from share issue	42,992,460	-
Net cash flow from financing activities	42,992,460	-

(Continued)

ASSOCIATED MOTOR FINANCE COMPANY LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

	Year ended 31/03/2008 Rs.	(Restated) Year ended 31/03/2007 Rs.
(Continued)		
Net increase / (decrease) in cash and cash equivalents	177,915	(1,066,385)
Cash and cash equivalent at the beginning of the year	7,156,575	8,222,959
Cash and cash equivalent at the end of the year	7,334,491	7,156,575
Cash and cash equivalents		
Cash in hand and at bank	7,334,598	9,723,240
Bank overdrafts	(107)	(2,566,665)
	7,334,491	7,156,575

The notes to the financial statements on pages 7 to 28 form an integral part of the financial statements.

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

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 Act No: 78 of 1988.

1.2 Principle Activities and Nature of Operations

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

2. Adoption of new and revised Sri Lanka Accounting Standards

The Company had adopted all new and revised Sri Lanka Accounting Standards (SLASs) issued by the Institute of Chartered Accountants of Sri Lanka, that were relevant to its operations and had become effective by 31. 03. 2008. No new or revised standards were adopted during the current year.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

SLAS 16: Employee Benefits	Effective for annual periods beginning on or after 1 July 2007
SLAS 44: Financial Instruments – Disclosures	Effective for annual periods beginning on or after 1 January 2009
SLAS 45: Financial Instruments – Recognition and Measurement	Effective for annual periods beginning on or after 1 January 2009

The company has not yet determined the potential impact of adopting the SLAS 44 and 45. However, due to its nature of operation, directors believe that adoption of these two standards could have a significant impact on the financial statements.

The revisions to SLAS 16 requires an entity to value its post employment benefits either by utilizing the services of a qualified actuary, or by applying the Gratuity Formula Method.

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

3. Significant accounting policies

3.1 Basis of preparation

The balance sheet, income statement, statement of changes in equity and cash flow statement together with the accounting policies and notes ("Financial Statements") of the company as at 31st March 2008 and for the year then ended, comply with the Sri Lanka Accounting Standards.

The financial statements are prepared under historical cost convention in accordance with the Generally Accepted Accounting Principles and the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

3.2 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. Non-monetary assets and liabilities denominated in foreign currencies are not translated. 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.

3.3 Taxation

3.3.1 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.

3.3.2 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.

(Continued)

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

(Continued)

3.3.2 Deferred taxation

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

3.4 Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred

3.5 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.

3.6 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.

3.7 Lease liabilities

3.7.1 Operating leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases.

Rentals paid under operating leases are recognized as expenses in the income statement on a straight line basis over the terms of the leases.

(Continued)

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

(Continued)

3.7.1 Operating leases

The cost of improvements to leasehold property is capitalized, disclosed as leasehold improvements, and depreciated over the unexplored period of the lease or the estimated useful lives of the improvements, whichever is shorter.

4. Assets and the bases of their valuation

4.1 Lease assets

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. Rentals falling due in the future under finance leases net of initial rentals received and unearned lease income are classified as investment in leases in the balance sheet.

4.1.1 Provision for loan losses

Specific provisions for possible loan losses are based on a continuous review of the loans and advances portfolio in accordance with Sri Lanka Accounting Standard No. 33 on Revenue Recognition and disclosures in the Financial Statements of Finance Companies, and the parameters set by the Central Bank of Sri Lanka (Direction No. 1 of 1991). Accordingly, loans which are outstanding for more than 6 months are termed as non performing, and specific provisions have been made as follows.

Period outstanding	Classification	Provision made net of realizable value of security
7 to 12 months	Doubtful	50%
More than 12 Months	Loss	100%

4.2 Investments

Long term investments

All long term investments are stated at cost. When there is a perpetual decline in the value of investments, the carrying amount is reduced to recognize such decline.

(Continued)

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

(Continued)

4.3 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 of equipment is provided on a straight line basis calculated to write off the cost of the asset over its estimated useful life by 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 is charged from the month following the date of purchase of the property, plant and equipment in the year of purchase.

4.4 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The intangible assets consist of computer software and are stated at cost less accumulated amortization. Amortization is done at 20% per annum on cost.

4.5 Impairment

Whenever events or changes in circumstances indicate that the carrying amount of tangible and intangible assets may not be recoverable, or evidence available of obsolescence or physical damage of an asset, the carrying value is compared with the estimated discounted future cash flows expected to result from the use of the assets and their possible disposal (value in use) and with the fair value when available. If the higher of the fair value and the value in use is less than the carrying amount of these assets, an impairment loss is recognized.

An impairment loss is recognized as an expense immediately unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

(Continued)

(Continued)

4.5 Impairment

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined has no impairment loss been recognized for the assets in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.6 Investment property

Investment property which is property held to earn rentals and/or for capital appreciation, is stated at net of cost and accumulated depreciation and accumulated impairments if any. Buildings are depreciated at a rate of 5% and no depreciation on land. An impairment review is performed by the management and the market value of property is disclosed.

5. Liabilities and other provisions

5.1 Commitments and contingencies

All discernible risks are accounted for in determining the amount of other liabilities.

5.2 Defined benefit obligations

Gratuity is a defined benefit plan. In order to meet this liability, a provision is carried forward in the balance sheet, based on a half month's salary as of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of the year and the carried forward provision at the end of the year is dealt within the income statement. The provision is not externally funded, nor has been actuarially valued.

However, as per payment of Gratuity Act No. 12 of 1983, this liability arises only upon completion of five (5) years of service.

5.3 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 an approved Provident Fund and to the Employees' Trust Fund.

5.4 Provisions for Liabilities

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations, in accordance with the Sri Lanka Accounting Standard No. 36 on Provisions, Contingent Liabilities and Contingent Assets.

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

6. Revenue recognition

6.1 Interest income

Interest income from loans and advances is recognised on an accrual basis. However, income recognition 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 recognised on a cash basis.

6.2 Lease income

6.2.1 Finance leases

Assets leased out to customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. The excess of aggregate lease contract receivable over the cost of the leased assets constitutes the total unearned income at the commencement of the lease contract.

Income is recognized as earned over the term of the lease commencing from the month the contract is executed in proportion to the reducing investment in the lease.

However, no accrued interest income is recognized where any portion of capital or interest is in arrears for more than six months. In such cases interest income is accounted on cash basis.

6.2.2 Operating leases

Rental income is recognized on a straight line basis over lease term.

6.3 Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payments have been established

6.4 Overdue interest

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

6.5 Expenditure recognition

Expenses are recognized 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 running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the income statement.

6.6 Segmental information

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.

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

7. Interest and similar income

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Interest income from the hire purchases	2,104,964	2,396,342
Interest income from leasing	70,154,420	51,576,142
Income on service finance	2,804,772	2,141,691
Interest on overdue rentals	9,508,103	4,261,372
Interest on investments in government securities	7,054,002	3,058,702
	91,626,260	63,434,249

8. Interest expense and similar charges

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Interest on public deposits	36,336,599	29,961,826
Interest on commercial papers	7,420	294,154
Other interest expenses	-	9,258
	36,344,019	30,265,238

9. Other income

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Trade income	3,588,249	696,178
Dividend income	38,916	3,096
Profit on disposal of equipment	1,022,000	196,683
Exchange gain	-	22,446
Interest income on savings accounts	4,296	6,959
Rent income	1,440,000	1,080,000
Sundry income	112,530	178,890
Bad debt recoveries	163,000	-
Vehicle hire income	68,696	-
	6,437,687	2,184,253

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

10. Operating expenses are construed after charging the following:

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Directors' remuneration	480,000	480,000
Staff costs (note 10.1)	9,857,410	7,445,204
Depreciation	1,556,352	2,076,427
Auditor's remuneration	101,500	73,000

10.1 Staff costs

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Staff salaries	5,858,678	4,208,411
Overtime and allowance	1,601,006	2,391,244
Defined contribution plan costs	878,800	631,361
Defined benefit plan costs	1,518,925	214,188
	9,857,410	7,445,204

11. Income tax expense

11.1 Income tax recognised in profit or loss

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Tax expense comprises:		
Current tax expense	-	3,187,597
Under provision in respect of prior years	406,452	-
	406,452	3,187,597
Deferred tax expense relating to the origination and reversal of temporary differences	(6,782,473)	381,850
	(6,376,021)	3,569,447

(Continued)

(Continued)

11.1 Income tax recognised in profit or loss

The total charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Profit before taxation	29,828,271	12,148,947
Income tax expense calculated at 35%	10,439,895	4,252,132
Effect of revenue that is exempt from taxation	(38,406,063)	(9,490,504)
Effect of expenses that are not deductible in determining taxable profit	21,183,695	8,776,276
Others	406,452	31,544
	(6,376,021)	3,569,447

12. Earnings per share

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Basic earnings per share	15.30	9.44

12.1 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:

	Year ended 31/03/2008 Rs.	Year ended 31/03/2007 Rs.
Profit for the year attributable to equity holders	36,204,292	8,579,500
Weighted average number of ordinary shares for the purposes of basic/ diluted earnings per share (all measures)	2,366,690	908,785

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

13. Investment in government securities

	31/03/2008 Rs.	31/03/2007 Rs.
Treasury Bills	28,950,000	24,560,000
REPO Agreements	17,431,589	5,739,100
	46,381,589	30,299,100
Less: Interest to be earned	(2,231,286)	(1,739,725)
	44,150,303	28,559,375

14. Investment in bank deposits

	31/03/2008 Rs.	31/03/2007 Rs.
Fixed deposits	15,500,000	-

15. Investments in hire purchase

	31/03/2008 Rs.	31/03/2007 Rs.
Hire purchase stock	3,940,809	4,995,722
Hire purchase rental receivable	524,899	403,974
	4,465,708	5,399,696
Less: Interest in suspense	(10,383)	(2,424)
	4,455,325	5,397,272
Hire purchase expense recoverable	15,784	9,289
Less: Provision for bad debts	(56,370)	(60,498)
	4,414,739	5,346,063
Less: Hire purchase rental paid in advance	(56,179)	(14,050)
Net investment in hire purchase receivables	4,358,560	5,332,013

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

16. Investment in leases

	31/03/2008 Rs.	31/03/2007 Rs.
Gross investment in leases	299,728,474	254,590,092
Lease rental receivables	21,262,110	8,774,858
	320,990,585	263,364,950
Less : Unearned income	(95,492,124)	(76,401,166)
	225,498,461	186,963,784
Less: Interest in suspense	(286,907)	(85,089)
	225,211,553	186,878,695
Lease expenses recoverable	2,200,804	1,157,425
Less: Provision for bad and doubtful debts	(3,489,612)	(899,259)
	223,922,745	187,136,860
Less: Prepaid rentals	(2,383,467)	(2,105,166)
Net investment in finance leases	221,539,278	185,031,694

17. Other assets

	31/03/2008 Rs.	31/03/2007 Rs.
Deposits and prepayments	67,597	65,097
Promissory notes (note 17.1)	6,506,340	1,220,329
Amount due from related company (note 17.2)	144,064	-
Staff loans and advances	912,245	748,082
Rent receivable	252,000	103,500
Advance payments for purchase of Motor vehicles	2,708,552	-
VAT receivables	11,831,260	12,578,175
Income tax refund due (note 17.3)	3,490,423	833,161
Other	10,000	547,500
	25,922,481	16,095,845

17.1 Promissory notes

	31/03/2008 Rs.	31/03/2007 Rs.
Pro note debtors	6,828,286	1,486,278
Less: Interest in suspense	(321,946)	(265,949)
	6,506,340	1,220,329

(Continued)

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

(Continued)

17.2 Amount due from related company

	31/03/2008 Rs.	31/03/2007 Rs.
AMF Duty Free Company (Pvt) Ltd	144,064	-
	144,064	-

17.3 Income tax refund due

Balance at the beginning of the year	833,161	3,040,376
Provision for the year	-	(3,156,037)
Economic Service Charge for the year	674,573	642,952
Self Assessment Payment	1,164,115	-
SRL	15,174	-
Withholding tax	803,400	305,870
	3,490,423	833,161

18. Inventories

	31/03/2008 Rs.	31/03/2007 Rs.
Generators	156,835	156,835
Motor vehicles	15,904,816	6,571,201
	16,061,651	6,728,036

19. Deferred tax assets / (liabilities)

The movement on the deferred income tax is as follows.

	31/03/2008 Rs.	31/03/2007 Rs.
At 1 April	(381,850)	-
Income statement charge	6,782,473	(381,850)
At 31 March	6,400,623	(381,850)

(Continued)

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

(Continued)

19. Deferred tax assets / (liabilities)

Deferred income tax assets and liabilities are attributable to the following items:

	31/03/2008 Rs.	31/03/2007 Rs.
Depreciable assets	(1,642,333)	(1,484,152)
Lease assets	(6,212,893)	(6,346,899)
Loan losses	19,730	21,174
Tax losses	13,016,106	6,739,637
Retirement benefits obligation	1,220,013	688,389
	6,400,623	(381,850)

20. Long term investments

	31/03/2008 Rs.	31/03/2007 Rs.
Investment in shares (note 20.1)	163,140	163,140
Other investments (note 20.2)	119,594	119,594
	282,734	282,734

20.1 Investment in shares

	2008		2007	
	No. of shares	Book value Rs.	No. of shares	Book value 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
		163,140		163,140

20.2 Other investments

Credit Information Bureau	43	4,300	43	4,300
Namal Unit Trust	19,608	115,294	19,608	115,294
		119,594		119,594

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

21. Property and equipment

	Cost			
	Beginning balance	Additions	(Disposals)	Ending balance
	Rs.	Rs.	Rs.	Rs.
Freehold				
Paddy land	32,185	-	-	32,185
Motor vehicles	8,752,201	6,571,201	775,465	14,547,937
Furniture, fittings, fixtures	2,991,469	260,991	-	3,252,460
Office equipment	1,146,218	177,350	-	1,323,568
Generator	1,434,470	-	-	1,434,470
Computer equipment	1,675,285	126,550	-	1,801,835
Telephone system	245,815	-	-	245,815
	16,277,642	7,136,092	775,465	22,638,269

	Accumulated depreciation and impairment losses			
	Beginning balance	Charge for the year	Eliminated on disposals	Ending balance
	Rs.	Rs.	Rs.	Rs.
Motor vehicles	7,117,431	747,466	775,465	7,089,432
Furniture; fittings; fixtures	1,236,971	310,336	-	1,547,307
Office equipment	676,241	85,915	-	762,156
Generator	975,253	73,403	-	1,048,656
Computer equipment	799,758	175,566	-	975,324
Telephone system	148,846	24,383	-	173,229
	10,954,499	1,417,069	775,465	11,596,103
Carrying amount	5,323,143			11,042,166

Property and equipment include fully depreciated assets, the cost of which at the Balance Sheet date amounted to Rs. 9,593,169.07

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

22. Intangible assets

	Cost		
	Beginning balance	Additions	Ending balance
	Rs.	Rs.	Rs.
Software	737,500	112,500	850,000
	737,500	112,500	850,000

	Accumulated amortization		
	Beginning balance	Charge for the year	Ending balance
	Rs.	Rs.	Rs.
Software	295,000	164,375	459,375
Carrying amount	442,500		390,625

23. Investment property

	Cost		
	Beginning balance	Additions	Ending balance
	Rs.	Rs.	Rs.
Land - Battaramulla	14,916,472	-	14,916,472
Building	2,762,186	140,855	2,903,041
	17,678,658	140,855	17,819,513

	Accumulated depreciation		
	Beginning balance	Charge for the year	Ending balance
	Rs.	Rs.	Rs.
Building	136,364	139,283	275,647
Carrying amount	17,542,294		17,543,866

In the opinion of the directors, the fair value of the above investment properties amounted to Rs.81,400,000 as at the balance sheet date.

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

24. Retirement benefit obligations

	31/03/2008 Rs.	31/03/2007 Rs.
Balance beginning of the year	1,966,826	1,973,963
Provision during the year	1,518,925	214,188
	3,485,751	2,188,151
Payments during the year	-	(221,325.00)
Balance end of the year	3,485,751	1,966,826

25. Other liabilities

	31/03/2008 Rs.	31/03/2007 Rs.
Accrued expenses	2,660,438	648,733
Amount due to related parties (note 25.1)	154,668	2,464,837
Other payables	10,529,162	6,826,050
	13,344,267	9,939,621

25.1 Amounts due to related parties

	31/03/2008 Rs.	31/03/2007 Rs.
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
AMF Duty Free Company (Pvt) Ltd	-	310,170
Imperial Import & Export Co. (Pvt) Ltd	-	2,000,000
	154,668	2,464,837

26. Stated capital

Issued and fully paid ordinary shares	No of shares	Stated capital Rs.
1 April 2007	908,785	9,087,850
Share issue	4,298,973	42,992,460
31 March 2008	5,207,758	52,080,310

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

27. Other reserves

	31/03/2008 Rs.	31/03/2007 Rs.
Capital reserve	17,930	17,930
General reserve	1,029,052	1,029,052
Statutory reserve fund (note 27.1)	6,096,621	4,286,406
	7,143,603	5,333,388

27.1 Statutory reserve fund

	31/03/2008 Rs.	31/03/2007 Rs.
Balance at beginning of year	4,286,406	3,857,431
Transfer to during the year	1,810,215	428,975
Balance at end of year	6,096,621	4,286,406

28. Retained earnings and dividends

	31/03/2008 Rs.	31/03/2007 Rs
Balance at beginning of year	32,567,568	24,417,043
Profit for the year	36,204,292	8,579,500
Transfer to reserve fund	(1,810,215)	(428,975)
Balance at end of year	66,961,645	32,567,568

29. Comparative Information

The presentation and classification of the following items in the financial statements have amended to ensure comparability with current year.

	31/03/2007 Rs.
As reported previously;	
Property and equipment	5,765,643
Current presentation	
Property and equipment	5,323,143
Intangible assets	442,500
	5,765,643

As per requirements of the revised accounting standards the following reclassifications were made. Computer software classified as property and equipment was classified as intangible assets.

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008

30. Related party transactions

During the year, company entered into the following trading transactions with its related parties.

	Sale of shares	Amounts owned by/ (to) related parties
	Year ended 31/03/2008	*31/03/2008*
Imperial Transport Service	-	27,280
Kottawa Tours & Industries Ltd	-	13,950
Hotel Tours & Traders Ltd	-	87,161
J.P.I.N. Trust	-	26,277
AMF Duty Free Company (Pvt) Ltd	-	-
Imperial Import & Export Co. (Pvt) Ltd	2,000,000	-

Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows

	Year ended 31/03/2008	*Year ended 31/03/2007*
Short term benefits	480,000	480,000

31. Capital commitments

There were no material capital commitments outstanding as at the balance sheet date.

32. Contingent liabilities

There were no material contingent liabilities as at the balance sheet date.

33. Events after the balance sheet date

No material events have taken place after the balance sheet date, which require, an adjustment or a disclosure in the financial statements.

34. Prior year adjustments

The company had not accounted for deferred taxes upto 31 March 2007 as per the requirements of SLAS 14 - Income Taxes. However, deferred taxes were accounted in the financial statements for the year ended 31 March 2008, and with the charge in retrospect is Rs. 381,850. The financial statements for the year ended 31 March 2007 were restated in the current year to reflect the above change.

ASSOCIATED MOTOR FINANCE COMPANY LTD
SEGMENTAL INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2008

35. Segmental information

	2008		2007	
	Rs.	%	Rs.	%
35.1 Assets				
Finance leases	221,539,278	77.5	185,031,694	82.1
Hire purchase	4,358,560	1.5	5,332,013	2.4
Investment in Government Securities	44,150,303	15.4	28,559,375	12.7
Inventory				
Motor vehicles	15,904,816	5.6	6,571,201	2.9
Total	285,952,957	100	225,494,283	100
35.2 Gross income on				
Finance leasing	82,467,294	84.1	57,979,205	88.4
Hire purchase	2,104,964	2.1	2,396,342	3.7
Investment in fixed and call deposits with bank	4,296	-	6,959	0.0
Investment in Government Securities	7,054,002	7.2	3,058,702	4.7
Sale of motor vehicles	3,588,249	3.7	-	-
Sale of electronic items	-	-	696,178	1.1
Other income	2,845,141	2.9	1,481,115	2.3
Total	98,063,946	100	65,618,503	100

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

36. Maturity analysis

	Less than 1 year	More than 1 less than 3	More than 3 years	Total as at 31.03.2008	Total as at 31.03.2007
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Interest earning assets					
Investments in Government securities	44,150,303	-	-	44,150,303	28,559,375
Investments in fixed deposits	15,500,000	-	-	15,500,000	-
Investments in hire purchase	2,774,690	1,583,870	-	4,358,560	5,332,013
Investments in leases	124,520,734	97,018,545	-	221,539,278	185,031,694
	186,945,727	98,602,414	-	285,548,141	218,923,082
Non interest earning assets					
Cash in hand and at banks	7,334,598	-	-	7,334,598	9,723,240
Inventories	16,061,651	-	-	16,061,651	6,728,036
Investments in shares	-	-	282,734	282,734	282,734
Deferred tax assets	-	-	6,400,623	6,400,623	-
Other assets	25,922,481	-	-	25,922,481	16,095,845
Property and equipment	-	-	11,042,166	11,042,166	5,323,143
Intangible assets	-	-	390,625	390,625	442,500
Investment property	-	-	17,543,866	17,543,866	17,542,294
	49,318,729	-	35,660,014	84,978,743	56,137,792
Total assets	236,264,456	98,602,414	35,660,014	370,526,884	275,060,874
Percentage	63.8%	26.6%	9.6%	100.0%	100%

(Continued)

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

(Continued)

36. Maturity analysis

	Less than 1 year	More than 1 less than 3	More than 3 years	Total as at 31.03.2008	Total as at 31.03.2007
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Interest bearing liabilities					
Public deposits	122,861,693	66,516,508	30,734,306	220,112,506	206,933,397
Bank overdraft	107	-	-	107	2,566,665
Interest bearing public deposits	7,398,694	-	-	7,398,694	6,283,710
	130,260,494	66,516,508	30,734,306	227,511,307	215,783,772
Non interest bearing liabilities					
Other liabilities	13,189,599	-	154,668	13,344,267	9,939,621
Retirement benefit obligations	-	-	3,485,751	3,485,751	1,966,826
Deferred tax liabilities	-	-	-	-	381,850
Total liabilities	13,189,599	-	3,640,418	16,830,017	12,288,296
Total assets	143,450,093	66,516,508	34,374,724	244,341,323	228,072,068
Percentage	58.7%	27.2%	14.1%	100.0%	100%

ASSOCIATED MOTOR FINANCE CO. LTD.

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT

31ST MARCH 2009

SJMS
ASSOCIATES
Deloitte Touche Tohmatsu
SJMS Associates
Chartered Accountants
No. 02, Castle Lane,
Colombo 04, Sri Lanka.
Tel: +94(11) 2580409, 2503262
Fax: +94(11) 2582452
Restructure & Corporate Recovery
Tel: 5364293 5444420 Fax: 5364295
E-mail: sjmsa@sjmsassociates.com
Website: www.sjmsassociates.lk

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 2009, 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 2009 and the financial statements give a true and fair view of the company's state of affairs as at 31st March 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter
Without further qualifying our opinion, we draw attention to Note 26 to the financial statements. The company has not maintained the minimum core capital requirement of Rs. 200 million in accordance with Direction No.1 of 2006 issued by the Central Bank of Sri Lanka, of which further details are given in the note referred to herein.

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
SJMS ASSOCIATES
Chartered Accountants
Colombo

18th September 2009

P. E. A. Jayewickreme, M. B. Ismail, Ms. A. M. J. Patrick, T. Krishnakumar, Ms. S. L. Jayasuriya, D. S. W. Andradi,
G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, Ms. A. U. M. Keppetipola

ASSOCIATED MOTOR FINANCE COMPANY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2009

	Note	2008/2009 Rs.	2007/2008 Rs.
Income		151,276,344	98,063,946
Interest and similar income	7	132,665,994	91,626,260
Interest expense and similar charges	8	(56,508,899)	(36,344,019)
Net interest income		76,157,095	55,282,240
Other income	9	18,610,350	6,437,687
Personnel costs		(15,594,200)	(12,546,889)
Employee retirement benefit expenses		(1,986,895)	(2,397,725)
Provision for losses on loans, advances and assets		(5,196,036)	(2,586,226)
Administration and general expenses		(23,381,202)	(14,117,147)
Profit from operations		48,609,112	30,071,941
VAT on financial services		(438,099)	(243,669)
Profit before taxation		48,171,013	29,828,271
Income tax charge/reversal	11	21,217,278	6,376,021
Profit after tax		69,388,291	36,204,292
Basic/diluted earnings per share	12	13.32	6.95

The accounting policies and notes from 1 to 33 form an integral part of these financial statements.

S.J.M.S. 2, Castle Lane, Colombo

ASSOCIATED MOTOR FINANCE COMPANY LTD
BALANCE SHEET
AS AT 31ST MARCH 2009

	Note	31.03.2009 Rs.	31.03.2008 Rs.
ASSETS			
Cash and cash equivalents		8,168,918	7,334,598
Investments in government securities	13	55,575,381	44,150,303
Deposits with banks	14	16,000,000	15,500,000
Long term investments	15	244,594	282,734
Investment in leases	16	292,034,862	221,539,278
Investment in hire purchase	17	3,761,760	4,358,560
Other assets	18	14,791,830	25,922,773
Inventories	19	29,996,735	14,738,552
Deferred tax assets	20	29,260,128	6,400,623
Investment properties	21	17,372,295	17,543,866
Intangible assets	22	220,625	390,625
Property and equipment	23	18,809,124	11,041,874
Total assets		486,236,252	369,203,786
LIABILITIES			
Bank overdraft		107	107
Public deposits		228,350,035	220,112,508
Interest payable on public deposits		14,348,146	7,398,694
Other liabilities	24	45,559,869	13,344,266
Retirement benefit obligations	25	1,605,416	1,363,823
Total liabilities		289,863,572	242,219,397
SHAREHOLDERS' FUNDS			
Stated capital	26	52,080,310	52,080,310
Other reserves	27	10,613,603	7,143,603
Retained earnings	28	133,678,767	67,760,475
		196,372,680	126,984,388
Total liabilities and shareholders' funds		486,236,252	369,203,786

The accounting policies and notes from 1 to 33 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 18.09.2009

Director
Date 18.09.2009

ASSOCIATED MOTOR FINANCE COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2009

	Stated capital Rs.	Capital reserves Rs.	General reserves Rs.	Statutory reserve fund Rs.	Retained earnings Rs.	Total Rs.
Balance as at 1st April 2007	9,087,850	17,930	1,029,052	4,286,406	32,567,568	46,988,806
Net profit for the year as previously reported	-	-	-	-	36,204,292	36,204,292
Effect on adoption of SLAS 16 - Employee Benefits (revised 2006)	-	-	-	-	2,121,928	2,121,928
Correction of error (Note 33)	-	-	-	-	(1,323,098)	(1,323,098)
Net profit for the year (restated)	-	-	-	-	37,003,122	37,003,122
Shares issued during the year	42,992,460	-	-	-	-	42,992,460
Transfer to reserve fund	-	-	-	1,810,215	(1,810,215)	-
Balance as at 31st March 2008	52,080,310	17,930	1,029,052	6,096,621	67,760,475	126,984,388
Net profit for the year	-	-	-	-	69,388,291	69,388,291
Transfer to reserve fund	-	-	-	3,470,000	(3,470,000)	-
Balance as at 31st March 2009	52,080,310	17,930	1,029,052	9,566,621	133,678,766	196,372,679

The accounting policies and notes from 1 to 33 form an integral part of these financial statements.

ASSOCIATED MOTOR FINANCE COMPANY LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2009

	2008/2009 Rs.	2007/2008 Rs.
Cash flow from operating activities		
Net profit before taxation	48,171,013	29,828,271
Adjustments for;		
Depreciation	4,456,595	1,720,727
Profit on disposal of property and equipment	(6,471,674)	(1,022,000)
Provision for obsolete inventory	156,835	-
Provision for fall in value of investments	38,140	-
Provision for bad and doubtful debts	5,787,691	2,586,226
Provision for gratuity	612,093	1,518,925
Interest on term deposits	46,932,927	36,344,019
Lease interest	793,541	-
Operating profit before working capital changes	100,477,161	70,976,168
(Increase)/ decrease in government securities and other inv	(11,925,079)	(31,090,928)
(Increase)/ decrease in other assets	11,130,943	(1,673,133)
(Increase)/decrease in lease rental receivables	(76,302,830)	(39,093 810)
(Increase)/ decrease in inventories	(15,415,018)	(9,333,615)
Increase/(decrease) in public deposits	8,237,527	13,179,109
Increase /(decrease) in investments in hire purchase	616,355	973,453
Increase/ (Decrease) in other liabilities	27,484,920	(2,498,045)
	(56,173,182)	(69,536,968)
Cash generated from operations	44,303,979	1,439,200
Tax paid	(1,200,321)	(2,657,262)
Gratuity paid	(370,500)	-
Interest paid	(39,983,475)	(35,229,035)
Net cash flow from operating activities	2,749,683	(36,447,098)
Cash flow from investment activities		
Proceeds from disposal of property and equipment	6,819,506	1,022,000
Purchase of property and equipment	(7,155,098)	(7,248,592)
Acquisition of investment property	-	(140,855)
Net cash flow from investing activities	(335,592)	(6,367,447)
Cash flow from financing activities		
Proceeds from share issue	-	42,992,460
Repayment of lease creditor	(1,579,771)	-
Net cash flow from financing activities	(1,579,771)	42,992,460

2, Castle Lane,
Colombo - 04.

	2008/2009 Rs.	2007/2008 Rs.
Net increase / (decrease) in cash and cash equivalents	834,320	177,915
Cash and cash equivalent at the beginning of the year	7,334,491	7,156,575
Cash and cash equivalent at the end of the year	8,168,811	7,334,490
Cash and cash equivalents		
Cash in hand and at bank	8,168,918	7,334,597
Bank overdrafts	(107)	(107)
	8,168,811	7,334,490

The accounting policies and notes from 1 to 33 form an integral part of these financial statements.

ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2009

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 judgements, 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 1998.

The financial statement for the year ended 31st March 2009 were authorized for issue by the Board of Directors on 18th September 2009.

3.2 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.

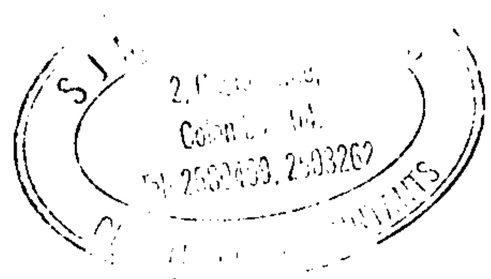
3.3 Foreign currency transactions

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.

3.4 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.



3. Significant accounting policies

3.1 Assets and the bases of their valuation

3.1.1 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.

3.1.2 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.

3.1.3 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.

3.1.4 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.

3.1.5 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.

3.1.6 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 mc	100%

In addition, wherever it is considered prudent, further provisions are made on specifically identified loans and advances.

3.1.7 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.

3.1.8 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.

3.1.9 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.

3.1.10 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 20% per annum on cost on a strailght line basis.

3.1.11 Finance leases

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

3.1.12 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 is charged from the month following the date of purchase of the asset and ceases at the earlier of the date that the asset is classified as held for sale or derecognized.

3.1.13 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.

3.2 Liabilities and provisions

3.2.1 Taxation

3.2.1.1 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.

3.2.1.2 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.

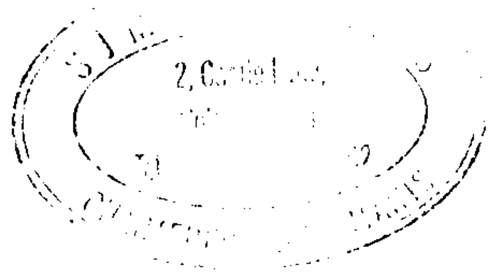
Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the year when the liability is settled or asset is realised, based on the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

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.

3.2.2 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.



3.2.3 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.

3.2.4 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.2.5 Capital commitments and contingencies

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.

4. Income Statement

4.1 Revenue recognition

4.1.1 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.

4.1.2 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.

4.1.3 Dividend income

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

4.1.4 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.

4.1.5 Interest income on deposits with banks

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

4.1.6 Overdue interest

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

4.1.7 Rental income

Rental income is recognized on an accrual basis.

4.1.8 **Recovery of bad**

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

4.1.9 **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.

4.2 **Expenditure recognition**

4.2.1 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.

4.2.2 **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.

4.3 **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.

5. **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.

6. **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.

7. Interest and similar income	2008/2009 Rs.	2007/2008 Rs.
Interest income from leasing	98,214,758	70,154,420
Interest income from the hire purchases	2,137,189	2,104,964
Income on service finance	4,954,740	2,804,772
Interest on overdue rentals	16,197,418	9,508,103
Interest on investments in government securities	11,161,889	7,054,002
	132,665,994	91,626,260

8. Interest expense and similar charges

Interest on public deposits	46,932,927	36,336,599
Interest on commercial papers	-	7,420
Other interest expenses	794,005	-
Rebate charges	8,781,967	-
	56,508,899	36,344,019

9. Other income

Trade income	9,613,074	3,588,249
Dividend income	29,412	38,916
Profit on disposal of equipment	6,471,674	1,022,000
Interest income on savings accounts	4,758	4,296
Rent income	1,080,000	1,440,000
Sundry income	110,613	112,530
Bad debt recoveries	106,911	163,000
Vehicle hire income	1,193,909	68,696
	18,610,350	6,437,687

10. Operating expenses include the following:

Directors' remuneration	480,000	480,000
Staff costs (Note 10.1)	12,913,712	9,857,410
Depreciation	3,881,356	1,556,352
Auditor's remuneration	206,000	101,500

	2008/2009 Rs.	2007/2008 Rs.
10.1 Staff costs		
Staff salaries	9,038,837	5,858,678
Overtime and allowance	1,887,980	1,601,006
Defined contribution plan costs	1,374,803	878,800
Defined benefit plan costs	612,093	1,518,925
	12,913,712	9,857,410

11. Income tax expense

11.1 Income tax recognised in the income statement

Current tax:		
Current tax expense	441,906	-
Under provision in respect of prior years	1,200,321	406,452
	1,642,227	406,452
Deferred tax:		
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(22,859,505)	(6,782,473)
Tax charge/(reversal) in the income statement	(21,217,278)	(6,376,021)

Social Responsibility Levy has been charged at the rate of 1.5% on the income tax liability which is included in the income tax expense.

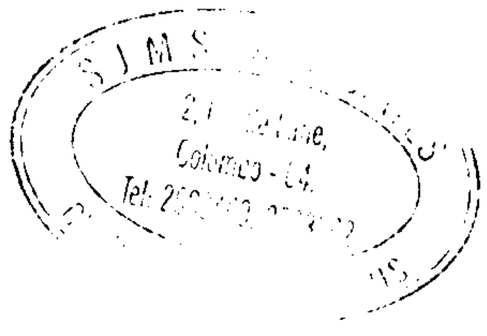
12. Earnings per share

Basic earnings per share	13.32	6.95

12.1 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:

	2008/2009 Rs.	2007/2008 Rs.
Profit for the year attributable to equity holders	69,388,291	36,204,292
Weighted average number of ordinary shares for the purposes of basic/ diluted earnings per share (all measures)	5,207,758	5,207,758



13. Investment in government securities

	31.03.2009 Rs.	31.03.2008 Rs.
Treasury Bills	29,991,248	28,950,000
REPO Agreements	28,045,474	17,431,589
	58,036,722	46,381,589
Less: Interest to be earned	(2,461,341)	(2,231,286)
	55,575,381	44,150,303

14. Deposits with banks

Fixed deposits	16,000,000	15,500,000

15. Long term investments

Investment in shares (Note 15.1)	125,000	163,140
Other investments (Note 15.2)	119,594	119,594
	244,594	282,734

15.1 Investment in shares

	31.03.2009 No. of shares	31.03.2009 Cost Rs.	31.03.2008 No. of shares	31.03.2008 Cost Rs.
Lanka Synthetic Industries Ltd.	105	10,500	105	10,500
Hotel Tours & Trades Ltd.	75	7,500	75	7,500
Poltech (Ceylon) Ltd	12,715	125,000	12,715	125,000
Lace Industries	1,800	20,140	1,800	20,140
		163,140		163,140
Less: Provision for fall in value of shares		(38,140)		-
		125,000		163,140

15.2 Other investments

Credit Information Bureau	43	4,300	43	4,300
Namal Unit Trust	19,608	115,294	19,608	115,294
		119,594		119,594

16. Investment in leases

Gross investment in leases	394,660,585	299,728,474
Lease rental receivables	33,012,936	21,262,110
	427,673,521	320,990,585
Less : Unearned income	(125,679,231)	(95,492,124)
	301,994,289	225,498,461
Less: Interest in suspense	(989,020)	(286,907)
	301,005,269	225,211,553
Lease expenses recoverable	3,318,943	2,200,804
Less: Provision for bad and doubtful debts	(8,705,203)	(3,489,612)
	295,619,009	223,922,745
Less: Prepaid rentals	(3,584,147)	(2,383,467)
Net investment in finance leases	292,034,862	221,539,278

17. Investments in hire purchase

	31.03.2009 Rs.	31.03.2008 Rs.
Hire purchase stock	3,238,183	3,940,809
Hire purchase rental receivable	558,608	524,899
	3,796,791	4,465,708
Less: Interest in suspense	(2,424)	(10,383)
	3,794,367	4,455,325
Hire purchase expense recoverable	13,599	15,784
Less: Provision for bad debts	(36,815)	(56,370)
	3,771,151	4,414,739
Less: Hire purchase rental paid in advance	(9,391)	(56,179)
Net investment in hire purchase	3,761,760	4,358,560

18. Other assets

Deposits and prepayments	796,070	67,597
Promissory notes (Note 18.1)	1,429,892	6,506,340
Amount due from related company (Note 18.2)	294,064	144,064
Staff loans and advances	1,678,285	912,537
Rent receivable	-	252,000
Advance payments for purchase of Motor vehicles	-	2,708,552
VAT receivables	3,124,389	11,831,260
Income tax refund due (Note 18.3)	6,502,201	3,490,423
Call deposit interest receivable	802,904	-
Other	10,000	10,000
Advance for fixed asset suppliers	154,025	-
	14,791,830	25,922,773

18.1 Promissory notes

Promissory note debtors	1,840,754	6,828,286
Less: Interest in suspense	(410,862)	(321,946)
	1,429,892	6,506,340

18.2 Amount due from related company

AMF Duty Free Company (Pvt) Ltd	294,064	144,064
	294,064	144,064

	31.03.2009 Rs.	31.03.2008 Rs.
18.3 Income tax refund due		
Balance at the beginning of the year	3,490,423	833,161
Economic Service Charge receivable	1,481,326	674,573
Self Assessment Payment	1,187,472	1,164,115
SRL	12,003	15,174
Withholding tax	330,977	803,400
	6,502,201	3,490,423

19. Inventories

Generators	156,835	156,835
Motor vehicles	29,996,735	14,581,717
	30,153,570	14,738,552
Less: Provision for generator stock	(156,835)	-
	29,996,735	14,738,552

20. Deferred tax assets

The movement in the deferred tax asset is as follows:

Balance at the beginning of the year	6,400,623	(381,850)
Income statement charge	22,859,505	6,782,473
Balance at the end of the year	29,260,128	6,400,623

21. Investment property

Cost

	Balance as at 01.04.2008 Rs.	Additions Rs.	Balance as at 31.03.2009 Rs.
Paddy land	-	32,185	32,185.00
Land - Battaramulla	14,916,472	-	14,916,472
Building	2,903,041	-	2,903,041
	17,819,513	32,185	17,851,698

Accumulated depreciation

	Balance as at 01.04.2008 Rs.	Charge for the year Rs.	Balance as at 31.03.2009 Rs.
Building	275,647	203,756	479,403
	275,647	203,756	479,403
Carrying amount	17,543,866		17,372,295

In the opinion of the directors, the fair value of the above investment properties amounted to Rs.81,400,000 as at the balance sheet date.

22. Intangible assets

Cost

	Balance as at 01.04.2008 Rs.	Additions Rs.	Balance as at 31.03.2009 Rs.
Software	850,000	-	850,000
	850,000	-	850,000

Accumulated amortization

	Balance as at 01.04.2008 Rs.	Charge for the year Rs.	Balance as at 31.03.2009 Rs.
Software	459,375	170,000	629,375
	459,375	170,000	629,375
Carrying amount	390,625		220,625

23. Property and equipment

Cost

	Balance as at 01.04.2008 Rs.	Additions Rs.	(Disposals)/ (Transfer) Rs.	Balance as at 31.03.2009 Rs.
Freehold				
Paddy land	32,185	-	(32,185)	-
Motor vehicles	14,547,937	4,573,095	(5,242,746)	13,878,286
Furniture fittings & fixtures	3,252,460	472,878	-	3,725,338
Office equipment	1,323,568	704,624	-	2,028,192
Generator	1,434,470	82,333	-	1,516,803
Computer equipment	1,801,835	1,322,168	-	3,124,003
Telephone system	245,815	-	-	245,815
	22,638,269	7,155,098	(5,274,931)	24,518,436

Accumulated depreciation

	Balance as at 01.04.2008 Rs.	Charge for the year Rs.	On disposals Rs.	Balance as at 31.03.2009 Rs.
Motor vehicles	7,089,432	2,068,666	(4,894,921)	4,263,177
Furniture fittings & fixtures	1,547,307	335,288	-	1,882,595
Office equipment	765,990	108,742	-	874,731
Generator	1,045,114	80,972	-	1,126,086
Computer equipment	975,324	575,239	-	1,550,563
Telephone system	173,229	30,183	-	203,412
	11,596,395	3,199,089	(4,894,921)	9,900,563
Carrying amount	11,041,874			14,617,874

Leasehold

Cost

	Balance as at 01.04.2008 Rs.	Additions Rs.	(Disposals)/(Transfer) Rs.	Balance as at 31.03.2009 Rs.
Motor vehicles	-	5,075,000	-	5,075,000
	-	5,075,000	-	5,075,000

Accumulated depreciation

	Balance as at 01.04.2008 Rs.	Charge for the year Rs.	On disposals Rs.	Balance as at 31.03.2009 Rs.
Motor vehicles	-	883,750	-	883,750
	-	883,750	-	883,750
Carrying amount	-			4,191,250

Property and equipment include fully depreciated assets, the cost of which at the Balance Sheet date amounted to Rs.4,360,591/-.

24. Other liabilities

	31.03.2009 Rs.	31.03.2008 Rs.
Accrued expenses	2,832,363	2,660,437
Amount due to related parties (Note 24.1)	154,668	154,668
Other payables (Note 24.2)	19,759,141	10,529,162
Rental Received in Advance	22,813,697	-
	45,559,869	13,344,266

24.1 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
	154,668	154,668

24.2 Other payables - Lease Creditor

Balance at the beginning of the year	-	-
Additions during the year	8,187,506	-
Pyaments made during the year	(1,291,011)	-
	6,896,495	-
Less: Interest In Suspense	(2,318,965)	-
	4,577,530	-
Less: Rentals paid in advance	(288,760)	-
	4,288,770	-

25. Retirement benefit obligation

		(Restated)
Balance at the beginning of the year	1,363,823	1,966,826
Provision made during the year	612,093	1,518,925
Less : Adjustment to give the effect of change of SLAS16	-	(2,121,928)
	1,975,915	1,363,823
Payments during the year	(370,500)	-
Balance at the end of the year	1,605,416	1,363,823

26. Stated capital

	No of shares		
Issued and fully paid ordinary shares	5,207,758	52,080,310	52,080,310
		52,080,310	52,080,310

As per direction No 1 of 2006 of the Central Bank of Sri Lanka, every registered finance company, is required to maintain an unimpaired core capital of not less than Rs 200 million. However the company was not in compliance with this requirement and served a letter to the Central Bank requesting for further time till March 2010 to increase the core capital accordingly to meet the minimum required amount. The shortfall of the core capital was Rs.2,988,919 as at the balance sheet date.

27. Other reserves

	31.03.2009 Rs.	31.03.2008 Rs.
Capital reserve	17,930	17,930
General reserve	1,029,052	1,029,052
Statutory reserve fund (Note 27.1)	9,566,621	6,096,621
	10,613,603	7,143,603

27.1 Statutory reserve fund

Balance at the beginning of year	6,096,621	4,286,406
Transfers during the year	3,470,000	1,810,215
Balance at the end of year	9,566,621	6,096,621

28. Retained earnings

	31.03.2009 Rs.	(Restated) 31.03.2008 Rs.
Balance at the beginning of year	67,760,475	32,567,568
Profit for the year	69,388,291	36,204,292
Prior year adjustment- error correction	-	(1,323,098)
Effect on adoption of SLAS 16 - Employee Benefits (revised 2006)	-	2,121,928
Transfer to reserve fund	(3,470,000)	(1,810,215)
Balance at the end of year	133,678,767	67,760,475

2, C... Colombo - 04 Tel: 2520199, 2500952

29. Related party transactions

(i) Mr.J.P.I.N.Dayawansa, Ms.A.S.Dayawansa and Mrs.J.G.Perera were the directors of the company during the year.

(ii) During the year, company entered into the following trading transactions with its related party.

Related party	Nature of transaction	Amount (Rs.)
Imperial Import & Export Co. (Pvt) Ltd	Temporary hire of vehicle	1,415,200

(iii) A sum of Rs.1,001,909.12 was deposited with the company by the directors during the year under review and are included in the deposit base as at the year end.

(iv) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows.

	2008/2009 Rs.	2007/2008 Rs.
Short term benefits	480,000.00	480,000.00

30. Capital commitments

There were no material capital commitments outstanding as at the balance sheet date.

31. Contingent liabilities

There were no material contingent liabilities as at the balance sheet date.

32. Events after the balance sheet date

No material events have taken place after the balance sheet date, which require, an adjustment or a disclosure in the financial statements.

33. Prior year adjustment

Error correction

Demurrage costs that had been incorrectly capitalized in the previous year were reversed and charged against revenue.

Adoption of SLAS 16 - Employee Benefits (Revised 2006)

The transitional liability arising on the adoption of the revised standard resulted in a decrease in the liability recognized in the previous year and hence has been adjusted retrospectively in accordance with SLAS 10 - Accounting policies, changes in accounting estimates and errors.

ASSOCIATED MOTOR FINANCE CO. LTD.

DETAILED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2009

ASSOCIATED MOTOR FINANCE COMPANY LTD
DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2009

1. Personnel costs

	2008/2009 Rs.	2007/2008 Rs.
Staff salaries	9,038,837	5,858,678
Overtime and allowances	1,887,980	1,601,006
Casual wages	343,750	1,095,300
Directors' remuneration	480,000	480,000
Staff welfare	801,794	751,576
Office staff bonus	2,864,702	2,007,276
Staff welfare- medical insurance	177,137	753,052
	15,594,200	12,546,889

2. Employee retirement benefit expenses

E.P.F contribution	1,099,842	703,040
E.T.F contribution	274,961	175,760
Gratuity	612,093	1,518,925
	1,986,895	2,397,725

3. Administration and general expenses

Rent	1,200,000	1,200,000
Depreciation	3,881,356	1,556,352
Amortization	575,239	164,375
Professional charges	736,022	970,449
Printing and stationery	770,333	1,004,037
Postage	-	337,470
Telephone	992,237	897,715
Electricity	1,312,247	895,974
Subscription	130,000	106,725
Maintenance and repair of office equipment	338,813	169,336

Administration and general expenses

	2008/2009 Rs.	2007/2008 Rs.
Audit fee	206,000	101,500
Vehicle maintenance	1,655,635	1,194,598
Water bills	71,744	72,719
Rates	146,911	146,911
License and registration	54,527	93,585
Building maintenance	1,772,221	592,068
Security charges	584,520	374,022
Insurance	345,295	261,946
Unclaimed VAT expenses	2,156,523	89,399
Disallowable VAT	143,861	-
Newspapers and periodicals	37,077	9,096
Charity and donations	111,500	87,146
Vehicle Tax	55,000	19,500
Bank charges	374,228	183 107
Debit tax	568,332	418,653
Interest on Overdrafts	57,997	17,256
Advertisements	350,608	180,312
Commission	189,950	166,955
Generator Expense	-	7,500
Travelling and vehicle running expenses	2,270,993	1,811,324
Travelling and meals for sales staff	19,758	24,316
Surcharges on taxes	54,360	-
Insurance on Money in Transit	30,306	43,622
Insurance Building	240,865	44,405
Diesel & Luxury Taxes	-	50,000
Vehicle Hiring Charges	1,415,220	824,773
Provision for fall in value of shares	38,140	-
Provision for generator stock	156,835	
Demurrages paid to Customs	336,549	-
	23,381,202	14,117,147

ASSOCIATED MOTOR FINANCE CO. LTD.

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT

31ST MARCH 2010

SJMS
ASSOCIATES
Deloitte Touche Tohmatsu

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 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 2010 and the financial statements give a true and fair view of the company's state of affairs as at 31st March 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements
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

17th September 2010

ASSOCIATED MOTOR FINANCE COMPANY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2010

	Note	2009/2010 Rs.	Restated 2008/2009 Rs.
Income		146,858,544	151,276,344
Interest and similar income	8	122,891,330	123,884,027
Interest expense and similar charges	9	(52,339,149)	(47,726,932)
Net interest income		70,552,180	76,157,095
Other income	10	23,967,215	18,610,350
Personnel costs		(17,786,782)	(15,594,200)
Employee retirement benefit expenses		(2,744,370)	(1,986,895)
Provision for losses on loans, advances and assets		(8,082,991)	(5,196,036)
Administration and general expenses		(23,589,066)	(21,447,521)
Profit from operations		42,316,186	50,542,793
VAT on financial services		(406,672)	(438,099)
Profit before taxation		41,909,514	50,104,694
Income tax expense	12	21,463,928	21,217,278
Profit after tax		63,373,442	71,321,972
Basic/diluted earnings per share	13	11.83	13.32

The accounting policies and notes from 1 to 36 form an integral part of these financial statements.

S J M S ASSOCIATES
2, Castle Lane,
Colombo - 04.
Tel: 5444400
CHARTERED ACCOUNTANTS

ASSOCIATED MOTOR FINANCE COMPANY LTD
BALANCE SHEET
AS AT 31ST MARCH 2010

	Note	31.03.2010 Rs.	Restated 31.03.2009 Rs.
Assets			
Cash and cash equivalents		25,025,573	8,168,918
Investments in government securities	14	29,079,174	55,575,381
Deposits with banks	15	161,191,319	16,000,000
Long term investments	16	244,594	244,594
Investment in leases	17	246,907,074	292,034,862
Investment in hire purchase	18	13,998,843	3,761,760
Other assets	19	32,004,322	16,725,511
Inventories	20	14,914,040	29,996,735
Stock of Real Estate		5,559,238	-
Deferred tax assets	21	55,664,758	29,260,128
Investment properties	22	17,230,373	17,372,295
Intangible assets	23	50,625	220,625
Property and equipment	24	19,282,154	18,809,124
Loan against Fixed deposits	25	6,104,805	-
Total assets		627,256,891	488,169,933
Liabilities			
Bank overdraft		107	107
Public deposits		273,532,326	228,350,035
Interest payable on public deposits		14,609,736	14,348,145
Other liabilities	26	70,655,387	45,559,870
Retirement benefit obligations	27	2,773,563	1,605,416
Total liabilities		361,571,119	289,863,573
Shareholders' Fund			
Stated capital	28	56,086,280	52,080,310
Other reserves	29	13,782,275	10,613,603
Retained earnings	30	195,817,217	135,612,447
		265,685,772	198,306,360
Total liabilities and shareholders' funds		627,256,891	488,169,933

The accounting policies and notes from 1 to 36 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: 17.09.2010

Director
Date: 17.09.2010

S J M S ASSOCIATES
2, Castle Lane,
Colombo - 04.
Tel: 5444400
CHARTERED ACCOUNTANTS

ASSOCIATED MOTOR FINANCE COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2010

	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	6,096,621	67,760,475	126,984,388
Net profit for the year (Restated) - Note 30.1	-	-	-	-	71,321,972	71,321,972
Transfer to reserve fund	-	-	-	3,470,000	(3,470,000)	-
Balance as at 31st March 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 2009	56,086,280	17,930	1,029,052	12,735,293	195,817,217	265,685,772

The accounting policies and notes from 1 to 36 form an integral part of these financial statements.

S J M S ASSOCIATES
2, Castle Lane,
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Tel: 5444400
CHARTERED ACCOUNTANTS

ASSOCIATED MOTOR FINANCE COMPANY LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2010

	2009/2010 Rs.	Restated 2008/2009 Rs.
Cash flow from operating activities		
Net profit before taxation	41,909,514	50,104,694
Adjustments for;		
Depreciation	5,599,167	4,456,595
Profit on disposal of property and equipment	-	(6,471,674)
Provision for obsolete inventory	-	156,835.00
Provision for fall in value of investments	-	38,140.00
Provision for bad and doubtful debts	8,088,922	5,787,691
Provision for gratuity	1,168,147	612,093
Interest on term deposits	50,995,422	46,932,927
Lease interest	1,343,727	793,541
Operating profit before working capital changes	109,104,899	102,410,842
(Increase)/ decrease in government securities and other investmen	(118,695,112)	(11,925,079)
(Increase)/ decrease in other assets	(29,571,204)	9,197,262
(Increase)/decrease in lease rental receivables	37,055,743	(76,302,830)
(Increase)/ decrease in inventories	15,082,695	(15,415,018)
Increase/(decrease) in public deposits	45,182,291	8,237,527
Increase /(decrease) in investments in hire purchase	(10,253,960)	616,355
Increase/ (Decrease) in other liabilities	21,959,191	27,484,920
	(39,240,356)	(58,106,863)
Cash generated from operations	69,864,543	44,303,979
Tax paid	(2,312,352)	(1,200,321)
Gratuity paid	-	(370,500)
Interest paid	(50,733,831)	(39,983,475)
Net cash flow from operating activities	16,818,360	2,749,683
Cash flow from investment activities		
Proceeds from disposal of property and equipment	-	6,819,506
Purchase of property and equipment	(900,274)	(7,155,098)
Net cash flow from investing activities	(900,274)	(335,592)

S J M S ASSOCIATES
2, Castle Lane,
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CHARTERED ACCOUNTANTS

	2009/2010 Rs.	2008/2009 Rs.
Cash flow from financing activities		
Proceeds from rights issue	4,005,970	-
Repayment of lease creditor	(3,067,400)	(1,579,771)
Net cash flow from financing activities	938,570	(1,579,771)
Net increase / (decrease) in cash and cash equivalents	16,856,655	834,320
Cash and cash equivalent at the beginning of the year	8,168,811	7,334,491
Cash and cash equivalent at the end of the year	25,025,466	8,168,811
Cash and cash equivalents		
Cash in hand and at bank	25,025,573	8,168,918
Bank overdrafts	(107)	(107)
	25,025,466	8,168,811

The accounting policies and notes from 1 to 36 form an integral part of these financial statements.

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ASSOCIATED MOTOR FINANCE COMPANY LTD
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2010

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 judgements, 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.

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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 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 1998.

The financial statement for the year ended 31st March 2010 were authorized for issue by the Board of Directors on 16th September 2010.

3.2 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.

3.3 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.

3.4 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.

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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 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 identified loans and advances.

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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 20% 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 value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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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 is charged from the month following the date of purchase of the asset and ceases at the earlier of the date that the asset is classified as held for sale or 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.

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4.2 Liabilities and provisions

4.2.1 Taxation

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.

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.

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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 result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.2.5 Capital commitments and contingencies

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.

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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 Dividend income

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

5.1.4 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.

5.1.5 Interest income

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

5.1.6 Overdue interest

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

5.1.7 Rental income

Rental income is recognized on an accrual basis.

5.1.8 Recovery of bad debts

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

5.1.9 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.

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5.2 Expenditure

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.

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		2009/2010 Rs.	2008/2009 Rs.
8.	**Interest and similar income**		
	Interest income from leasing	78,456,111	89,432,791
	Interest income from the hire purchases	2,894,443	2,137,189
	Income on service finance	2,551,152	4,954,740
	Interest on overdue rentals	17,918,329	16,197,418
	Interest on investments in government securities	21,071,295	11,161,889
		122,891,330	123,884,027
9.	**Interest expense and similar charges**		
	Interest on public deposits	50,995,422	46,932,927
	Interest on commercial papers	-	-
	Other interest expenses	1,343,727	794,005
		52,339,149	47,726,932

In 2008/2009 rebate charges amounting to Rs. 8,781,967 classified under other expenses and similar charges has been reclassified and set off against interest income from leasing under interest and similar income.

10.	**Other income**		
	Trade income	21,758,705	9,613,074
	Dividend income	21,878	29,412
	Profit on disposal of equipment	-	6,471,674
	Interest income on savings accounts	5,030	4,757
	Rent income	687,498	1,080,000
	Sundry income	572,890	110,613
	Bad debt recoveries	270,363	106,911
	Vehicle hire income	606,342	1,193,909
	Exchange gain	44,508	-
		23,967,215	18,610,350
11.	**Operating expenses include the following:**		
	Directors' remuneration	480,000	480,000
	Staff costs (Note 11.1)	14,940,379	12,913,712
	Depreciation	5,429,167	3,881,356
	Auditor's remuneration	162,225	206,000

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		2009/2010 Rs.	2008/2009 Rs.
11.1	**Staff costs**		
	Staff salaries	10,282,008	9,038,837
	Overtime and allowance	1,914,001	1,887,980
	Defined contribution plan costs	1,576,223	1,374,802
	Defined benefit plan costs	1,168,147	612,093
		14,940,379	12,913,712

12. Income tax expense

12.1 Income tax recognised in the income statement

Tax expense comprises:		
Current tax expense	4,940,702	441,906
Under provision in respect of prior years	-	1,200,321
	4,940,702	1,642,227
Deferred tax expense relating to the origination and reversal of temporary differences	(26,404,630)	(22,859,505)
	(21,463,928)	(21,217,278)

13. Earnings per share

Basic earnings per share	11.83	13.70

13.1 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:

	2009/2010 Rs.	2008/2009 Rs.
Profit for the year attributable to equity holders	63,373,442	71,321,972
Weighted average number of ordinary shares for the purposes of basic/ diluted earnings per share (all measures)	5,357,982	5,207,758

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		31.03.2010 Rs.	31.03.2009 Rs.
14.	**Investment in government securities**		
	Treasury Bills	30,637,936	29,991,248
	REPO Agreements	-	28,045,474
		30,637,936	58,036,722
	Less: Interest to be earned	(1,558,762)	(2,461,341)
		29,079,174	55,575,381
15.	**Deposits with banks**		
	Fixed deposits	161,191,319	16,000,000
16.	**Long term investments**		
	Investment in shares (Note 16.1)	125,000	125,000
	Other investments (Note 16.2)	119,594	119,594
		244,594	244,594

16.1 Investment in shares

	31.03.2010		31.03.2009	
	No. of shares	Cost Rs.	No. of shares	Cost Rs.
Lanka Synthetic Industries Ltd.		10,500	-	10,500
Hotel Tours & Tr	-	7,500	-	7,500
Poltech (Ceylon)	12,715	125,000	12,715	125,000
Lace Industries	1,800	20,140	1,800	20,140
		163,140		163,140
Less: Provision for fall in value of shar		(38,140)	-	38,140.00
		125,000		125,000

16.2 Other investments

Credit Informatio	43	4,300	43	4,300
Namal Unit Trust	19,608	115,294	19,608	115,294
		119,594		119,594

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		31.03.2010 Rs.	31.03.2009 Rs.
17.	**Investment in leases**		
	Gross investment in leases	372,505,432	394,660,585
	Lease rental receivables	26,485,292	33,012,936
		398,990,724	427,673,521
	Less : Unearned income	(134,358,475)	(125,679,232)
		264,632,249	301,994,289
	Less: Interest in suspense	(1,996,375)	(989,020)
		262,635,874	301,005,269
	Lease expenses recoverable	3,372,296	3,318,943
	Less: Provision for bad and doubtful debts	(16,777,248)	(8,705,203)
		249,230,923	295,619,009
	Less: Prepaid rentals	(2,323,848)	(3,584,147)
	Net investment in finance leases	246,907,074	292,034,862
18.	**Investments in hire purchase**		
	Hire purchase stock	13,676,049	3,238,183
	Hire purchase rental receivable	643,840	558,608
		14,319,889	3,796,791
	Less: Interest in suspense	(6,867)	(2,424)
		14,313,022	3,794,367
	Hire purchase expense recoverable	32,007	13,599
	Less: Provision for bad debts	(53,692)	(36,815)
		14,291,337	3,771,151
	Less: Hire purchase rental paid in advance	(292,494)	(9,391)
	Net investment in hire purchase	13,998,843	3,761,760
19.	**Other assets**		
	Deposits and prepayments	241,428	796,070
	Debtors on sale of vehicle	6,528,000	-
	Promissory notes (Note 19.1)	5,031,736	1,429,891
	Amount due from related company (Note 19.2)	283,546	294,064
	Staff loans and advances	1,561,996	1,678,285
	Rent receivable	110,000	-
	VAT receivables	3,124,389	5,058,071
	Income tax refund due (Note 19.3)	3,873,851	6,502,201
	Fixed deposit interest receivable	11,249,377	802,904
	Other	-	10,000
	Advance for fixed asset suppliers	-	154,025
		32,004,322	16,725,511

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		31.03.2010 Rs.	31.03.2009 Rs.
19.1	**Promissory notes**		
	Promissory note debtors	5,210,045	1,840,754
	Less: Interest in suspense	(178,308)	(410,862)
		5,031,737	1,429,892
19.2	**Amount due from related company**		
	AMF Duty Free Company (Pvt) Ltd	283,546	294,064
		283,546	294,064
19.3	**Income tax refund due**		
	Balance at the beginning of the year	6,502,201	3,490,423
	Provision for the year	(4,940,702)	-
	Economic Service Charge receivable	1,908,642	1,481,326
	Self Assessment Payment	-	1,187,472
	SRL	-	12,003
	Withholding tax	403,711	330,977
	Balance at the end of the year	3,873,851	6,502,201
20.	**Inventories**		
	Generators	156,835	156,835
	Motor vehicles	14,914,040	29,996,735
		15,070,875	30,153,570
	Less: Provision for generator stock	(156,835)	(156,835)
		14,914,040	29,996,735
21.	**Deferred tax assets / (liabilities)**		
	The movement in the deferred tax is as follows:		
	Balance at the beginning of the year	29,260,128	6,400,623
	Income statement charge	26,404,630	22,859,505
	Balance at the end of the year	55,664,758	29,260,128

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	Balance at the beginning of the year Rs.	Additions Rs.	Balance at the end of the year Rs.
22. Investment property			
Cost			
Paddy land	32,185	-	32,185
Land - Battaramulla	14,916,472	-	14,916,472
Building	2,903,041	-	2,903,041
	17,851,698	-	17,851,698
Accumulated depreciation			
Building	479,403	141,922	621,325
	479,403	141,922	621,325
Carrying amount	17,372,295		17,230,373

23. Intangible			
Cost			
Software	850,000	-	850,000
	850,000	-	850,000

	Balance at the beginning of the year Rs.	Charge for the year Rs.	Balance at the end of the year Rs.
amortization			
Software	629,375	170,000	799,375
	629,375	170,000	799,375
Carrying amount	220,625		50,625

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24. Property and equipment

Cost

	Balance at the beginning of the year	Additions	(Disposals)/(Transfer)	Balance at the end of the year
	Rs.	Rs.	Rs.	Rs.
Freehold				
Motor vehicles	13,878,286	-	-	13,878,286
Furniture fittings & fixtures	3,725,338	356,000	-	4,081,338
Office equipment	2,028,193	210,779	-	2,238,972
Generator	1,516,803	-	-	1,516,803
Computer equipment	3,124,003	333,495	-	3,457,498
Telephone system	245,815	-	-	245,815
	24,518,438	900,274	-	25,418,712

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	4,263,177	2,602,603	-	6,865,780
Furniture fittings & fixtures	1,882,595	402,284	-	2,284,879
Office equipment	874,731	174,798	-	1,049,529
Generator	1,126,086	81,930	-	1,208,016
Computer equipment	1,550,563	500,247	-	2,050,810
Telephone system	203,412	24,382	-	227,794
	9,900,564	3,786,244	-	13,686,808
Carrying amount	14,617,874			11,731,904

Leasehold

Cost

	Balance at the beginning of the year	Additions	(Disposals)/(Transfer)	Balance at the end of the year
	Rs.	Rs.	Rs.	Rs.
Motor vehicles	5,075,000	4,860,000	-	9,935,000
	5,075,000	4,860,000	-	9,935,000

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	883,750	1,501,000	-	2,384,750
	883,750	1,501,000	-	2,384,750
Carrying amount	4,191,250			7,550,250

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		31.03.2010 Rs.	31.03.2009 Rs.
25.	**; against Fixed deposits**		
	Loans against Fixed deposits	6,289,039	-
	Less:Interest in suspense	184,234	-
		6,104,805	-
26.	**Other liabilities**		
	Accrued expenses	7,631,837	2,832,363
	Amount due to related parties (Note 26.1)	154,668	154,668
	Lease Creditor (Note 26.2)	7,425,097	4,288,770
	Other payables	30,950,429	15,470,372
	Rental Received in Advance	24,493,357	22,813,697
		70,655,387	45,559,870
26.1	**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
		154,668	154,668
26.2	**Other payables - Lease Creditor**		
	Balance at the beginning of the year	6,896,495	-
	Additions during the year	6,662,976	8,187,506
	Payments made during the year	(2,519,452)	(1,291,011)
		11,040,019	6,896,495
	Less: Interest In Suspense	(2,859,751)	(2,318,965)
		8,180,267	4,577,530
	Less: Rentals paid in advance	(755,170)	(288,760)
		7,425,097	4,288,770
27.	**Retirement benefit obligation**		
	Provision as at the beginning of the year	1,605,416	1,363,823
	Gratuity charge for the year	238,785	144,143
	Interest charge for the year	176,596	150,021
	Gain/(loss) arising from changes in the assumptions or due to over /under provision in the previous year	752,766	(52,571)
	Provision as at the end of the year	2,773,563	1,605,416

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	No of shares	31.03.2010 Rs.	31.03.2009 Rs.
28. Stated capital			
Issued and fully paid ordinary shares	5,608,355	56,086,280	52,080,310
		56,086,280	52,080,310

28.1. Rights issue

The company has made a rights issue and has alloted the ordinary shares on 16th November 2009 in the proportion of one (01) new ordinary share for every thirteen (13) exsisting ordinary shares. The share issue price was 10/- per share. Further the company has collected the total proceeds as at the balance sheet date.

	31.03.2010 Rs.	31.03.2009 Rs.
29. Other reserves		
Capital reserve	17,930	17,930
General reserve	1,029,052	1,029,052
Statutory reserve fund (Note 29.1)	12,735,293	9,566,621
	13,782,275	10,613,603

29.1 Statutory reserve fund		
Balance at the beginning of year	9,566,621	6,096,621
Transfers during the year	3,168,672	3,470,000
Balance at the end of year	12,735,293	9,566,621

The Reserve Fund was created to comply with the Directions No.1of 2003 issued by the Central Bank under Finance Companies Act No.78 of 1988. During the year 2009/10 the Company transferred Rs. 3,168,672 a sum equal to 5% of the Net Profits for the year ended 31st March 2010 to Reserve Fund.

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	31.03.2010 Rs.	Restated 31.03.2009 Rs.
30. Retained earnings		
Balance at the beginning of year	135,612,447	67,760,475
Profit for the year	63,373,442	71,321,972
Transfer to reserve fund	(3,168,672)	(3,470,000)
Balance at the end of year	195,817,217	135,612,447

30.1. Correction of error

Value added tax receivable balance incorrctly charged to income statement as unrecoverable value added tax in the previous year revesed and recognised as a value added tax receivable balance.

Profit for the year 2008/2009 - Previously reported	69,388,291
Prior year adjustment - error correction	1,933,681
Profit for the year 2008/2009 - Restated	71,321,972

31. Related party transactions

(i) Mr.J.P.I.N.Dayawansa, ,Mrs.W.A.S.Dayawansa and Mrs.G.J.Perera were the directors of the company during the year

(ii) During the year, company entered into the following trading transactions with its related parties.

Related party	Nature of transaction	Amount (Rs.)
Mr.J.P.I.N.Dayawansa (Managing Director)	Office Rent	1,200,000

(iii) A sum of Rs.251909.12 was deposited with the company by the directors during the year under review

(iv) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows.

	2009/2010 Rs.	2008/2009 Rs.
Short term benefits	120,000.00	480,000

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32. Capital commitments

There were no material capital commitments outstanding as at the balance sheet date.

33. Contingent liabilities

There were no material contingent liabilities as at the balance sheet date.

34. Events after the balance sheet date

No material events have taken place after the balance sheet date, which require, an adjustment or a disclosure in the financial statements.

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ASSOCIATED MOTOR FINANCE COMPANY LTD
SEGMENTAL INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2010

35. Segmental information

	2010		2009	
	Rs.	%	Rs.	%
35.1 Assets				
Finance leases	246,907,074	51%	292,034,862	70%
Hire purchase	13,998,843	3%	3,761,760	1%
Investment in Government Securities & Fixed	190,270,493	39%	71,575,381	17%
Inventory	14,914,040	3%	29,996,735	7%
Investment Property	17,230,373	4%	17,372,295	4%
Total	483,320,823	100%	414,741,033	100%
35.2 Gross income on				
Finance leasing	98,230,349	67%	118,878,522	79%
Hire purchase	3,589,687	2%	2,625,581	2%
Investment in Government Securities & Fixed	21,071,295	14%	11,161,889	7%
Sale of motor vehicles	21,758,705	15%	9,613,074	6%
Other income	2,208,509	2%	8,997,276	6%
Total	146,858,545	100%	151,276,343	100%

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36. Maturity analysis

	Less than 1 year	More than 1 less than 3 years	More than 3 years	Total as at 31.03.2010
	Rs.	**Rs.**	**Rs.**	**Rs.**
Interest earning assets				
Investments in Government securities	29,079,174	-	-	29,079,174
Investments in fixed deposits	131,191,319	30,000,000	-	161,191,319
Investments in hire purchase	8,102,239	5,768,267	128,336	13,998,842
Investments in leases	144,622,734	96,054,861	6,229,479	246,907,074
Investment on Loans against FD	6,104,805	-	-	6,104,805
Investment in Pronotes & Other loans	5,031,736	-	-	5,031,736
	324,132,007	131,823,128	6,357,815	462,312,950
Non interest earning assets				
Cash in hand and at banks	25,025,573	-	-	25,025,573
Inventories	20,473,278	-	-	20,473,278
Investments in shares	244,594	-	-	244,594
Deferred tax assets	-	-	58,780,789	58,780,789
Other assets	19,614,704	9,024,002	359,643	28,998,349
Property and equipment	-	-	19,282,154	19,282,154
Intangible assets	-	-	50,625	50,625
Investment property	-	-	17,230,373	17,230,373
	65,358,149	9,024,002	95,703,584	170,085,735
Total assets	389,490,156	140,847,130	102,061,399	632,398,685
Percentage	61.6%	22.3%	16.1%	100.0%

36. Maturity analysis

	Less than 1 year	More than 1 less than 3 years	More than 3 years	Total as at 31.03.2010
	Rs.	**Rs.**	**Rs.**	**Rs.**
Interest bearing liabilities				
Public deposits	233,719,990	39,812,335	-	273,532,325
Bank overdraft	107	-	-	107
Interest bearing public deposits	-	-	-	-
	233,720,097	39,812,335	-	273,532,432
Non interest bearing liabilities				
Other liabilities	53,192,002	31,918,454	154,668	85,265,124
Retirement benefit obligations	-	-	2,773,563	2,773,563
Deferred tax liabilities	-	-	-	-
	53,192,002	31,918,454	2,928,231	88,038,687
Total liabilities	286,912,099	71,730,789	2,928,231	361,571,119
Percentage	79.4%	19.8%	0.8%	100.0%

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

	Note	2010/2011 Rs.	2009/2010 Rs.
Income		183,399,496	146,858,544
Interest and similar income	6	151,536,441	122,891,330
Interest expense and similar charges	7	(48,155,645)	(52,339,149)
Net interest income		103,380,796	70,552,180
Other income	8	31,863,055	23,967,215
Personnel costs		(22,401,743)	(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		(27,140,819)	(23,589,066)
Profit from operations		82,063,131	42,316,186
VAT on financial services		(861,513)	(406,672)
Profit before taxation		81,201,618	41,909,514
Income tax expense	10	(13,915,495)	21,463,928
Profit after tax		67,286,123	63,373,442
Basic/diluted earnings per share	11	12.00	11.83

The interim financial statements for the 12 months ended 31st March 2011 are provisional and subject to audit.

The accounting policies and notes from 1 to 36 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	12	29,963,651	29,079,174
Deposits with banks	13	40,382,500	161,191,319
Long term investments	14	244,594	244,594
Investment in leases	15	501,708,334	246,907,074
Investment in hire purchase	16	18,170,273	13,998,843
Other assets	17	39,275,352	32,004,322
Inventories	18	36,174,188	14,914,040
Stock of Real Estate		21,732,142	5,559,238
Deferred tax assets	19	55,664,758	55,664,758
Investment properties	20	20,564,491	17,230,373
Intangible assets	21	4,677,917	50,625
Property and equipment	22	18,179,960	19,282,154
Loan against Fixed deposits	23	2,449,472	6,104,805
Total assets		796,532,690	627,256,891
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	24	122,443,864	70,655,387
Retirement benefit obligations	25	3,520,816	2,773,563
Pledge loan from CFC		10,000,000	-
Total liabilities		463,560,795	361,571,119
Shareholders' Fund			
Stated capital	26	56,086,280	56,086,280
Other reserves	27	13,782,275	13,782,275
Retained earnings	28	263,103,340	195,817,217
		332,971,895	265,685,772
Total liabilities and shareholders' funds		796,532,690	627,256,891

I certify that the above financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007 and give a true and fair view of the state of affairs of the company as at 31st March 2011 and its profit for the 12 months ended 31st March 2011.

Chief Financial Officer 26/5/2011

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

Approved and signed for and on behalf of the Board.

Director
Date:

Director
Date:

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	-	-	-	-	67,286,123	67,286,123
Transfer to reserve fund	-	-	-	-		-
Balance as at 31st March 2011	56,086,280	17,930	1,029,052	12,735,293	263,103,340	332,971,895

The interim financial statements for the 12 months ended 31st March 2011 are provisional and subject to audit.
Figures in brackets indicate deductions.
The annexed notes form an integral part of these interim 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	81,201,618	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	46,800,634	50,995,422
Lease interest	1,355,012	1,343,727
Unabsorbed input VAT on lease creditor	346,414	-
Operating profit before working capital changes	128,925,165	109,104,899
(Increase)/ decrease in government securities and other investments	119,924,342	(118,695,112)
(Increase)/ decrease in other assets	(7,271,029)	(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	46,438,617	21,959,191
	(86,596,655)	(39,240,356)
Cash generated from operations	42,328,509	69,864,543
Tax paid	1,735,252	(2,312,352)
Gratuity paid	(818,000)	-
Interest paid	(44,670,017)	(50,733,831)
Net cash flow from operating activities	(1,424,255)	16,818,360
Cash flow from investment activities		
Proceeds from disposal of property and equipment	-	-
Purchase of property and equipment	(6,630,830)	(900,274)
Purchase of investment property	(3,476,040)	-
Purchase of Real estate stock	(16,172,904)	-
Net cash flow from investing activities	(26,279,774)	(900,274)

	2010/2011 Rs.	2009/2010 Rs.
Cash flow from financing activities		
Proceeds from rights issue	-	4,005,970
Repayment of lease creditor	(3,005,954)	(3,067,400)
Net cash flow from financing activities	(3,005,954)	938,570
Net increase / (decrease) in cash and cash equivalents	(30,709,982)	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	(5,684,517)	25,025,466
Cash and cash equivalents		
Cash in hand and at bank	7,345,060	25,025,573
Bank overdrafts	(13,029,577)	(107)
	(5,684,517)	25,025,466

The accounting policies and notes from 1 to 36 form an integral part of these financial statements.

The interim financial statements for the Twelve months ended 31st March'2011 are provisional and subject to audit.
Figures in brackets indicate deductions.
The annexed notes form an integral part of these interim financial statements.

1 There were no changes in the accounting policies and methods of computation since the last audited financial statements.

2 These Interim financial statements are presented in accordance with SLAS 35 - Interim Financial Reporting

3 There were no material events that took place since 31st March 2011, that require disclosure in these financial statements.

4 There are no material changes in composition of assets, liabilities, contingent liabilities.

5 All known expenses have been provided for in these financial statements.

		2010/2011 Rs.	2009/2010 Rs.
6.	**Interest and similar income**		
	Interest income from leasing	103,519,629	78,456,111
	Interest income from the hire purchases	6,402,604	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
		151,536,441	122,891,330
7.	**Interest expense and similar charges**		
	Interest on public deposits	46,800,634	50,995,422
	Interest on commercial papers	-	-
	Other interest expenses	1,355,012	1,343,727
		48,155,645	52,339,149

In 2008/2009 rebate charges amounting to Rs. 8,781,967 classified under other expenses and similar charges has been reclassified and set off against interest income from leasing under interest and similar income.

8.	**Other income**		
	Trade income	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	310,693	572,890
	Bad debt recoveries	9,416,189	270,363
	Vehicle hire income	516,251	606,342
	Exchange gain	-	44,508.03
		31,863,055	23,967,215
9.	**Operating expenses include the following:**		
	Directors' remuneration	480,000	480,000
	Staff costs (Note 9.1)	19,929,399	14,940,379
	Depreciation	5,906,575	5,429,167
	Auditor's remuneration	198,000	162,225
9.1	**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
		19,929,399	14,940,379

	2010/2011 Rs.	2009/2010 Rs.
10. Income tax expense		
10.1 Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	12,180,243	4,940,702
Under provision in respect of prior years	-	-
Deemed Dividend tax	1,735,252	-
	13,915,495	4,940,702
Deferred tax expense relating to the origination and reversal of temporary differences	-	(26,404,630)
	13,915,495	(21,463,928)

11. Earnings per share		
Basic earnings per share	12.00	11.83

11.1 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	67,286,123	63,373,442
Weighted average number of ordinary shares for the purposes of basic/ diluted earnings per share (all measures)	5,608,355	5,357,982

12. Investment in government securities		
Treasury Bills	31,180,227	30,637,936
REPO Agreements	-	-
	31,180,227	30,637,936
Less: Interest to be earned	(1,216,576)	(1,558,762)
	29,963,651	29,079,174
13. Deposits with banks		
Fixed deposits	40,382,500	161,191,319

	2010/2011	2009/2010
	Rs.	Rs.
14. Long term investments		
Investment in shares (Note 14.1)	125,000	125,000
Other investments (Note 14.2)	119,594	119,594
	244,594	244,594

14.1 Investment in shares

	31.03.2011		31.03.2010	
	No. of shares	Cost	No. of shares	Cost
		Rs.		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
		163,140		163,140
Less: Provision for fall in value of shares		(38,140)		(38,140)
		125,000		125,000
14.2 Other investments				
Credit Information Bureau	43	4,300	43	4,300
Namal Unit Trust	19,608	115,294	19,608	115,294
		119,594		119,594

15. Investment in leases		
Gross investment in leases	641,986,489	372,505,432
Lease rental receivables	30,345,825	26,485,292
	672,332,314	398,990,724
Less : Unearned income	(157,930,079)	(134,358,475)
	514,402,235	264,632,249
Less: Interest in suspense	(2,314,137)	(1,996,375)
	512,088,098	262,635,874
Lease expenses recoverable	2,845,009	3,372,296
Less: Provision for bad and doubtful debts	(7,817,806)	(16,777,248)
	507,115,301	249,230,923
Less: Prepaid rentals	(5,406,967)	(2,323,848)
Net investment in finance leases	501,708,334	246,907,074

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

		2010/2011 Rs.	2009/2010 Rs.
17.	**Other assets**		
	Deposits and prepayments	331,597	241,428
	Debtors on sale of vehicle	61,414	6,528,000
	Promissory notes (Note 17.1)	2,343,045	5,031,736
	Amount due from related company (Note 17.2)	-	283,546
	Staff loans and advances	1,779,512	1,561,996
	Rent receivable	105,600	110,000
	VAT receivables	7,932,360	3,124,389
	Income tax refund due (Note 17.3)	-	3,873,851
	Fixed deposit interest receivable	7,901,576	11,249,377
	VAT Uuabsorbed input tax	18,820,248	-
		39,275,352	32,004,322
17.1	**Promissory notes**		
	Promissory note debtors	3,797,976	5,210,045
	Less: Interest in suspense	(1,454,930)	(178,308)
		2,343,045	5,031,737
17.2	**Amount due from related company**		
	AMF Duty Free Company (Pvt) Ltd	-	283,546
		-	283,546
17.3	**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	-	3,873,851
18.	**Inventories**		
	Generators	156,835	156,835
	Motor vehicles	36,174,188	14,914,040
		36,331,023	15,070,875
	Less: Provision for generator stock	(156,835)	(156,835)
		36,174,188	14,914,040
19.	**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
	Income statement charge	-	26,404,630
	Balance at the end of the year	55,664,758	55,664,758

	Balance at the beginning of the year Rs.	Additions Rs.	Balance at the end of the year Rs.
20. 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
	17,851,698	3,476,040	21,327,738
Accumulated depreciation			
Building	621,325	141,922	763,247
	621,325	141,922	763,247
Carrying amount	17,230,373		20,564,491

21. Intangible assets			
Cost			
Software	850,000	-	850,000
Computer system-OPENARC	-	5,150,000	5,150,000
	850,000	5,150,000	6,000,000

	Balance at the beginning of the year Rs.	Charge for the year Rs.	Balance at the end of the year Rs.
Accumulated amortization			
Software	799,375	50,625	850,000
Computer system-OPENARC	-	472,083	472,083
	799,375	522,708	1,322,083
Carrying amount	50,625		4,677,917

22. Property and equipment

	31.03.2011	31.03.2010
	Rs.	Rs.
Freehold (Note 24.1)	12,616,710	11,731,904.00
Leasehold (Note 24.2)	5,563,250	7,550,250.00
	18,179,960	19,282,154.00

Cost

	Balance at the beginning of the year	Additions	(Disposals)/(Transfer)	Balance at the end of the year
	Rs.	Rs.	Rs.	Rs.
Freehold				
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
	25,418,712	1,480,830	(307,399)	29,869,440

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	(162,765)	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	-	-	-	-
	13,686,808	3,777,653	(162,765)	17,252,730
Carrying amount	11,731,904			12,616,710

Leasehold

Cost

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

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	2,384,750	1,987,000	-	4,371,750
	2,384,750	1,987,000	-	4,371,750
Carrying amount	7,550,250			5,563,250

	31.03.2011 Rs.	31.03.2010 Rs.
23. Loans against Fixed deposits		
Loans against Fixed deposits	2,460,445	6,289,039
Less:Interest in suspense	(10,973)	184,234
	2,449,472	6,104,805
24. Other liabilities		
Accrued expenses	3,792,192	7,631,837
Amount due to related parties (Note 24.1)	154,668	154,668
Lease Creditor (Note 24.2)	5,427,741	7,425,097
Other payables	88,665,304	30,950,429
Rental Received in Advance	17,056,743	24,493,357
Income Tax payable (Note 24.3)	7,347,215	-
	122,443,864	70,655,387
24.1 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
	154,668	154,668
24.2 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)	-
	7,687,651	11,040,019
Less: Interest In Suspense	(1,504,740)	(2,859,751)
	6,182,911	8,180,267
Less: Rentals paid in advance	(755,170)	(755,170)
	5,427,741	7,425,097
24.3 Income Tax payable		
Balance at the beginning of the year	(2,138,599)	-
Provision for the year	12,180,243	-
ESC Receivable	(2,015,198)	-
Withholding tax	(679,231)	-
Balance at the end of the year	7,347,215	-
25. Retirement benefit obligation		
Provision as at the beginning of the year	2,773,563	1,605,416
Gratuity charge for the year	1,565,253	238,785
Interest charge for the year	-	176,596
Gain/(loss) arising from changes in the assumptions or due to over /under provision in the previous year	-	752,766
Payment during the year	(818,000)	
Provision as at the end of the year	3,520,816	2,773,563

	No of shares	31.03.2011 Rs.	31.03.2010 Rs.
26. Stated capital			
Issued and fully paid ordinary shares	5,608,355	56,086,280	56,086,280
		56,086,280	56,086,280

26.1. Rights issue

The company has made a rights issue and has alloted the ordinary shares on 16th November 2009 in the proportion of one (01) new ordinary share for every thirteen (13) exsisting ordinary shares. The share issue price was 10/- per share. Further the company has collected the total proceeds as at the balance sheet date.

27. Other reserves		
Capital reserve	17,930	17,930
General reserve	1,029,052	1,029,052
Statutory reserve fund (Note 27.1)	12,735,293	12,735,293
	13,782,275	13,782,275

27.1 Statutory reserve fund		
Balance at the beginning of year	12,735,293	9,566,621
Transfers during the year	-	3,168,672
Balance at the end of year	12,735,293	12,735,293

The Reserve Fund was created to comply with the Directions No.1of 2003 issued by the Central Bank under Finance Companies Act No.78 of 1988. During the year 2009/10 the Company transferred Rs. 3,168,672 a sum equal to 5% of the Net Profits for the year ended 31st March 2010 to Reserve Fund.

28. Retained earnings		
Balance at the beginning of year	195,817,217	135,612,447
Profit for the year	67,286,123	63,373,442
Transfer to reserve fund	-	(3,168,672)
Balance at the end of year	263,103,340	195,817,217

29. Related party transactions

(i) Mr.J.P.I.N.Dayawansa, ,Mrs.W.A.S.Dayawansa, Mrs.G.J.Perera, Mr.K.D.L. Nanayakkara & L.C.W. Edirisooriya were the directors of the company during the period.

(ii) During the year, company entered into the following trading transactions with its related parties.

Related party	Nature of transaction	Amount (Rs.)
(Managing Director)	Office Rent	1,200,000

(iii) A sum of Rs.251909.12 was deposited with the company by the directors during the year under review

(iv) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows.

	2010/2011 Rs.	2009/2010 Rs.
Short term benefits	120,000	120,000.00

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

		2010/2011 Rs.	2009/2010 Rs.
1.	**Personnel costs**		
	Staff salaries	13,510,723	10,282,008
	Overtime and allowances	2,780,519	1,914,001
	Casual wages	75,788	36,700
	Directors' remuneration	480,000	480,000
	Staff welfare	1,373,926	1,292,925
	Office staff bonus	3,395,310	2,842,117
	Staff welfare- medical insurance	785,477	939,032
		22,401,743	17,786,782
2.	**Employee retirement benefit expenses**		
	E.P.F contribution	1,658,323	1,260,979
	E.T.F contribution	414,581	315,245
	Gratuity	1,565,253	1,168,147
		3,638,157	2,744,370
3.	**Administration and general expenses**		
	Rent	1,200,000	1,200,000
	Depreciation	5,906,575	5,429,167
	Amortisation	522,708	170,000
	Professional charges	1,444,353	1,408,208
	Printing and stationery	1,816,491	827,530
	Telephone	1,405,283	1,141,432
	Electricity	1,182,751	1,169,241
	Subscription	176,500	134,930
	Maintenance and repair of office equipment	358,372	538,128
	Balance carried forward	14,013,033	12,018,637

	2009/2010 Rs.	2009/2010 Rs.
Balance brought forward	14,013,033	12,018,637
Audit fee	198,000	162,225
Vehicle maintenance	-	882,320
Water bills	89,558	92,059
Rates	318,018	163,886
License and registration	524,198	144,303
Building maintenance	835,902	3,982,901
Security charges	1,049,127	992,285
Insurance	453,942	1,153,503
Unclaimed VAT expenses		- 838,398
Newspapers and periodicals	112,450	11,190
Charity and donations	82,780	36,920
Bank charges	413,333	235,582
Debit tax	902,081	497,375
Interest on Overdrafts	149,293	396
Advertisements	96,004	353,780
Commission	244,405	343,945
Travelling and vehicle running expenses	3,598,242	2,380,731
Travelling and meals for sales staff	693,570	341,081
Surcharges on taxes	-	- 37,200
Insurance on Money in Transit	32,094	29,381
Insurance Building	176,860	267,325
Vehicle Hiring Charges	-	350,001
Nation Building Tax	55,333	24,838
Postage	(495,785)	-
Motor vehicle Repair	965,235	-
Irrecoverable Taxes	396,396	-
General expenses on Land	1,973,739	-
Valuation charges	103,009	-
CRIB Charges	(20,841)	-
Srilanka Deposit scheme Insurance	180,842	-
	27,140,819	23,589,066

SCHEDULE II

Members of the CSE

Acuity Stockbrokers (Private) Limited
Level 6, Acuity House
53, Dharmapala Mawatha
Colombo 03

Tel: 011 2206206
Fax: 011 2206298-9
E-mail: sales@acuitystockbrokers.com
Kandy Branch Tel: 081 2205609

Asha Phillip Securities Limited
Level 4, "Millennium House"
46/58, Navam Mawatha
Colombo 02

Tel: 011 2429100
Fax: 011 2429199
E-mail: apsl@ashaphillip.net
Jaffna Branch Tel: 021 2221614
Kandy Branch Tel: 081 4474118
Kurunegala Branch Tel: 037 4691844
Matara Branch Tel: 041 2223240
Negombo Branch Tel: 031 2227474

Asia Securities (Private) Limited
Level 21, West Tower
World Trade Centre
Echelon Square
Colombo 01
Tel: 011 2423905, 011 5320000
Fax: 011 2336018
E-mail: enquiry@asiacapital.lk
Kandy Branch Tel: 081 4474432
Kurunegala Branch Tel: 037 4691845
Matara Branch Tel: 041 5677525
Negombo Branch Tel: 031 5315001

Assetline Securities (Private) Limited
282, Kaduwela Road
Battaramulla
Tel: 011 4700111,011 2307366
Fax: 011 4700112, 011 2307365
E-mail: dpgsl@sltnet.lk
Kandy Branch Tel: 081 4481638/9
Kurunegala Branch Tel: 037 4690384/5
Matara Branch Tel: 041 4390766/7

Bartleet Mallory Stockbrokers (Private) Limited
Level "G",
"Bartleet House"
65, Braybrooke Place
Colombo 02
Tel: 011 5220200
Fax: 011 2434985
E-mail: info@bartleetstock.com
Jaffna Branch Tel: 021 2221800
Kandy Branch Tel: 081 5622779
Matara Branch Tel: 041 5410005/6
Negombo Branch Tel: 031 5677838

Capital TRUST Securities (Private) Limited
42, Sir Mohamed Macan Marker Mawatha
Colombo 03
Tel: 011 5335225
Fax: 011 5365725
E-mail: inquiries@capitaltrust.lk
Kandy Branch Tel: 081 5626839
Kurunegala Branch Tel: 037 5671403
Matara Branch Tel: 041 5623200
Negombo Branch Tel: 031 5675291

Ceylinco Stockbrokers (Private) Limited
"Ceylinco House"
Level 9
69, Janadhipathi Mawatha
Colombo 01

CT Smith Stockbrokers (Private) Limited
4-14, Majestic City
10, Station Road
Colombo 04

Tel: 011 2552290-4

Tel: 011 4714300, 011 4714388-9, 077 7891871, 077 7896064
Fax: 011 2387228
E-mail: info@ecsbl.com
Kurunegala Branch Tel: 037 2220297

D N H Financial (Private) Limited.
Level 16, West Tower
World Trade Centre
Colombo 01

Tel: 011 5732222
Fax: 011 5736264
E-mail: info@dnhfinancial.com

John Keells Stockbrokers (Private) Limited
130, Glennie Street
Colombo 02
Tel: 011 2326003, 011 2338066-7, 011 2342066-7, 011 2446694-5, 011 2439047-8, 011 4710721-4
Fax: 011 2342068, 011 2326863
E-mail: jkstock@keells.com

NDB Stockbrokers (Private) Limited
5th Floor, NDB Building
40, Navam Mawatha
Colombo 02
Tel: 011 2314170-8
Fax: 011 2314180
E-mail: mail@ndbs.lk

Somerville Stockbrokers (Private) Limited
137, Vauxhall Street
Colombo 02

Tel: 011 2329201-5, 011 2332827, 011 2338292-3
Fax: 011 2338291
E-mail: ssb@web-lk.com

Fax: 011 2552289
E-mail: ctssales@sltnet.lk

J B Securities (Private) Limited
150, St Joseph Street
Colombo 14

Tel: 011 2490900, 077 2490900, 077 2490901
Fax: 011 2430070, 011 2446085, 011 2447875
E-mail: jbs@jb.lk

Lanka Securities (Private) Limited
228/2, Galle Road
Colombo 04
Tel:011 4706757, 011 2554942
Fax: 011 4706767
E-mail: lankasec@sltnet.lk
Kandy Branch Tel: 081 4939206
Kurunegala Branch Tel: 037 4934067
Negombo Branch Tel: 031 4929671

SC Securities (Private) Limited
2nd Floor,
55, D.R. Wijewardena Mawatha
Colombo 10

Tel: 011 4711000
Fax: 011 2394405
E-mail: cscres@sltnet.lk
Kandy Branch Tel: 081 4474299
Matara Branch Tel: 041 2220090

Trading Members

Capital Alliance Securities (Private) Limited
Level 5, "Millennium House"
46/58, Navam Mawatha
Colombo 02

Tel: 011 2317777
Fax: 011 2317788
Kurunegala Branch Tel: 037 2222034/5
Matara Branch Tel: 041 4390610
Negombo Branch Tel: 031 2227843/4

First Guardian Equities (Private) Limited
32nd Floor, East Tower
World Trade Centre
Colombo 01

Tel: 011 5884400
Fax: 011 5884401
E-mail: info@firstguardianequities.com

Heraymila Securities Limited
Level 8, South Wing,
Millennium House,
46/58, Navam Mawatha
Colombo 02

Tel: 011 2359100
Fax: 011 2305522

IIFL Securities Ceylon (Private) Limited
27th Floor, East Tower
World Trade Centre
Colombo 01

Tel: 011 2333000
Fax: 011 2333383
E-mail: priyani.ratnagopal@iiflcap.com

SMB Securities (Private) Limited
47, Dharmapala Mawatha
Colombo 03

Tel: 011 5539593
Fax: 011 2339292
E-mail: smbsecurities@gmail.com

SKM Lanka Holdings (Private) Limited
377/3, Galle Road
Colombo 03

Tel: 011 2372413-4
Fax: 011 2372416
E-mail: info@skmlankaholdings.com

Taprobane Securities (Private) Limited
2nd Floor
10, Gothami Road
Colombo 08

Tel: 011 5231000
Fax: 011 5328177
E-mail: info@taprobane.lk, dinal@taprobane.lk

TKS Securities (Private) Limited
14, Reid Avenue
Colombo 07

Tel: 011 2675200
Fax: 011 2682553
E-mail: ralph@tks.lk

Richard Pieris Securities (Pvt) Ltd
69, Hyde Park Corner
Colombo 02

Tel: 011 7448900
Fax: 011 2675064
E-mail: communication@rpsecurities.com

Caldridge Stockbrokers (Pvt) Ltd
10, Gnanartha Pradeep Mawatha
Colombo 08

Tel: 011 2697974
Fax: 011 2677576
E-mail: fonseka@mackwoods.com

New World Securities (Pvt) Ltd
2nd Floor, 45/2, Braybrook Street,
Colombo 02

Tel: 011 2358700/20
Fax: 011 2358701
E-mail: infor@nws.lk

Arrenga Capital (Pvt) Ltd
410/115, Bauddhaloka Mawatha
Colombo 07

Tel: 011 2697974
Fax: 011 2677576
E-mail: fonseka@mackwoods.com

Custodian Banks

Bank of Ceylon
Head Office,
11th Floor,
04, Bank of Ceylon Mawatha,
Colombo 01
Tel: 011 2317777, 011 2448348,
011 2338742/55, 011 2544333

Citi Bank, N A
65 C, Dharmapala Mawatha,
P.O. Box 888,
Colombo 07
Tel: 011 2447316/8, 011 2447318, 011
011 2449061, 011 2328526, 011 4794700

Deutsche Bank AG
P.O. Box 314,
No. 86, Galle Road,
Colombo 03
Tel: 011 2447062, 011 2438057

The Hong Kong and Shanghai Banking Corporation Limited
24, Sir Baron Jayathilake Mawatha,
Colombo 01
Tel: 011 2325435, 011 2446591, 011 2446303,
011 2346422

Standard Chartered Bank
37, York Street,
P. O. Box 112,
Colombo 01
Tel: 011 4794400, 011 2480000

State Bank of India
16, Sir Baron Jayathilake Mawatha,
Colombo 01
Tel: 011 2326133-5, 011 2439405-6, 011
2447166, 011 2472097

Union Bank of Colombo Limited
15A, Alfred Place,
Colombo 03
Tel: 011 2370870

National Savings Bank
255, Galle Road,
Colombo 03
Tel: 011 2573008-15

Banque Indosuez
C/O Hatton National Bank Limited,
Cinnamon Garden Branch,
251, Dharmapala Mawatha,
Colombo 07
Tel: 011 2686537, 011 2689176

Commercial Bank of Ceylon PLC
Commercial House,
21, Bristol Street,
P.O. Box 853,
Colombo 01
Tel: 011 2445010-15, 011 238193-5,
011430420, 011 336700

Hatton National Bank PLC
HNB Towers,
479, T.B. Jayah Mawatha,
Tel: 011 2664664

People's Bank
Head Office, 5th Floor,
Sir Chittampalam A Gardiner Mawatha,
Colombo 02
Tel: 011 2781481, 011 237841-9, 011
2446316-15, 011 2430561

Sampath Bank PLC
110, Sir James Peiris Mawatha,
Colombo 02
Tel: 011 5331441

Seylan Bank PLC
Level 8, Ceylinco Seylan Towers,
90, Galle Road,
Colombo 03
Tel: 011 2456789, 011 4701812,
011 4701819, 011 4701829

Nations Trust Bank PLC
256, Sri Ramanathan Mawatha,
Colombo 15
Tel: 011 4313131

Pan Asia Banking Corporation PLC
Head Office,
450, Galle Road,
Colombo 03
Tel: 011 2565565

Public Bank Berhad
No: 340, R A De Mel Mawatha,
Colombo 03
Tel: 011 2576289, 011 7290200-07